Trakm8
Data driven insights

2018
Optimising performance

Annual Report and Accounts 2018

Through innovative products,
Trakm8 collects billions of miles
worth of data annually.

Trakm8 analyses data and provides actionable insights to customers so that they improve efficiency and reduce risk.

Highlights

Financial

Revenue

£30.1m

Increase: 12%

2017: £26.8m

Adjusted profit before tax

£2.8m

Increase: 142%

2017: £1.2m

Profit before tax

£1.2m

Increase: 69%

2017: £0.7m

Cash generated from operations

£4.7m

Increase: 608%

2017: £0.7m

Adjusted earnings per share

8.19p

Increase: 41%

2017: 5.81p

Basic earnings per share

4.40p

Decrease: 02%

2017: 4.51p

Operational

- Successful exit from non-core Contract Electronics Manufacturing ('CEM') activities.
- Achieved planned reduction of annual operating costs by £1.5m with savings reinvested into sales and marketing – particularly in Fleet Management.
- Core telematics business revenue ('Solutions Revenue') grew by 26% and Group adjusted profit before tax grew by 142%.
- Recurring service revenue increased by 10%.
- Solutions Revenue now represents 90% of total revenue (FY-2017: 80%).
- Over 251,000 connected units in operation (FY-2017: 190,000).
- Launch of Trakm8's Insight software platform and RoadHawk 600 4G integrated telematics camera.
- New contract wins with Intelematics, Mecalac and Calor Gas UK; and contract extensions with Iceland Foods, Marmalade, and Direct Line Group.
- Maintained considerable investment in R&D.
- Further streamlining of operational activities to Coleshill and Prague through the closure of Trakm8's Bodmin and Livingston offices.
- Board strengthened with the appointment of new Finance Director.

Outlook

- Due to customer inventory build-up in Q4-2018 and the terminated CEM activities, revenue for the first half of FY-2019 is expected to be below the figure reported at H1-2018 although the full year result is anticipated to be in line with market expectations and higher than FY-2018.
- The new financial year has begun with a new contract award from Intelematics Australia, a contract extension from FMG and a positive growth in connections.
- Trakm8 has decided to expand its existing facilities in Coleshill to meet demand for both product and people resources.

Visit us online at trakm8.com

At a Glance

Connected business

A pure-play telematics data provider

Trakm8 is a UK-based big data Company. As leaders in the fleet management, insurance and automotive sectors, we enable businesses to enhance their operations through a wide-range of telematics, camera and optimisation solutions. Collecting data through intellectual property ('IP')-owned hardware, Trakm8 fine-tunes algorithms and creates solutions that assist private drivers and commercial fleets with the reduction of risk, fuel consumption and insurance premiums, while improving productivity, safety and compliance.

PIONEERING SOLUTIONS
The Group's product portfolio includes a range of telematics devices, from self-install dongles to the new 4G integrated telematics camera, the RoadHawk 600. We currently have over a quarter of a million devices in operation.

See page 08 for more about the RoadHawk 600

Fleet and Optimisation

FLEET
A combination of telematics, cameras and route optimisation and scheduling software empowers businesses to make informed decisions about fleet operations – and to tackle a diverse range of obstacles. Benefits to fleets include the introduction of safer driving practices, reductions in fuel, obtaining lower insurance premiums, having a smaller carbon footprint and automating administrative tasks.

OPTIMISATION
Through the development and application of pioneering algorithms, we are able to improve the operational efficiency and productivity of our customers. Our optimisation algorithms can be administered to a number of sectors including transport and logistics, energy management, mobility and electric vehicles ('EVs').

Number of connected units

73,000

2017: 66,000

See page 14 for more information

Insurance and Automotive

INSURANCE
Insurers and brokers use our telematics hardware and data to better calculate risk among policyholders. Our self-install devices monitor high-risk driving styles and enable businesses to calculate relative premiums based on real-world driving data. In addition, telematics devices combined with our leading algorithms allow insurance companies to speed up and better control the first notification of loss ('FNOL') claims process.

AUTOMOTIVE
Our automotive team works with businesses to supply connected vehicle technologies to its end users. Automotive solutions include the remote identification of vehicle and battery faults, breakdown assistance apps, and reminders for MOT dates, servicing and tax renewals.

Number of connected units

178,000
2017: 124,000

CLIENTS
The Group has built client relationships with large corporates, SMEs, down to sole traders either directly or via partners who provide intermediary marketing support. These relationships often enable us to cross-sell solutions and facilitate a high rate of contract renewals and extensions.

See pages 14 to 15 for more information

Solutions Revenue

£26.8m
2017: £21.3m

Fleet and Optimisation	£14.2m
Insurance and Automotive	£12.6m

See pages 50 for more information

Executive Chairman's Statement

A year of strong progress

Optimising both our and our customers' operations

John Watkins
Executive Chairman

The revenues of the core telematics business grew by 26% and the Group adjusted profit before tax grew by 142%. Connections grew by 32% to 251,000. Revenues generated from providing data and analytics services increased by 10%.

FY-2018 was a year of strong progress for Trakm8. During the year we successfully exited from all Contract Electronics Manufacturing ('CEM') and third-party hardware supply to focus on our core telematics services without distraction and associated overheads. The benefits of this increased focus are already coming through and provided the necessary capacity for the second half growth in device demand. This demand came through later than originally expected, but fully utilised our production capacity in the last two months of the year.

The revenues of the core telematics business grew by 26% and the Group adjusted profit before tax grew by 142%. Connections grew by 32% to 251,000. Revenues generated from providing data and analytics services increased by 10%.

We also started the year with the ambition to reduce annual operations costs by £1.5m, which by the half year we had fully achieved and delivered full year savings of £2m. We repurposed that saving into increased sales and marketing expenditure with a particular focus on Fleet activities. As a result, we have seen an increase in new contracts and extensions including those from ScottishPower, General Traffic, COLAS CZ, HW Martin Group, and Strategic Analytics Team. We have also secured many contracts within the SME and small fleet sector via our digital sales strategy. We decided to maintain the significant level of R&D spend that we had established the previous year. We are confident that these two initiatives will drive Trakm8's future growth. The operational cost reduction focus has continued with the closure of our offices in Bodmin and Livingston, consolidating those activities in Coleshill and Prague with the additional benefit of close cooperation between the teams. We have embarked on implementing a new ERP system, provided by Epicor, which we expect will lead to further efficiency improvements.

The investment in sales and marketing expense was rewarded with a wide range of contract extensions and new customer contract awards both in the UK and internationally. The pipeline is strong and the Sales and Marketing teams have continued to expand. Trakm8 launched its first fully internet-based sales strategy in the UK, under the Trakm8 Prime banner, and traction of this has been good.

The investment in engineering resources has delivered market-leading software and hardware solutions. Trakm8's Insight platform, which was launched with Iceland Foods and Calor Gas UK, provides superb customer experience and data, enabling vehicle operators to significantly improve operational efficiencies and reduction in risk. Insight is available as a mobile app experience as well as via web portals. The RoadHawk 600 integrated telematics and camera product is the first in the UK using 4G technology and has been implemented by large and small enterprises. 3,000 units were deployed in the second half of the year. The latest self-fit telematics devices, both in 2G and 4G, have best-in-class functionality and fit rates; they are being deployed in volume across Europe and Asia by major customers.

Solutions

Solutions sales are the core of our telematics offerings and comprise revenues from customers where they pay for service fees in addition to the cost of the hardware, installation and other bespoke services. Revenues increased by 26% to £26.8m (FY-2017: £21.3m). Recurring service revenues grew by 10% to £10.8m. Solutions revenues increased from 80% of the Group's total revenues in 2017 to 90% in FY-2018.

In total, we had in excess of 251,000 connections (FY-2017: 190,000) at the year-end. Our solutions sales cover both the fleet management/optimisation and insurance/automotive market sectors. The total fleet management connections increased by 11% over the year to 73,000 (FY-2017: 66,000). Telematics for insurance/automotive is experiencing higher levels of growth. At the year-end we had 178,000 insurance/automotive connections (FY-2017: 124,000), which is an increase of 44%.

The key outcomes in the year were the contract renewal with Direct Line Group, new contract awards with Intelematics Europe and Calor Gas UK, along with the contract extension with Iceland Foods. A contract was also secured with a leading global vehicle leasing company to supply devices based on our Trakm8connectedcare software and hardware.

We have continued to invest in our software solutions, algorithms and devices, ensuring that Trakm8 retains market-leading solutions with the widest and deepest offer in the market today.

Post-period end, we have announced a contract with Intelematics Australia and a contract extension with FMG.

Products

Product sales are predominantly revenue from CEM, along with hardware-only sales to other telematics service providers and integrators and sales of third-party manufactured camera products. We terminated all CEM contracts during FY-2018 and as a result, total product revenues reduced by 41% to £3.3m (2017: £5.5m). Consequently, Product sales accounted for just 10% of total revenues down from 20% in FY-2017.

Included in FY-2018 is £2m of revenues from the terminated CEM activities and therefore this will be the last year that we report Product sales as a category. The migration to a Telematics Service Provider is now complete.

Research and development ('R&D')

Trakm8 has maintained the significant level of investment in R&D from the previous year. Although as a percentage of revenue this is reducing, the Board believes that this level of investment is necessary to retain a portfolio of market-leading technology. Trakm8 continues to focus on owning the intellectual property ('IP') we use in our solutions, and we see this as one of our key competitive advantages. Telematics systems are complex; but because we own all the elements that encompass a solution (with the exception of the mobile networks) we have the ability to understand and resolve problems more easily than our competitors.

The R&D investment has concentrated on building out the capability of the Insight platform to provide best-in-class data analytics and customer experience, creating algorithms with increasingly accurate driver profiling for efficiency and risk, crash detection and video feature recognition. All the technologies within the Group are now consolidated into a single solution. Trakm8 also expects to launch soon a range of devices with new and enhanced functionality and smaller size to address market opportunities not currently served.

As identified in previous years, the requirement to do more for less cost remains a key strategy as this widens the opportunity to expand the rate of growth as the ROI for our customers improves.

Dividend

The Group does not propose to recommend a dividend for the year at the forthcoming Annual General Meeting. However, the Board will continue to review its dividend policy in light of future results and investment requirements.

People

The number of people Trakm8 employs has reduced slightly during FY-2018 as reductions in operational headcount were partially offset by increases in our customer service, sales and marketing teams. In total our staff numbers have reduced by 8% over the year. As a result, revenue per employee increased by 22%.

It has been a demanding year as the Group has worked through the very high levels of change. We have an exceptional team and I would like to thank everyone for their hard work, dedication and contribution to the ongoing success of the business.

Outlook

Our focus is on organic growth driven by the implementation of the strategy outlined above and we continue to make solid progress. The new financial year has started very much as the previous year left off with new contract awards and growth in connections. The final £2m reduction in revenues related to terminated CEM activities will impact FY2019, but we are positive that the growth of our Telematics Services will more than offset this over the full year. The £2m year-on-year reduction in discontinued CEM activities is mostly a first half reduction.

Due to customer inventory build-up in Q4-FY2018 and the terminated CEM activities, revenue for the first half of FY-2019 is expected to be below the figure reported at H1-2018 although the full year result is anticipated to be in line with market expectations and higher than FY-2018.

To ensure that we can meet the demand expected over the coming years, both for manufactured product and people resources, Trakm8 has decided to expand its existing manufacturing and distribution facilities in Coleshill. During FY-2019, Trakm8 will expect to invest over £1.5m to create state-of-the-art facilities, to increase capacity to circa 1m devices per annum - and do so with high levels of automation in assembly and test.

We expect to expand our international business in Europe and Asia, whilst continuing to grow our domestic business in the UK. Overall, we expect that the percentage of connections from outside the UK will grow. In addition, we will continue to invest in our digital sales strategy.

The pipeline of features for the Insight data platform and camera products is strong, so we expect to maintain our position as a provider of market-leading solutions.

The Board is confident that FY-2019 will result in further progress and growth as we deliver our strategy and is confident of meeting market expectations for the year.

John Watkins
Executive Chairman
29 June 2018

Our Strategy

Providing customers with rich and actionable insights

Through investment in our products and people, Trakm8 aims to deliver the highest-quality solutions to the global market

Our goal

To provide businesses with the information they need to optimise and improve their operations.

To ensure we react rapidly to market trends, we continually invest in our hardware and software. This approach makes our offering truly unique.

Tim Cowley
Group Strategy Director

01

DELIVERING A CUTTING-EDGE SOLUTIONS PORTFOLIO

We plan to continue the current level of investment in research and development in order to maintain our market-leading product portfolio and meet the demands of our customers.

Progress in 2018

We focused heavily on integrating our existing solutions with the newly launched Insight and RoadHawk 600 products. The year saw the successful integration of our route optimisation and scheduling algorithms, driver ID and tachograph solutions with new products, making the Group's offering truly unique. We are now manufacturing our Connect 300 device which offers easier installation and improved mobile coverage for end users of our insurance and automotive solutions.

Focus for 2019

We will continue developing current products and solutions to ensure we meet and react to the demands of our customers and market trends. This strategy will see further investment in algorithms and software to increase relevance of propositions to market; improved features for our Trakm8connectedcare solution; the next-generation crash detection algorithms; and the continued development of Advanced Driver-Assistance Systems ('ADAS'). In order to achieve this, we will maintain our current levels of investment in R&D, but anticipate that this will reduce over time as a percentage of revenues to 10%. We will also consider the integration of new services including fuel management, insurance, and vehicle servicing.

See pages 08 to 09 for more information

02

INCREASING OUR MARKET SHARE

The Group will continue to expand the number of connections in operation, with a particular focus on expanding outside of the UK.

Progress in 2018

The total number of units in operation increased by 32% in FY-2018. The launch of our Insight and RoadHawk 600 solutions at the end of 2017 provided the Group with a number of significant opportunities throughout the year. The Group secured major contract wins with Iceland Foods and Calor Gas, which contributed to the 3,000 RoadHawk 600 devices installed at year-end. The Group invested significantly in Sales and Marketing resources during the year, with costs increasing by 54%.

Focus for 2019

Increased investment in sales and marketing will allow us to maximise solution sales via our targeted routes to market, including: direct sales, channel and via our relaunched digital strategy. A modest increase in sales team headcount will ensure the Group maximizes value from existing client partnerships to boost further sales opportunities; while ensuring our order pipeline from new customers remains strong. As we introduce new integrated services and further develop our digital sales platform, we aim to expand geographically in Europe and Asia.

03

STREAMLINING OUR INTERNAL OPERATIONS

The Group will continue to focus on improving operational efficiencies and its cost as a percentage of revenues.

Progress in 2018

As outlined in 2017, we successfully reduced our annual operating costs by £1.5m and eliminated the Group's non-core Contract Electronics Manufacturing operations in their entirety. The closure of Trakm8's Livingston and Bodmin offices and the consolidation of the Group's subsidiary companies into reduced trading entities also contributed to a further £0.5m reduction in operating costs.

Focus in 2019

We will be implementing an Enterprise Level ERP system which will continue to transform our internal operations and processes, in order to provide the foundation for our next stage of growth. In addition, we will be investing in world-leading manufacturing operations through new machinery and facilities to drive high levels of automation in assembly and test.

Trakm8 Insight is a market-leading software platform that processes data from telematics devices, connected cameras and mobile apps and displays them in digestible and user-friendly dashboards.

Designed for SMEs and smaller fleets, Trakm8 Prime is the only UK-based telematics solution available to buy entirely online.

Strategy in Action

Seamless integration

Delivering a cutting-edge solutions portfolio

This year saw the official launch of two major innovations; our new web portal Trakm8 Insight and the RoadHawk 600.

Insight enables fleet owners to access telematics data, camera footage, and optimise the routes and schedules of their vehicles – all in one place.

The RoadHawk 600 is Trakm8's 4G telematics camera, which was officially launched at the Commercial Vehicle Show 2018. The RoadHawk 600 combines all of the rich data collected by our leading telematics devices with a cutting-edge in-cab camera system.

"Insight seamlessly integrates a number of technologies to create an easy-to-procure, one-stop platform for fleet managers and transport planners. The amalgamation of telematics, optimisation and video data in a single-source solution is a truly unique offering for the fleet sector.

The RoadHawk 600 is a very powerful piece of hardware which is the culmination of years of development from our engineering teams to amalgamate two highly sought-after products into one compact device.

Colin Ferguson
Managing Director of Fleet and Optimisation

RoadHawk 600 devices currently in operation

3,000

Insight

Insight is Trakm8's next generation telematics platform built to meet the needs of the global Automotive, Insurance, Fleet and Transport markets. Fully modular, Insight delivers solutions ranging from individual services to full telematics programmes.

Insight is capable of processing massive quantities of data received from telematics units, connected cameras and mobile applications. As well as receiving data from Trakm8 developed devices, Insight also receives data from third party devices, directly from Original Equipment Manufacturers ('OEMs') or from third-party applications via a telematics API.

Data received by Insight is geo-coded before being passed through a range of algorithms developed by our in-house data science team that perform tasks such as optimisation, driver risk scoring, detecting road traffic accidents and monitoring battery health. Vehicles equipped with Trakm8 devices may also benefit from the Trakm8connectedcare programme which utilises on-board vehicle data to predict breakdowns, manage service scheduling, monitor fuel usage and monitor the odometer.

Using these algorithms, millions of data points are concentrated into simple actionable insights that our customers use to improve safety and efficiency, optimise resource usage and reduce costs. These insights are delivered via the Insight web portal though a range of built-in dashboards and reports. Each dashboard is focused on a specific task and their user-friendly design makes finding and drilling into data quick and simple. In addition to the built-in dashboards and reports, Insight allows users to create their own from a range of charts and tables that allow access to all the metrics contained in the system. Where a fleet is equipped with one of our connected cameras any event footage is also available to view directly from the dashboards.

RoadHawk 600

The RoadHawk 600 is a market-leading device, designed, developed and manufactured at Trakm8's Coleshill headquarters. For our customers, the combination of a camera and a telematics unit reduces procurement costs associated to fitting separate devices. The RoadHawk 600's wealth of features position it as one of the most pioneering pieces of technology available to the fleet industry at present.

High-definition cameras can record footage from the driver's perspective and provide hard evidence to defend claims of poor or distracted driving. The camera heads can be removed and positioned anywhere in the vehicle, providing the flexibility customers need to monitor the driver, the road or their cargo.

Advanced data compression technology means customers can access up to 250 videos, 125 still images and 10 minutes of live streaming each month on our basic data tariff so, despite its 4G streaming capabilities, the RoadHawk 600's running costs will be even lower than 3G cameras on the market.

As you would expect, the camera automatically records video of harsh events, but its real power lies in its ability to provide on-event videos or stills, and real-time streaming or historic video on-demand. Unlike other telematics cameras, the RoadHawk 600 does not transmit GPS location data alone. It uses the same technologies as our most sophisticated telematics devices, all accessed from our intuitive telematics web portal, including:

- Driver behaviour monitoring
- Real-time ETAs
- Vehicle health alerts
- Battery status analysis
- Geofencing
- Remote tachograph downloads
- Driver/Tachograph Identification

We are currently developing two ADAS algorithms which will be added to the camera later this year. One uses the driver-facing lens to identify driver fatigue and distraction. The other uses the forward-facing lens to report time to the vehicle in front and lane departure warnings. These features will significantly improve the risk profiles for our customers.

Poised for a period of significant growth

Key Market Drivers

- Competition to improve productivity and efficiencies
- Integration of fleet management systems
- Increased focus on air quality and emissions
- Commercial focus on road safety and compliance
- Increasing insurance premiums and vehicle maintenance costs
- Growth of intelligent mobility sector
- Increase in connected car requirements

Overall Market Picture

The global telematics market is poised for a period of significant growth, with approximately 104 million new cars predicted to have some form of connectivity by 2025[1]. At present, the fleet sector uses telematics data to better understand the utilisation and efficiency of their vehicles, which in turn enables them to optimise routes and make financial gains[2]. The fleet management market size is expected to grow at a Compound Annual Growth Rate ('CAGR') of 15.8%[3].

A similar growth pattern is reflected in the insurance and usage-based telematics sector. A recent report estimated that the total number of insurance telematics policies in force in the European market stood at 6.7 million at the end of 2016. Growing at a compound annual growth rate of 34.8%, the number of active insurance telematics policies in Europe is estimated to reach 30.0 million by 2021[4].

Western Europe presents an attractive market due to regulatory changes intended to improve road safety and plans to introduce environmental legislation.

Telematics service providers deliver improved vehicle efficiency and a reduction in high-risk driving behaviours.

"

With more vehicles on the road than ever before and air quality high on the agenda, the demand for safety and efficiency initiatives has never been greater.

Mark Watkins
Chief Operating Officer

Trends

1

Integration

Fleet managers are increasingly moving towards a consolidated sourcing of fleet services in order to operate their fleets in a smooth and unified manner[5]. Trakm8 has addressed this requirement following an extensive integration project which combines telematics, vehicle maintenance requirements, scheduling, optimisation and camera technologies in the form of the Insight and RoadHawk 600 4G telematics camera software platform.

2

Environment

Following the emissions scandal of 2015, the environmental impact of motor vehicles, particularly within urban areas, has continued to be scrutinised. The implementation of air quality policies, increased taxes for businesses operating diesel vehicles and uncertainty around clean air zones has left the fleet industry no option but to begin considering the procurement of electric vehicles[6]. Trakm8's optimisation algorithms can assist fleet managers in building a business case for EVs by calculating which existing routes and vehicles could be viable for electrification. Once implemented, our system can then calculate the best routes to take in order to eliminate 'range anxiety'; the fear that an electric vehicle will run out of power before the final destination is reached. For businesses that don't utilise EVs, our telematics solutions are able to reduce a business's carbon footprint through smoother driving styles while optimisation algorithms work to improve vehicle utilisation – both of which also greatly reduce risk and fuel expenditure.

3

Safety

According to road safety charity, Brake, one in six crashes resulting in death or injury on major roads are fatigue-related and more pertinently, 40% of those involve drivers of commercial vehicles, often in the largest vehicles on our roads that can cause the most harm in a crash[7]. This statistic underpins a clear market opportunity for Trakm8 as the Group develops ADAS algorithms to assist businesses in overcoming the challenge of driver fatigue. Similarly, the latest UK government statistics suggest the percentage of accidents where speeding was reported is at its highest in five years (4.9%)[8]. Trakm8's driver behaviour monitoring technology helps to reduce speeding among commercial vehicle drivers and the policyholders of our insurance customers alike.

1 EY. The Quest for Telematics 4.0. 2013.
2 Griffiths, H. (2017). STRUCTURE OF THE UK AUTOMOTIVE TELEMATICS MARKET With a focus on the use of telematics in road safety solutions. IoT UK. 1 (1), 2.
3 Marketsandmarkets.com. (2017). Fleet Management Market worth 28.66 Billion USD by 2022. Available at: https://www.marketsandmarkets.com/PressReleases/fleet-management-systems.asp.
4 Berg Insight Insurance (2017) Telematics in Europe and North America – 3rd Edition https://www.researchandmarkets.com/research/qfvrdf/europe_and_north?w=4.
5 PTOLEMUS - www.ptolemus.com - Connected Fleet Services Global Study 2018.
6 https://www.fleetnews.co.uk/news/fleet-industry-news/2018/05/08/diesel-sales-fall-as-drivers-consider-an-electric-vehicle-for-next-car.
7 http://www.brake.org.uk/rsw/15-facts-a-resources/facts/485-driver-tiredness.
8 Speeding offences and reported accidents involving speeding (SPE02) (2016), Gov.UK Available at: https://www.gov.uk/government/statistical-data-sets/speeding-offences-and-reported-accidents-involving-speeding-spe02#table-spe0202.

Accelerating growth through technology

We are technology leaders in telematics, optimisation and fleet management solutions. The ongoing improvement of our products plays a key role in driving Trakm8's growth.

We collect billions of miles worth of data annually. This data is used to continuously improve our algorithms and to provide our customers with actionable insights to improve efficiencies, reduce risk and improve their environmental impact.

Privacy and data protection is a key priority for the Group and we have invested heavily during the year to be ready for the requirements of GPDR. We hold a lot of personal data and take these obligations very seriously.

We own almost all of the intellectual property within our solutions which enables us to introduce new products to our portfolio as market trends develop. IP ownership also allows us to react quickly to the bespoke requests of our customers, ensuring a high level of client satisfaction and a solutions portfolio that remains in line with the demands of a rapidly changing market.

The vertical integration from design through manufacturing to distribution gives us good control of all the processes and reduces our time to market with new technologies.

Software

Our recently launched Insight web portal will replace our existing telematics software platforms; SWIFT, Spot On and Route Monkey Optimisation. Insight provides customers with modern, modular, and easily-digestible information, avoiding data overload. As well as our web portal, the Group also designs a range of mobile applications in order for customers to gain a better understanding of their vehicles and drivers while on the move.

We have invested significantly in cutting edge algorithms and software which combine with core telematics data to provide customers feedback on driver behavior and vehicle health as well as driver risk profiling and crash detection.

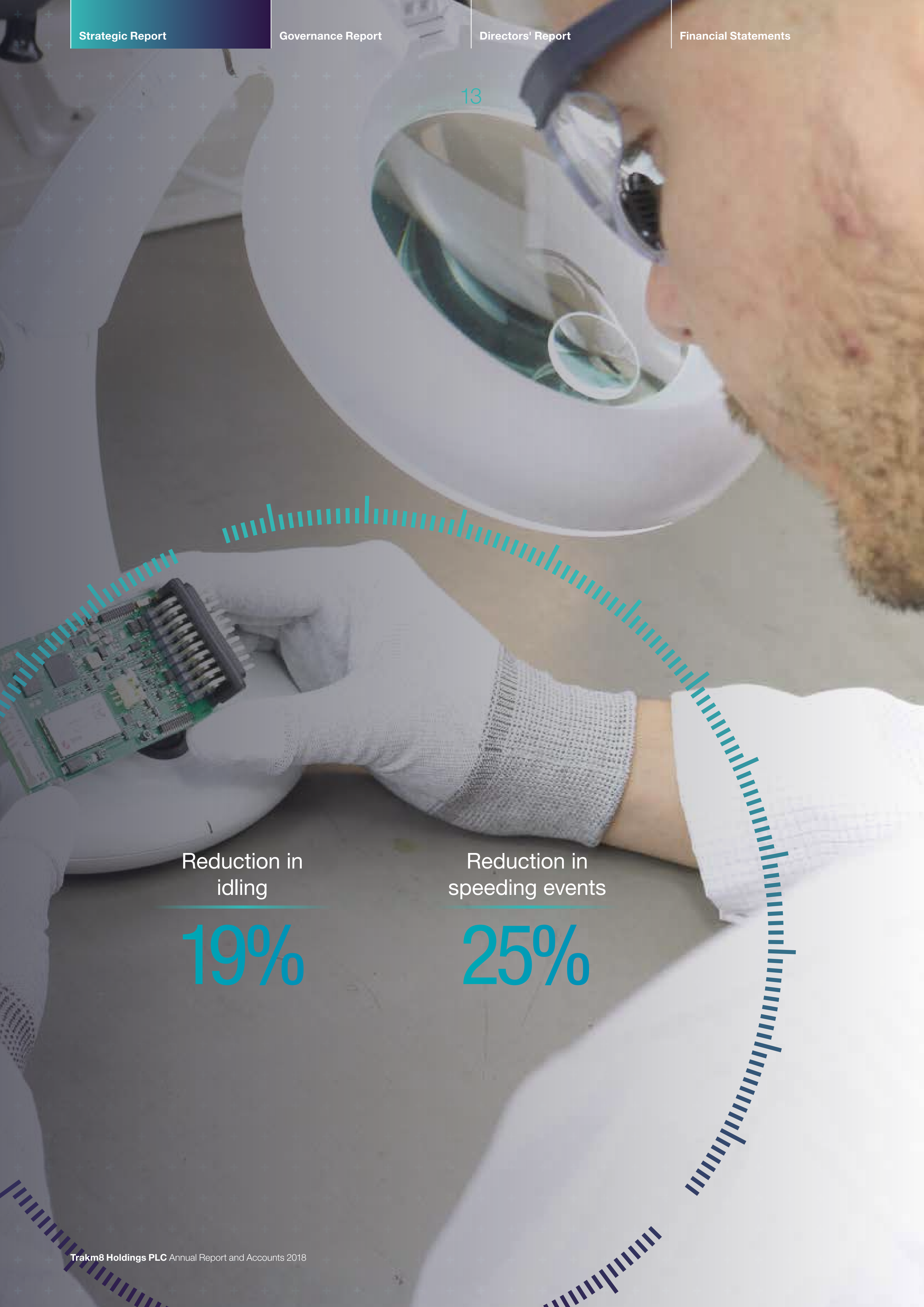
Hardware

From self-install devices for small fleets and rugged devices for plant and machinery to our 4G integrated telematics camera, we design, manufacture and dispatch all telematics hardware from our electronics plant in Coleshill. We believe that our hardware devices are market-leading in performance and design, providing us with the best data to generate the actionable insights our customers need. Close partnerships between these departments enable us to quickly address problems which may occur. We have built longstanding relationships with top global suppliers to ensure we procure the highest quality materials for the best price.

Integration

The new Insight software solutions and RoadHawk 600 are seamlessly integrated to comprise telematics, camera, route optimisation and fleet scheduling in a single-source solution. This enables our customers to overcome the time-consuming challenge of service procurement and offers a cost-effective solution in comparison to securing products individually. In addition, our solutions are also able to integrate with existing third-party solutions, such as back-office software.

Through benchmarking and bespoke reporting parameters, Trakm8 customer ScottishPower achieved a 19% reduction in idling and saw speeding events lowered by a quarter.



Reduction in idling

19%

Reduction in speeding events

25%

Same data, different solutions

Colin Ferguson
Managing Director, Fleet and Optimisation

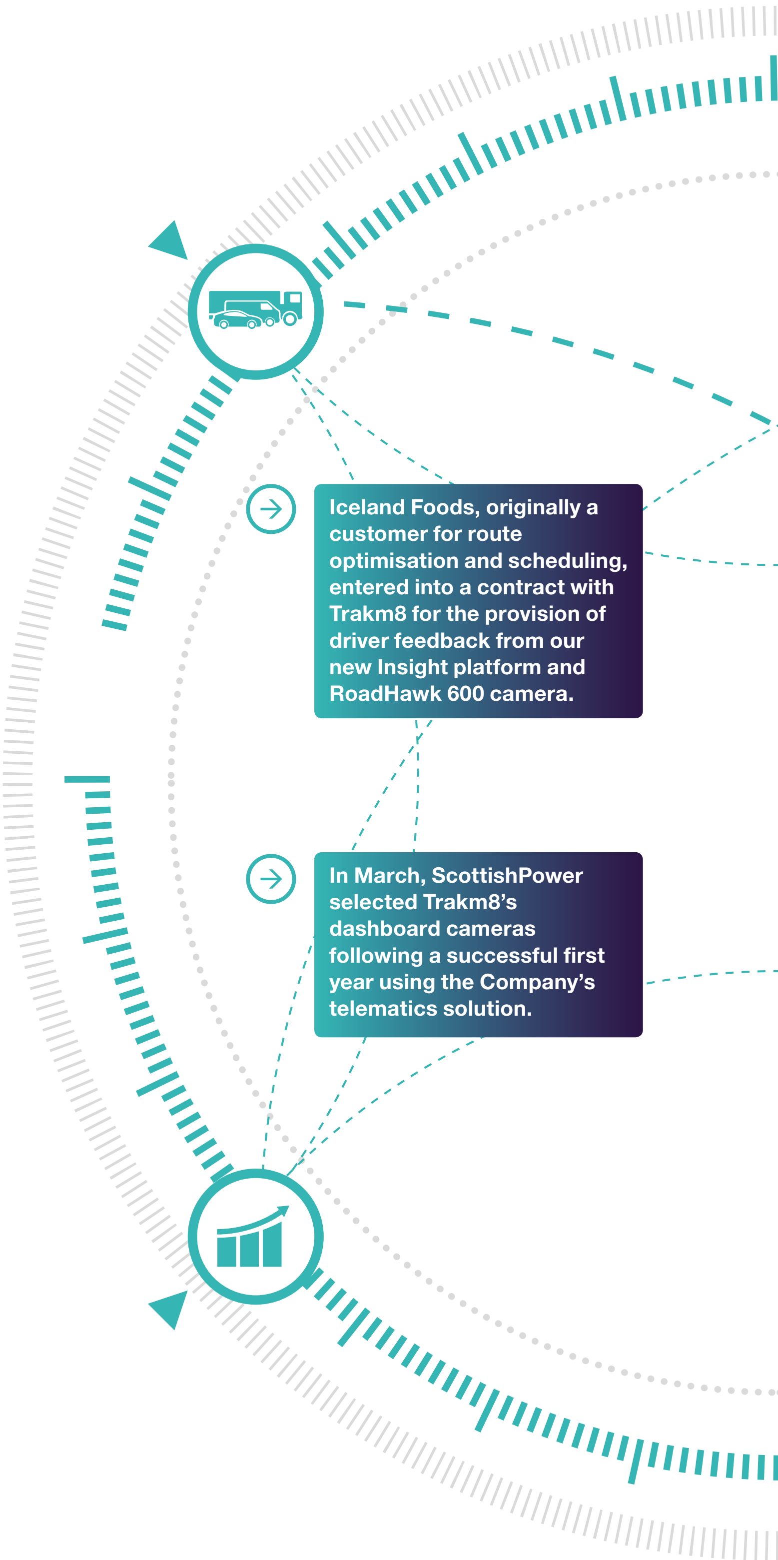
> **2018 was a successful year for the Group's fleet and optimisation business with telematics connections growing by 7,000 units – an 11% increase on the same period in 2017. I am pleased to report that revenues have also increased by 31%, which includes a 58% increase in pure Optimisation revenues. The launches of our Insight and RoadHawk 600 products have begun to present the business with significant opportunities, as fleets increasingly seek integrated technologies. Furthermore, our digital sales model has enabled us to begin capturing a larger market share among small fleets and SMEs.**

Fleet and Optimisation revenues

£14.2m

Increase:	2017:
▲ 31%	£10.8m

Trakm8's Fleet and Optimisation Sales team is comprised of a Direct, Channel and Digital route to market to ensure a cost-effective sales model for the different segments of the market. As we aim to increase our market share even further, we have increased the headcount in our direct sales team by 22% and significantly increased our investment in our online sales model. The 2018 Year saw the successful relaunch of our Trakm8 Prime solution which allows smaller businesses to purchase telematics and vehicle cameras without interaction from a salesperson. As a result, our direct sales team has been able to focus on larger commercial opportunities. Since year-end, we have also recruited a new head of channel sales in order to increase the volume of connections sold by our valued partners.



To maximise efficiency Trakm8 designs all devices to generate data in a consistent format, then analyses it in market sector-specific ways to meet the requirements of each customer.

The Company's longstanding relationship with the AA for fleet telematics built the foundations for our involvement with the AA's latest connected car product, Car Genie.

Sean Morris
Managing Director, Insurance and Automotive

> **"Our market-leading insurance and Trakm8connectedcare solutions position Trakm8 well among OEMs, insurers and other automotive businesses as they increasingly seek to benefit from the additional insight brought through connected technologies. 2018 has been a positive year for the team with new contract wins from Intelematics and a leading global leasing company; complemented by contract extensions from Direct Line Group and Mecalac.**

Insurance and Automotive revenues

£12.6m

Increase: ▲ 21% | 2017: £10.4m

The Insurance and Automotive Business Unit has strengthened its team through aligning key personnel from within the insurance and automotive markets, each with a wealth of expertise within their networks. The Group has a number of partnerships across the OEM, plant, insurance, leasing, breakdown and warranty industries. The team focuses on building new relationships within these sectors and also nurturing longstanding partnerships such as those held with the AA, Direct Line Group and Kubota in order to derive additional value from existing contracts. As a result, the number of connections increased by 44% during the year, presenting the Group with an increase in revenues of 21%.

A year of optimisation and consolidation

Jon Furber
Group Finance Director

	2018 £000	2017 £000	Change
Group Revenue	**30,081**	26,759	+12%
Solutions Revenue	**26,808**	21,256	+26%
Recurring Revenue	**10,826**	9,842	+10%
Profit before tax	**1,173**	693	+69%
Adjusted Profit before tax[1]	**2,794**	1,156	+142%
Basic earnings per share (p)	**4.40**	4.51	-2%
Adjusted earnings per share (p)	**8.19**	5.81	+41%

1 Before exceptional costs and share-based payments

Revenue

Group revenue increased by 12% to £30.1m (2017: £26.8m), with Solutions revenue growth of 26% from the core continuing activities of the Group offset by a reduction in product revenues following the strategic decision to exit from CEM activities.

The solutions revenue growth of 26% to £26.8m (2017: £21.3m) reflects the continued growth in telematics connections across our core Fleet, Insurance and Automotive sectors and continued growth in sales of Optimisation solutions. Recurring revenue generated from service and maintenance fees increased by 10% to £10.8m (2017: £9.8m). Growth in recurring revenue will always lag behind headline growth in new unit sales given that the service and maintenance revenues are recognised over the life time of the contract.

Product revenues decreased from £5.5m to £3.3m following the planned exit from CEM activities. All sub-contract electronic manufacturing activities had ceased by the year end.

Profit before tax

Profit before tax increased by 69% to £1.2m (2017: £0.7m). This significant improvement was generated by the strong solutions revenue growth being delivered at gross margin percentages in line with the prior year resulting in a £1.6m increase in gross profit. Additionally other income increased by £0.2m. This was offset by £1.2m increase of non-recurring exceptional costs that are detailed further on the next page and £0.3m increase in depreciation and amortisation, primarily resulting from capitalised development costs, reflecting the significant investment undertaken by the Group in earlier years. Other overheads decreased by £0.1m.

Group revenue

£30.1m

Adjusted Profit before tax

As detailed on the previous page, the improved trading performance resulted in adjusted profit before tax increasing by 142% to £2.8m (2017: £1.2m).

The improvement in gross profit converted into adjusted profit before tax, with administrative costs excluding exceptional costs only up £0.2m on prior year. During the year, the Company has increased its investment in sales and marketing by 54% as part of a strategy to increase market share. This investment was funded by streamlining of activities resulting in other overheads (excluding Sales, Marketing and Engineering costs) before exceptional costs and depreciation and amortisation decreasing by 31%.

Exceptional Costs

Exceptional costs total £1.4m (2017: £0.2m) relating to three projects undertaken to streamline activities and additional costs relating to the acquisition of Roadsense Technology Limited in the previous financial year. The projects to streamline activities were to fully integrate the acquisitions made in prior years including closing two offices, relocating the head office and administrative functions to our core site in the West Midlands and costs associated with the exit from contract electronic manufacturing. This project has resulted in operating costs (excluding Sales & Marketing costs and Engineering costs) decreasing £2m year on year.

Balance Sheet

	2018 £000	2017 £000
Non-Current Assets	**21,534**	19,759
Net Current Assets	**6,848**	5,800
Non-Current Liabilities	**6,240**	5,329
Net Assets	**22,142**	20,230

Net Assets increased by £1.9m to £22.1m (2017: £20.2m). This reflects the significant improvement in trading performance and profitability in the year, with retained profit for the year of £1.6m.

Non-current assets increased by £1.7m to £21.5m (2017: £19.8m). This is due to the continued investment in development in both our software and hardware with capitalised development costs totaling £3.4m (2017: £3.2m).

Cash Flow

	2018 £000	2017 £000
Cash generated by operations	**4,735**	668
Investing activities	**(3,716)**	(4,447)
Free Cash Flow[1]	**1,019**	(3,016)
Financing activities	**463**	1,898
Change in Cash in Year	**1,482**	(1,881)
Net Debt	**3,300**	3,867

1 Cash generated from operating activities less cash used in investing activities (excluding cashflows related to acquisitions)

Cash generated from operating activities increased significantly in the year to £4.7m (2017: £0.7m), which included R&D tax credit cash receipts of £1.6m (2017: £0.1m). The R&D tax credit cash receipt reflects the Group's investment in development. Cash generation excluding the impact of the R&D tax credit cash is still £3.1m (2017: £0.6m).

Free cash flow improved to an inflow of £1.0m (2017: outflow £3.0m). This represents a 90% conversion of profit before tax to cash. As we have stated, our strategy in the next couple of years is to maintain our current level of investment in development which will reduce as a proportion of revenue and profit. We anticipate this improved leverage will continue to improve the conversion of adjusted profit before tax into cash in the medium term. If as planned, we make the considerable investment in manufacturing capacity and quality equipment then this will also impact our free cash flow and net debt for 2019.

Net Debt

Net debt decreased by £0.6m to £3.3m (2017: £3.9m). Cash balances total £3.5m (2017: £2.0m) and total borrowings £6.8m (2017: £5.9m) of which £2.9m was our term loan with HSBC and £3.4m (2017: £1.7m) were amounts drawn under our £5m revolving credit facility with HSBC. During the year the revolving credit facility was extended by 2 years and is repayable in December 2020.

Jon Furber
Group Finance Director
29 June 2018

Achieving our objectives

The Board monitors the following key performance indicators to ensure the objectives of the Group are being achieved.

Solutions Revenue

£26.8m

2018	£26.8m
2017	£21.3m
2016	£17.2m

Performance in 2018

Total Solutions revenue increased by 26% to £26.8m. This growth was driven across both our fleet & optimisation business and insurance & automotive businesses, helped by our market leading technology.

Focus for 2019

Continued increased investment in sales and marketing through utilising our sector specialisms and targeted routes to market including direct sales, channel and digital strategy.

Recurring Service Revenue

£10.8m

2018	£10.8m
2017	£9.8m
2016	£8.3m

Performance in 2018

Total recurring revenues earned during the year increased by 10% to £10.8m driven by the increased number of units in operation. Growth in this KPI will always lag growth in new unit sales as the revenue is recognised over the life of the contract.

Focus for 2019

Despite the market trend for richer data for lower costs, continued growth will be achieved by increasing the number of devices in operation and driving higher service fees either from our integrated cameras and by increasing our data analytics services.

Connected Units – Insurance/Automotive

178,000

2018	178,000
2017	124,000
2016	92,000

Performance in 2018

This refers to the amount of telematics devices reporting in operation from our insurance & automotive customers. Connected Units in this market increased by 44%.

Focus for 2019

This market is expected to continue to grow as consumers look to combat rising insurance premiums and benefit from aftermarket connected car solutions.

Connected Units – Fleet Management

73,000

2018	73,000
2017	66,000
2016	59,000

Performance in 2018

This refers to the amount of telematics devices in operation from our fleet customers. The total number of units from our Fleet business increased by 11%.

Focus for 2019

We expect our significant investment in sales and marketing will be reflected in higher growth in fleet connections in 2019.

Adjusted Profit Before Tax

£2.8m

2018	£2.8m
2017	£1.2m
2016	£3.8m

Performance in 2018
Adjusted Profit before Tax (before exceptional costs and share-based payments) increased by 142% due to improved trading performance. Savings in other overheads funded a 54% increase in sales and marketing.

Focus for 2019
Investment in sales and marketing resources is expected to drive growth in revenues and profits, aligned with continued focus on operational efficiency.

Gross Margin

49.4%

2018	49.4%
2017	49.4%
2016	48.3%

Performance in 2018
Gross margin remained at 49.4%. This KPI is very much impacted by the ratio of new units sold relative to the installed base. The strong growth in connections held back the progress of this KPI in the 2018 Year. However gross profit increased by 12% year on year.

Focus for 2019
Strategy is to continue to drive growth in our recurring service revenues through enhanced data diagnostic services and optimisation benefits. This is expected to lead to increases in our gross margins.

Cash Generated From Operating Activities

£4.7m

2018	£4.7m
2017	£0.7m
2016	£4.5m

Performance in 2018
Our cash generation from operating activities improved significantly on the prior year due to the improved trading performance. Cash generation excluding the R&D tax credit cash receipt of £1.6m, was still strong at £3.1m.

Focus for 2019
Our cash generation is expected to continue to be impacted by more customers moving to monthly payment models (including SaaS).

Free Cashflow

£1.0m

2018	£1.0m
2017	(£3.0m)
2016	£2.0m

Performance in 2018
Significant improvement in Free cashflow, however continued significant investment in development costs continues to restrict free cashflow.

Focus for 2019
We expect our free cashflow to improve as our investment in R&D falls as a percentage of future revenues and profits. Free cashflow will be impacted in 2019 if, as planned, we make the significant investment in our manufacturing operations.

Protecting customer data, delivering results

Data Protection

UK Data Protection rules underwent their biggest change for over two decades on 25 May as the General Data Protection Regulation ('GDPR') came into force across the EU. GDPR has been implemented in the UK via the Data Protection Act 2018.

These new rules are designed to give greater protection and rights to individuals over how their data is used whilst at the same time making companies much more accountable for the transparency of their processing and for ensuring the security of data.

As a Big Data and Technology Group, Trakm8 has been proactively tracking developments in Privacy and Data Protection legislation for a number of years. Before the GDPR was even formally approved, we were working hard to improve our products, services and internal processes to ensure that we are offering our customers, employees and other stakeholders the highest possible levels of privacy and security. Over the past 12 months, we have:

- designed new processes to manage the increased rights of individuals under GDPR;
- updated our Incident Response/ Management processes;
- modified existing features (such as Private Mileage) to allow our customers the greatest flexibility to configure the system to meet their GDPR obligations;
- invested in our IT platforms to allow us to identify and address potential issues more successfully and to better defend against malware, viruses or malicious attacks;
- continued to train all of our staff in Data Protection and Information Security and;
- reviewed and updated all of our websites and Privacy Notices to reflect GDPR requirements.

Quality

- Successfully transitioned to ISO9001:2015 during Q4 of 2017.
- All manufacturing staff have been or are being trained to IPC standards to improve both quality levels and productivity.
- Enhanced electrostatic discharge controls put in place within manufacturing, assembly and stores.
- Overhauled our Supplier Monitoring strategy to ensure our supply chain is performing to our expectations and to ensure Trakm8 expectations regarding corporate social responsibility are being met by our suppliers.

Environmental

- Successfully transitioned to ISO14001:2015 during Q4 of 2017.
- Update training on environmental legislation delivered to Compliance team members.
- Successfully underwent an independent audit of our waste management strategy by Waste Care (our waste compliance partners).

Health & Safety

- Continued our good H&S record with no significant accidents or incidents being recorded and a significant reduction in number of minor accidents following a programme of staff education and training on correct use of personal protective equipment.
- Key staff to be Institution of Occupational Safety and Health ('IOSH') and National Examination Board in Occupational Safety and Health ('NEBOSH') trained over the next 12 months.

In addition to improving internal processes, Trakm8 is committed to providing technology which contributes to improving road safety and reducing the environmental impact of motor vehicles in the UK and beyond.

Feedback from our customers indicates we have delivered the following benefits:

- 20% reduction in fuel usage
- 31% reduction in engine idling
- 18% reduction in CO_2 per mile
- Cost of idling down 69%
- 30% increase in productivity
- Up to 20% reduction in accident rates
- 13% reduction in speeding events
- Insurance premium reduction of 10%

Risk management is key to the Group's decision making process

Our risk management process is designed to improve the likelihood of delivering our business objectives, to protect the interests of our key stakeholders, to enhance the quality of our decision-making, and to assist in the safeguarding of our assets. This includes people, finances, property and our reputation.

The Board takes overall responsibility for risk management, evaluating our exposure to individual strategic risks, overseeing our risk governance structure and internal control framework. Strategic decisions are evaluated against our tolerance levels to the risks identified and the Board continues to monitor these trends in order to implement mitigation activities in line with our long-term strategy.

Approach to Risk Management

Each year the Board carries out a robust assessment of the principal risks facing the Group, including those that would threaten our business model, future performance, solvency or liquidity. The report overleaf summarises these possible risks and how they are being managed or mitigated.

The Executive Chairman and the senior management team take responsibility for reviewing the effectiveness of the risk management process and the risk register is subjected to detailed review and discussion.

This group identifies all the key risks to the business and ensures our elimination and mitigation processes are robust and up to date to minimise any possible impact. Risk identification is embedded in other processes, including product development, contract approvals and other operational activities. Trakm8's corporate strategy is designed to optimise our business model and accept risk, with the required controls on an informed basis.

To create value for our shareholders, we set varying risk tolerances and associated criteria. We continue to accept risk and manage our risk environment on the following basis:

Strategic

Medium to low tolerance for risks arising from poor business decisions or substandard execution of business objectives.

Operational

Low to near-zero tolerance for risks arising from business processes including the technical, quality, and project management or organisational risk associated with programmes and products.

Corporate

Low to near-zero tolerance for compliance and reputational risks including those related to the law, health, safety and the environment.

Financial

Zero tolerance for financial risks including failure to provide adequate liquidity to meet our obligations and manage currency, interest rate and credit risks.

Risk Management Process

Risk management is a key element of the Group's decision-making process as there is a risk element in all areas of its activities and these risks need to be managed appropriately. Alongside the strong governance structure and effective internal controls, the risk management process gives the Board assurance that risks are being appropriately identified and managed.

The Risk Management Process is set up in the following way:

- An annual business review to set strategies, objectives and agreed initiatives to achieve its goals, taking account of the risk appetite set by the Board.
- Day-to-day operations are supported by a clear schedule of authority limits that define processes and procedures for approving material decisions. This ensures that projects are approved at the appropriate level of management, with the largest and most complex projects being approved by the Board.
- The Group's Executive Directors also compile their own risk assessment, ensuring that a top-down approach is undertaken when considering the Group-wide environment.
- The Group's Audit and Risk Committee assists the Board in assessing and monitoring risk management across the Group. The role of the Committee is to ensure the timely identification and robust management of inherent and emerging risks. The Committee reviews the risk register as it develops, to ensure net risk and proposed further actions are together consistent with the risk appetite set by the Board.

Risks that could adversely impact Group performance

Principal Risk	Potential Impact	Mitigation
Significant operational system failure (2)	• Reputational impact • Deterioration in customer relations • Reduction in revenues, profitability and cash generation	• Our systems are both within the Cloud and within a traditional data centre environment. • We provide no single point of failure as there is diversity of data centres from separate suppliers and replication of data between data centres. • Daily point-in-time backups are also taken offsite.
Cyber-attack and data security (2)	• Reputational Impact • Deterioration in customer relations • Liability claims	• We have been re-approved for our ISO 27001 accreditation. • Considerable investment both with our internal data and customer data in improving processes and security in-line with GDPR.
Brexit and a deteriorating economic climate (1) (2)	• A potential hard Brexit could impact cost of goods, further impact the exchange rates and provide legislative uncertainty. We've assessed the greatest potential impact to be on our supply chain & product approvals	• Continuous product development and operational efficiency improvements to compensate for any potential component increases.
Operating in a fast-moving technology industry where we will always be at risk from new products being launched (1) (2)	• Decelerating sales growth and affecting profit • Delay in achieving projected revenues • OEM fit telematics to all strategy • Autonomous cars	• We heavily invest in research and development to ensure we are at the forefront of telematics technology. • We are device agnostic and will interface into OEMs and autonomous vehicles as a central data hub.

Link to strategic priorities

1 Delivering a cutting-edge solutions portfolio

2 Increasing our market share

3 Streamlining our internal operations

Principal Risk	Potential Impact	Mitigation
Adverse mobile network changes 2	• Reputational impact • Deterioration in customer relations • Reduction in revenues, profitability and cash generation	• We provide a configuration manager which allows remote upgrade of the installed base and this can be used to address system-wide issues as long as basic GPRS communications exist. • We rely on mobile phone suppliers to provide a quality of service and investment in suitable reliable infrastructure. The same is true for the GPS network and the Internet.
Attracting and maintaining high-quality employees 1 2 3	• Loss of key personnel • Potential business disruption • Breakdown of communication and misalignment	• We provide interesting work within a growing business and maintaining this is key to employee retention. • Key tasks and background knowledge of our bespoke systems have been spread across a larger pool of individuals to mitigate the risk of a key individual leaving the business. • We are now a sponsor on the Government's highly skilled migrant programme.
Space Limitation 1 2 3	• Inability to meet projected future demand • Inability to increase workforce • Inefficiencies incurred • Additional costs incurred	• Capacity expansion and more space under review and in the planning stage.
Electronics supply chain under constraint 2	• Long lead-times • Single-source suppliers	• Work with world-class distributors and manufacturers to mitigate the supply chain risk.

By order of the Board

Jon Furber
Company Secretary
29 June 2018

Board of Directors

John Watkins
Executive Chairman

John Watkins has a Master's Degree in Engineering Science from the University of Oxford with considerable M&A and sales experience. He has been a Director of several public companies, Managing Director of a wide range of private and subsidiaries/divisions of public companies and Chairman of two very successful private equity companies that exited with significantly better than average IRRs.

Keith Evans
Senior Independent Non-Executive Deputy Chairman

Keith graduated from the University of Cambridge with a degree in Economics. Keith is a former partner for over 25 years at PricewaterhouseCoopers LLP with very extensive experience of commercial and financial roles having worked with companies operating in the financial services, automotive and information technology sectors.

Bill Duffy
Independent Non-Executive Director

Bill Duffy started working with the Company in April 2014 supporting our business and strategy development as a Consultant and joined the Board in July 2015. Bill also runs his own consultancy business and is Chairman of MotorEasy, a pioneering motoring services platform for UK drivers. He was formerly CEO of Andrew Page Limited and CEO of Halfords Autocentres Limited. He has extensive strategic and operational capability in the automotive sector and successful private equity experience.

Jon Furber
Group Finance Director

Jon joined Trakm8 as Finance Director to the Group in September 2017. Jon has previously held senior finance roles at technology growth businesses; he was Chief Financial Officer at AppSense and at Vistorm/HP Information Security (UK), and most recently interim CFO at Intrinsic Technology. Jon is a chartered accountant having trained and qualified at KPMG.

Matt Cowley
Big Data Director

One of the founders of Trakm8 along with his brother Tim Cowley, Matt is a highly experienced software Engineering Director with over 25 years' experience within the Telematics and Telecommunications industry. Awarded an MSc Software Engineering with distinction from University of Oxford in 1998, Matt now leads the in-house Big Data team and is passionate about algorithms, machine learning, computer vision and data science.

Tim Cowley
Group Strategy Director

Tim Cowley has 30 years' experience in the Engineering & Technology sector. After graduating with a degree in Electronics Engineering in 1988 from Brunel University, Tim was awarded a prestigious Michael Cobham scholarship, and stayed with the Cobham Group for eleven years. Alongside his brother Matt, he founded Trakm8 is 2002 and is now responsible for the Group Product Strategy and the Advanced Engineering function.

Sean Morris
Managing Director – Insurance and Automotive

Sean Morris has over 30 years' experience in automotive electrical and electronic engineering at various OEMs and Tier 1 suppliers, including Continental, BMW, Honda, and Land Rover, and was Chief Engineer Electrical & Electronics, of Aston Martin. Sean has also run a successful turnkey engineering company providing services to OEMs such as JLR, Bentley and McLaren. He is now responsible for leading Trakm8's Insurance and Automotive business unit.

Mark Watkins
Chief Operating Officer

Mark has a Master's Engineering degree and worked for Ford Motor Co in the Group IT team. He has previously held positions in IT and Operations having been Head of Manufacturing Operations at Continental UK for several years. In 2014 he joined Trakm8 Holdings as Managing Director of BOX Telematics following its acquisition and is now responsible for all operational and engineering matters for the Group.

Board of Directors and Committees

The Board of Trakm8 Holdings PLC is responsible for the strategic direction of the Group's businesses. The Board's specific roles include corporate governance policy and direction; as well as strategy formation and monitoring the achievement of the Group against the business plan. The day-to-day management of the Group is the responsibility of the team of Executive Directors and the Executive Chairman. The Board meetings of Trakm8 Holdings PLC cover matters required to be covered by the Boards of the Group's subsidiary entities.

The Board has operated Audit and Risk, Remuneration and Nomination Committees throughout the period. These bodies operate under formally delegated duties and responsibilities and seek advice from independent third parties as the need arises. The Committees during the year have comprised of the two Non-Executive Directors and the Executive Chairman.

John Watkins
Executive Chairman

Nominations Committee

The Committee met once during the year and appointed Keith Evans as Non-Executive Deputy Chairman.

Audit and Risk Committee

The Audit and Risk Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. The Finance Director and other Directors attend as required.

The Committee and the external auditors have safeguards to avoid a potential compromise of auditors' objectivity and independence. These include the adoption of a policy that segregates the supply of audit and non-audit services and requires Committee approval for the supply of services such as tax services and acquisition-related due diligence.

The key issues considered by the Audit and Risk Committee included revenue recognition, capitalisation of development costs and impairment review of Goodwill.

Remuneration Committee

The Remuneration Committee's terms of reference include making recommendations on Directors' compensation packages to ensure that the Group enjoys and retains an appropriate level of motivated resources. The Committee engages with external consultants as and where it is deemed beneficial.

The Group has adopted and operates a share dealing code for Directors and employees in accordance with the requirements of the Combined Code.

Relations with Shareholders

The Board values and attaches the utmost importance to the maintenance of good relationships with shareholders. The Executive Chairman and the Finance Director meet investors immediately after publication of the annual and interim results, at the Annual General Meeting and on an ongoing basis as required throughout the year. In addition we provided a number of shareholders update presentations and the intention is to continue this programme during the new financial year.

By order of the Board

Jon Furber
Company Secretary
29 June 2018

Chairs of the Board and Committees

PLC BOARD

Audit and Risk Committee | Nomination Committee | Remuneration Committee

For the financial year ended 31 March 2018 the Directors' attendance at Board and Committee meetings has been as follows:

Type	Board	Audit	Nomination	Remuneration
Total Held in Period	**14**	**2**	**1**	**5**
John Watkins	14	2	1	5
Keith Evans	12	2	1	5
Matt Cowley	12	–	–	–
Tim Cowley	13	–	–	–
Bill Duffy	13	2	1	5
Jon Furber[1]	9	–	–	–
Sean Morris	10	–	–	–
Mark Watkins	13	–	–	–
James Hedges[2]	4	–	–	–

1 Attended 9 out of 9 meetings whilst in office
2 Attended 4 out of 5 meetings whilst in office

Directors' Report

The Directors submit their Directors' Report and the audited financial statements of the Group for the year ended 31 March 2018.

Trakm8 Holdings PLC is a public listed Company incorporated and domiciled in England (Company Number 05452547) whose shares are quoted on AIM, a market operated by the London Stock Exchange plc.

Principal Activities

The principal activities of the Trakm8 Group are the development, manufacture, marketing and distribution of vehicle and plant telematics equipment and services. Trakm8 Holdings PLC is the holding Company for the Trakm8 Group.

Financial Risk Management

The Group manages its key financial risks as follows. Further details can be found in Note 27.

Liquidity risk

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of borrowings and financial assets with a range of maturities. It is also the Group's policy to mitigate the risk of borrowings by maintaining cash reserves. The Group currently has an unused revolving bank credit facility of £1.6m.

Currency Risk

The Group endeavours to minimise its foreign currency exposure by trading in Sterling wherever possible. The two principal foreign currencies used are the US Dollar and the Euro and where possible we endeavour to match inflows and outflows.

Interest Rate Risk

The Group regularly monitors the risk of increasing interest rate and the effect this would have on our total interest charges. Currently our bank borrowings are linked to variable interest rates and the Group would move to fixed if it was deemed appropriate to minimise the effects of further interest rate rises.

Credit Risk

The Group's credit risk is primarily attributable to its trade receivables and the Group attaches considerable importance to the collection and management of trade receivables. The Group minimises its credit risk through the application of appropriate credit limits.

Results and Dividends

The Group results for the year ended 31 March 2018 are shown in the Consolidated Statement of Comprehensive Income on page 46. The Directors do not recommend the payment of a dividend (2017: £nil).

Research and Development

The Group has continued to expand the investment in research and development to ensure the future success of the business. During the year the Group capitalised development costs of £3.4m and a further £1.5m was expensed. Further details about the Group's approach to R&D can be found in the Strategic Report.

Going Concern

These financial statements are presented on a going concern basis. The Group has cash balances of £3,472,000 and undrawn revolving credit facilities of £1,600,000 at 31 March 2018 therefore the Directors have a reasonable expectation that the Group will have adequate financial resources to continue in operation for the foreseeable future. A cash flow forecast for the next 12 months prepared by the Directors has indicated that the Group will have adequate financial resources to continue in operation for the foreseeable future.

Future Developments

Consideration on the future developments and exciting prospects of the Group, has been made in the Executive Chairman's Statement in the Strategic Report. The Group expects to expand the fleet management and insurance solutions with the integration of our existing solutions with the newly launched Insight and RoadHawk 600 products and continued investment in algorithms to produce increasingly accurate driver profiling for efficiency and risk, crash detection and video feature recognition.

The Group also expects that the enlarged sales and marketing teams will continue to generate organic growth in the UK and international markets. Further acquisitions will be assessed and if our strict criteria are met will be progressed.

Employees

The Group's employment policies are designed to ensure that they meet the statutory, social and market practices where the Group operates. The Group regularly provides employees with information about the progress of the Group, wider economic factors and also matters likely to be of concern to them. The Group recognises the importance of its employees and their training and conducts annual appraisals with each member of staff.

The Group is committed to employment policies, which follow best practices and are based on equal opportunities for all employees regardless of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. If members of staff become disabled the Group will continue their employment either in the same or an alternative position, with appropriate retraining being given if necessary.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

- John Watkins
- Keith Evans
- Matt Cowley
- Tim Cowley
- Bill Duffy
- Sean Morris
- Mark Watkins
- Jon Furber (appointed 18 September 2017)
- James Hedges (resigned 18 September 2017)

Directors and Their Interests

At 31 March 2018 the Directors' interests in the shares of the Company are detailed below:

This table is audited

	1p ordinary shares at 31 March 2018	% of issued ordinary share capital (35,898,254 ordinary shares)	1p ordinary shares at 1 April 2017	% of issued ordinary share capital (35,723,254 ordinary shares)
John Watkins	**6,177,859**	**17.22%**	6,177,859	17.29%
Keith Evans	**153,846**	**0.43%**	153,846	0.43%
Matt Cowley	**1,744,203**	**4.86%**	1,744,203	4.88%
Tim Cowley	**1,949,945**	**5.44%**	1,949,945	5.46%
Bill Duffy	**140,000**	**0.39%**	140,000	0.39%
James Hedges	**2,375,318**	**6.62%**	2,250,318	6.30%
Sean Morris	**–**	**–**	–	–
Mark Watkins	**250,128**	**0.70%**	250,128	0.70%
Jon Furber	**28,321**	**0.08%**	–	–

The Directors had no interest in the share capital of the Company's subsidiary undertakings at 31 March 2018 or on the date on which these financial statements were approved.

Directors' Remuneration

The Directors' remuneration for the year ended 31 March 2018 was:

This table is audited

£'000	Salaries & benefits	Fees	Total remuneration to year ended 31 March 2018	Pension contribution	Total aggregate emoluments to year ended 31 March 2018	Total aggregate emoluments to year ended 31 March 2017
John Watkins	265	–	**265**	–	**265**	260
Keith Evans	32	–	**32**	–	**32**	52
Matt Cowley	99	–	**99**	1	**100**	98
Tim Cowley	114	–	**114**	1	**115**	113
William Duffy	31	–	**31**	–	**31**	61
James Hedges[1]	181	–	**181**	12	**193**	185
Sean Morris	105	–	**105**	13	**118**	125
Mark Watkins	136	–	**136**	12	**148**	127
Jon Furber[2]	84	–	**84**	6	**90**	–
Total	1,047	–	**1,047**	45	**1,092**	1,021

1 Resigned 18 September 2017
2 Appointed 18 September 2017

Directors' Share Options

At 31 March 2018 the following options had been granted to the Company's Directors and remain current and unexercised:

This table is audited

	Option exercise price	Balance as at 1 April 2017	Granted during year	Exercised during year	Expired/ forfeited during year	Balance as at 31 March 2018	Expiry date
John Watkins	£0.445	250,000	–	–	–	**250,000**	21/01/2024
	£1.925	225,000	–	–	–	**225,000**	21/09/2025
	£0.985	–	75,000	–	–	**75,000**	03/07/2027
Keith Evans	£0.985	–	75,000	–	–	**75,000**	03/07/2027
Matt Cowley	£0.445	125,000	–	–	–	**125,000**	21/01/2024
	£1.925	25,000	–	–	–	**25,000**	21/09/2025
Tim Cowley	£0.445	125,000	–	–	–	**125,000**	21/01/2024
	£1.925	50,000	–	–	–	**50,000**	21/09/2025
Bill Duffy	£0.985	–	75,000	–	–	**75,000**	03/07/2027
James Hedges	£0.445	125,000	–	(125,000)	–	**–**	21/01/2024
	£1.925	75,000	–	–	(75,000)	**–**	21/09/2025
	£1.830	9,836	–	–	(9,836)	**–**	30/09/2018
Sean Morris	£0.875	175,000	–	–	–	**175,000**	17/12/2024
	£1.925	75,000	–	–	–	**75,000**	21/09/2025
Mark Watkins	£0.578	200,000	–	–	–	**200,000**	06/04/2024
	£1.925	75,000	–	–	–	**75,000**	21/09/2025
	£0.985	–	75,000	–	–	**75,000**	03/07/2027
Jon Furber	£1.375	–	475,000	–	–	**475,000**	26/11/2027

All share options were issued at the open market price on the day the options were granted.

The Group provides qualifying third party indemnity provisions for the Directors which was in place throughout the year and has remained in place since the year end.

Directors' Report continued

Treasury Shares

At 1 April 2017 and 31 March 2018 the Company held 29,000 of its own 1p ordinary shares representing 0.08% (2017: 0.09%) of the called up share capital. There were no purchases or sales by the Company during the year.

Statement as to Disclosure of Information to the Auditors

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors

A resolution to appoint PricewaterhouseCoopers LLP, Chartered Accountant, as auditor, will be put to the members at the Annual General Meeting.

By approval of the Board on 29 June 2018

Jon Furber
Company Secretary

Independent auditors' report to the members of Trakm8 Holdings Plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Trakm8 Holdings Plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and parent company statements of financial position as at 31 March 2018; the consolidated statement of comprehensive income, the consolidated statement of cash-flows, and the consolidated and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements..

Our audit approach

Overview

- Overall group materiality: £301,395 (2017: £271,850), based on 1% of total revenues.
- Overall parent company materiality: £121,000 (2017: £110,000), based on 1% of total assets (capped at £121,000 based on allocation of Group materiality to the component).

- We conducted a full-scope audit over four legal entities, including the parent company.
- 97% of consolidated revenue is covered through the audit of these four legal entities.

- Revenue recognition in multi-element arrangements.
- Capitalisation of internally generated intangible assets.
- Goodwill impairment assessment.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent auditors' report to the members of Trakm8 Holdings Plc continued

Key audit matter	How our audit addressed the key audit matter
Risk of error in revenue recognition for multi-element arrangements	
The Group enters into contracts where there are more than one deliverable to be provided to the customer. These typically include the provision of hardware, software and services, or software and services. The accounting for these contracts involves a higher degree of judgement, including: • Determining whether contract contain deliverables which should be separated for revenue recognition purposes and the most appropriate revenue recognition methodology for each of those elements; • Determining the allocation of consideration on a fair value basis between components of multi-element contracts; and • Determining the point at which it is appropriate to recognise revenues where revenues are recognised in advance of billings.	We have tested the accounting for multi-element contracts and the associated revenues recognised in the year. Our procedures have included: • Review of a sample of contracts with customers to ensure that separate deliverables within contracts have been identified in line with contractual terms. Where separate deliverables have been identified we have ensured that the revenue recognition methodology applied appropriately separates out each deliverable; • Testing of the fair values of revenues attributed to different deliverables within the contract by reference to appropriate supporting evidence, including stand-alone selling prices for different elements of revenue or, where these do not exist, similar objective evidence derived from contract pricing over a number of years; and • Review of contractual terms to ensure that where revenues are recognised in advance of billings, the Group has an enforceable right to receive consideration in the future. Based on the work performed we found that contracts containing more than one deliverable had been appropriately identified, and revenues had been separately identified and allocated between different deliverables on a reasonable basis. Where revenues had been recognised in advance of billings we found that the Group had an enforceable right to receive consideration in the future.
Capitalisation of internally generated intangible assets	
The Group continues to incur material expenditure on development activities (including software). This expenditure is capitalised when the development project meets the criteria of International Accounting Standard 38 'Intangible Assets' (IAS 38). During the year the Group capitalised £3.8m of development and software expenditure on internally generated intangible assets. IAS 38 sets out specific criteria that must be met for an asset to be capitalised. These include whether it is probable that the expected future economic benefits attributable to the asset will flow to the Group; the cost of the asset can be measured reliably; the technical feasibility of completing the asset can be demonstrated such that it will be available for use or sale; there is an intention to complete the asset and use or sell it; the Group has the ability to use or sell the asset; and the Group has adequate technical, financial and other resources to complete the development and to use or sell the asset. Management apply judgement in determining whether or not these criteria are met and there is therefore a risk that expenditure may be incorrectly capitalised.	We tested a sample of projects against which costs had been capitalised during the year to validate that the projects met each of the relevant criteria within IAS 38 to support the capitalisation of costs. We also tested a sample of costs capitalised during the year to confirm that the cost of the asset could be reliably measured and had been accurately recorded by agreeing the capitalised costs back to appropriate audit evidence, for example timesheet records, invoices or similar supporting documentation. Based on our work performed we found that management's assessment of projects against the capitalisation criteria within IAS 38 was reasonable, and that costs capitalised within projects were recorded on an appropriate basis.

Goodwill impairment assessment

The Group has a material goodwill balance which is required to be tested for impairment on an annual basis in accordance with International Auditing Standard 36 'Impairment of Assets' (IAS 36). Total goodwill at year end was £10.4m.

Goodwill has been tested by reference to its value in use. Valuations of this nature are inherently subjective and involve a high degree of estimation, for example over future cash flows of the group, discount rates applied to those cash flows and terminal growth rates. This gives rise to an increased risk of error in the calculation of value in use and therefore in the overall impairment assessment.

We have performed audit procedures over management's impairment assessment, including testing of the methodology applied and assessment of key assumptions including future cash flows, discount rates and growth rates.

We have agreed future cash flows to Board approved budgets and considered the appropriateness of these budgets by reference to historical performance of the Group, historical growth rates and trends in sales pipeline. We have also assessed the terminal growth rate against long-term GDP growth in the UK for reasonableness, and tested the calculation of the discount rate and considered the appropriateness of the discount rate by reference to comparable companies.

We have performed sensitivity analysis over key assumptions included within the model to assess the impact of a deterioration in any of the key assumptions, and considered the reasonableness of Management's conclusions that there is no impairment in the value of goodwill.

Based on our audit procedures performed we found the methodology and assumptions used in the calculation of value in use were reasonable. We also reviewed the disclosures around the impairment assessment performed, and were satisfied with the nature and extent of commentary provided.

We determined that there were no key audit matters applicable to the parent company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Trakm8 Holdings Plc Group (the "Group") is structured by legal entity and the Group financial statements are a consolidation of eight individual legal entities.

Of these eight individual legal entities, we performed audits of the complete financial information of Trakm8 Holdings Plc (the parent company), Box Telematics Limited, Trakm8 Limited and Route Monkey Limited. All of the above were considered to be significant components of the Group, either due to their contribution to revenues and profits of the Group as a whole or, in the case of Trakm8 Holdings Plc, due to being the parent entity within the Group holding the external debt on behalf of the Group.

The accounting for all components and the Group consolidation is performed centrally in the UK, with all audit work being performed by the Group audit engagement team. Therefore, there is no requirement to utilise separate component auditors.

97% of the Group's consolidated revenue is accounted for by legal entities where we performed audits of their complete financial information.

The parent company audit was scoped based on the materiality set out above.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Overall materiality	£301,395 (2017: £271,850).	£121,000 (2017: £110,000).
How we determined it	1% of total revenues.	1% of total assets (capped at £121,000 based on allocation of Group materiality to the component).
Rationale for benchmark applied	Revenue remains the key focus of management and the most prominent performance indicator when reporting results to the market.	This entity does not trade and has no revenue, therefore an appropriate benchmark is considered to be 1% of total assets.

Independent auditors' report to the members of Trakm8 Holdings Plc continued

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £121,000 and £285,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £15,000 (Group audit) (2017: £13,500) and £6,000 (Parent company audit) (2017: £5,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- 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 group's and parent 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Matthew Hall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
1 July 2018

Consolidated Statement of Comprehensive Income

for the Year Ended 31 March 2018

	Note	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Revenue	6	**30,081**	26,759
Cost of sales		**(15,232)**	(13,550)
Gross profit		**14,849**	13,209
Other income	7	**566**	325
Administrative expenses excluding exceptional costs		**(12,681)**	(12,462)
Exceptional administrative costs	9	**(1,405)**	(214)
Total administrative costs		**(14,086)**	(12,676)
Operating profit	8	**1,329**	858
Finance income		**33**	–
Finance costs	10	**(189)**	(165)
Profit before taxation		**1,173**	693
Income tax	11	**398**	777
Profit for the year		**1,571**	1,470
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**9**	(1)
Total other comprehensive income		**9**	(1)
Total comprehensive income for the year attributable to owners of the Parent		**1,580**	1,469
Adjusted profit before tax	8	**2,794**	1,156
Earnings per ordinary share (pence) attributable to owners of the Parent			
Basic	13	**4.40p**	4.51p
Diluted	13	**4.33p**	4.36p

The results relate to continuing operations.

Consolidated Statement of Changes in Equity

for the Year Ended 31 March 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Treasury reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 April 2016	320	9,641	1,122	200	(4)	5,796	17,075
Comprehensive income							
Profit for the year	–	–	–	–	–	1,470	1,470
Other comprehensive income							
Exchange differences on translation of overseas operations	–	–	–	(1)	–	–	(1)
Total comprehensive income	–	–	–	(1)	–	1,470	1,469
Transactions with owners							
Shares issued	37	2,142	16	–	–	–	2,195
Equity dividend	–	–	–	–	–	(649)	(649)
Share placing fees	–	(109)	–	–	–	–	(109)
IFRS 2 Share-based payments	–	–	–	–	–	249	249
Transactions with owners	37	2,033	16	–	–	(400)	1,686
Balance as at 1 April 2017	357	11,674	1,138	199	(4)	6,866	20,230
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**1,571**	**1,571**
Other comprehensive income							
Exchange differences on translation of overseas operations	**–**	**–**	**–**	**9**	**–**	**–**	**9**
Total comprehensive income	**–**	**–**	**–**	**9**	**–**	**1,571**	**1,580**
Transactions with owners							
Shares issued	**2**	**76**	**–**	**–**	**–**	**–**	**78**
IFRS 2 Share-based payments	**–**	**–**	**–**	**–**	**–**	**216**	**216**
Tax recognised directly in equity (Note 11)	**–**	**–**	**–**	**–**	**–**	**38**	**38**
Transactions with owners	**2**	**76**	**–**	**–**	**–**	**254**	**332**
Balance as at 31 March 2018	**359**	**11,750**	**1,138**	**208**	**(4)**	**8,691**	**22,142**

Consolidated Statement of Financial Position

as at 31 March 2018

	Note	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Assets			
Non-current assets			
Intangible assets	14	**19,460**	17,108
Property, plant and equipment	15	**1,756**	1,855
Deferred income tax asset	18	**–**	297
Amounts receivable under finance leases	17	**318**	499
		21,534	19,759
Current assets			
Inventories	16	**2,556**	3,674
Trade and other receivables	17	**10,844**	6,076
Corporation tax receivable		**1,001**	1,645
Cash and cash equivalents		**3,472**	1,990
		17,873	13,385
Liabilities			
Current liabilities			
Trade and other payables	19	**(9,598)**	(6,471)
Borrowings	20	**(1,151)**	(1,052)
Provisions	21	**(47)**	(62)
Deferred income tax liability	18	**(229)**	–
		(11,025)	(7,585)
Current assets less current liabilities		**6,848**	5,800
Total assets less current liabilities		**28,382**	25,559
Non-current liabilities			
Trade and other payables	19	**(581)**	(480)
Borrowings	20	**(5,621)**	(4,805)
Provisions	21	**(38)**	(44)
Net assets		**22,142**	20,230
Equity			
Share capital	22	**359**	357
Share premium		**11,750**	11,674
Merger reserve		**1,138**	1,138
Translation reserve		**208**	199
Treasury reserve		**(4)**	(4)
Retained earnings		**8,691**	6,866
Total equity attributable to equity holders of the Parent		**22,142**	20,230

The notes on pages 41 to 65 are an integral part of these consolidated financial statements. These financial statements on pages 37 to 65 were approved by the Board of Directors and authorised for issue on 3 July 2018 and are signed on its behalf by:

John Watkins
Director

Jon Furber
Director

Consolidated Statement of Cash-Flows

for the Year Ended 31 March 2018

	Notes	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Net cash generated from operating activities	24	**4,735**	668
Cash flows from investing activities			
Acquisition of subsidiary undertaking (net of cash acquired)		**–**	(763)
Purchases of property, plant and equipment		**(91)**	(181)
Purchases of software		**(236)**	(262)
Proceeds from sale of plant and equipment		**–**	–
Capitalised development costs		**(3,389)**	(3,241)
Net cash used in investing activities		**(3,716)**	(4,447)
Cash flows from financing activities			
Issue of new shares		**78**	2,070
Increase in bank loan		**2,600**	2,700
Repayment of bank loans		**(1,880)**	(1,954)
Repayment of obligations under hire purchase agreements		**(146)**	(104)
Interest paid		**(189)**	(165)
Dividends paid to owners of the Parent		**–**	(649)
Net cash generated from financing activities		**463**	1,898
Net increase/(decrease) in cash and cash equivalents		**1,482**	(1,881)
Cash and cash equivalents at beginning of year		**1,990**	3,871
Cash and cash equivalents at end of year		**3,472**	1,990

Notes to the Consolidated Financial Statements

1 General Information
Trakm8 Holdings PLC ('Company') and its subsidiaries (together the 'Group') develop, manufacture, distribute and sell telematics devices and services.

Trakm8 Holdings PLC is a public limited company incorporated in the United Kingdom (registration number 05452547). The Company is domiciled in the United Kingdom and its registered office address is 4 Roman Park, Roman Way, Coleshill, West Midlands, B46 1HG. The Company's Ordinary shares are traded on the AIM market of the London Stock Exchange. The Company is registered in England and is limited by shares.

The Group's principal activity is the development, manufacture, marketing and distribution of vehicle telematics equipment and services. The Company's principal activity is to act as a holding company for its subsidiaries.

The Consolidated Financial Statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

2 Authorisation of Financial Statements and Statement of Compliance with IFRS
The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRS IC') interpretations as endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

3 Basis of Preparation
The accounting policies set out in Note 4 have been applied consistently to all periods presented in these consolidated financial statements made up to 31 March 2018.

These financial statements are presented on a going concern basis. The Group has cash balances of £3,472,000 and undrawn revolving credit facilities of £1,600,000 at 31 March 2018 therefore the Directors have a reasonable expectation that the Group will have adequate financial resources to continue in operation for the foreseeable future. A cash flow forecast for the next 12 months prepared by the Directors has indicated that the Group will have adequate financial resources to continue in operation for the foreseeable future.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies as disclosed within Note 4 and 5.

4 Accounting Policies
Basis of Accounting
The financial statements have been prepared on the going concern basis under the historical cost convention in accordance with the applicable accounting standards.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Basis of Consolidation
The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The trading results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair values of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the Statement of Comprehensive Income. All acquisition expenses have been reported within the consolidated Statement of Comprehensive Income immediately.

Notes to the Consolidated Financial Statements continued

4 Accounting Policies continued

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

Revenue Recognition

Revenue represents the total of amounts receivable for goods and services provided excluding value added tax.

The Group enters into sale of multi-element contracts, which contain a combination of different elements which can include hardware, software and different services, including telematics services, software maintenance, installation and customisation and configuration contracts. Each element of such contracts is attributed a fair value on inception of the contract, based on the estimated fair values attributed to each element of the contract. The revenue recognition profile of each of the different elements is discussed further below.

Revenue on the sale of telematics devices and other hardware is recognised on the delivery of the goods to the customer, or where bill and hold arrangements exist on acceptance of the goods by the customer.

Revenue for telematics services, being the provision of data and data analytics to customers, is recognised with reference to the fair value of contracts over the period to which it relates. The appropriate portion of service revenue invoiced in advance covering future periods is shown as deferred income within current and non-current liabilities.

Revenue for installation services is recognised when the installation is completed.

Revenue from the sale of perpetual software license is recognised when the software is made available for use by the customers. Revenue from the development of software and the integration of software with customers existing systems is recognised over the life of the development project by reference to percentage of completion. Revenue for engineering services is recognised as the services are provided.

Revenue from software maintenance contracts is based on the estimated fair values attributed to that element of the contract, recognised over the support term.

Revenue from SaaS (software as a service) contracts is based on the estimated fair values attributed to that element of the contract, recognised over the contract term.

Revenue from customisation/configuration contracts is based on the estimated fair values attributed to that element of the contract, recognised as related services are performed.

Rental income from operating leases and rental of equipment is recognised on a straight-line basis over the term of the lease or rental period.

Assets sold by the Group where substantially all the risk and rewards of ownership of the assets have been transferred to the customer, of which the customer is paying over a number of future periods are classified as finance leases. Revenue is recognised at the present value of the minimum lease payments at the inception of the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Invoicing for all revenue streams is undertaken in accordance with the terms of the agreement with the customer. Where this is different to revenue recognition either accrued or deferred income is recognised on the statement of financial position as appropriate.

In cases where customers pay for the goods and services over an agreed period, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as investment income over the payment period.

Grant Income

Government grants for revenue expenditure are recognised in the Statement of Comprehensive Income on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate. For grants relating to assets the grant is deducted from the carrying amount of the asset.

4 Accounting Policies continued

Operating Leases – Leasee

Leases where the Group retains substantially all the risks and rewards of ownership are classified as operating leases. The cost of operating leases (net of any incentives received from the lessor) is charged to the Statement of Comprehensive Income on a straight-line basis over the periods of the leases.

Operating Leases – Lessor

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. The lease income from the operating leases is charged to the Statement of Comprehensive Income on a straight-line basis over the periods of the leases.

Exceptional Items

Exceptional items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. See Note 8 for further details.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense.

Current tax is based on taxable profits for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Research and Development tax credits (SME R&D tax relief) are shown as part of the current tax charge for the year in the Statement of Comprehensive Income.

Research and Development Expenditure Credit ('RDEC') in relation to research and development costs not claimed under SME R&D tax relief are shown as part of other income in the Statement of Comprehensive Income.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised in the foreseeable future.

Deferred tax on share based payments is recognised in the Statement of Comprehensive Income to the extent that the future tax deduction does not exceed the charge in the Statement of Comprehensive Income. Deferred tax for the excess is recognised directly in Statement of Changes in Equity.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based upon tax rates that have been enacted or substantively enacted.

Share-Based Payments

The Group has applied the requirements of IFRS 2 Share-based payment, the corresponding entry to the expense in the Statement of Comprehensive Income is recognised in equity within the Statement of Changes in Equity.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations. No expense is recognised for awards that do not ultimately vest.

Notes to the Consolidated Financial Statements continued

4 Accounting Policies continued

Goodwill

Goodwill arising on consolidation is recorded as an intangible asset and is the surplus of the fair value of the acquisition over the Group's interest in the fair value of identifiable net assets (including intangible assets) acquired. Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Any impairment identified as a result of the review is charged in the Statement of Comprehensive Income.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible Assets Other Than Goodwill

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. Such intangible assets are carried at cost less amortisation. Amortisation is charged to 'Administrative expenses' in the Statement of Comprehensive Income on a straight-line basis over the intangible assets' useful economic life. The amortisation is based on a straight-line method typically over a period of 1-10 years depending on the life of the related asset.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development expenditure is capitalised as an intangible asset only if the following conditions are met:
- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefit;
- the development cost of the asset can be measured reliably;
- it meets the Group's criteria for technical and commercial feasibility; and
- sufficient resources are available to meet the development costs to either sell or use as an asset.

Intangible Assets Acquired as Part of a Business Combination

For acquisitions, the Group recognises intangible assets separately from goodwill provided they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Intangible assets are initially recognised at fair value, which is regarded as their cost. Intangible assets are subsequently held at cost less accumulated amortisation and impairment losses. Where intangible assets have finite lives, their cost is amortised on a straight-line basis over those lives. The nature of intangible assets recognised and their estimated useful lives are as follows:

Software	10 – 20%	Straight line
Websites	33 – 50%	Straight line
Intellectual property	20%	Straight line
Customer relationships	33%	Straight line

The assets' residual values and useful lives are reviewed at each Statement of Financial Position date and adjusted if appropriate. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less any subsequent accumulated depreciation or impairment losses. With the exception of freehold buildings held at 31 March 2006 (the date of transition to IFRS), cost represents purchase price together with any incidental costs to acquisition. As permitted by IFRS 1, the cost of freehold buildings at 31 March 2006 represents deemed cost, being the market value of the property for existing use at that date.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write each asset down to its estimated residual value over its expected useful life. In summary the depreciation rates used for each category is as follows:

Freehold property	2%	Straight line
Furniture, fixtures and equipment	5% – 10%	Straight line
Computer equipment	20%	Straight line
Motor vehicles	25%	Straight line

4 Accounting Policies continued

Property, Plant and Equipment Impairment

The assets' residual values and useful lives are reviewed at each Statement of Financial Position date and adjusted if appropriate. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Inventories

Inventories are valued at the lower of cost and net realisable value. In general cost is determined on a first in first out basis and includes all direct expenditure and production overheads based on a normal level of activity. Net realisable value is the price at which the stocks can be sold in the normal course of business after allowing for the costs of realisation and where appropriate for the costs of conversion from its existing state to a finished condition. Provision is made for obsolete, slow moving and defective stocks.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with the original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents includes bank overdrafts where applicable.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Financial liabilities and equity instruments are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Bank borrowings

Borrowings are initially recognised at fair value, being proceeds received less directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost with any transaction costs amortised to the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Finance Leases – Lessee

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have been transferred to the Group, are capitalised in the Statement of Financial Position and depreciated over the shorter of the lease term or their useful lives. The asset is recorded at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. The capital elements of future obligations under finance leases are included in liabilities in the Statement of Financial Position and analysed between current and non-current amounts. The interest elements of future obligations under finance leases are charged to the Statement of Comprehensive Income over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding in accordance with the effective interest rate method.

Warranty Claims

Provision is made for product warranty claims when the Group has a present obligation as a result of past events, it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. No provision is made for discounting on the grounds that the impact of discounting is deemed insignificant.

Notes to the Consolidated Financial Statements continued

4 Accounting Policies continued

Equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Merger reserve represents the excess over nominal value of the fair value of consideration received for equity shares issued on reverse acquisition of subsidiaries, net of expenses of the share issue prior to the date of transition to IFRS.
- Translation reserve represents cumulative foreign exchange gains and losses on retranslation of overseas operations.
- Treasury reserve represents the cost of shares held in Treasury.
- Retained earnings represents retained profits and the share-based payment reserve.

Treasury Shares

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Foreign Currencies

Sterling is the presentational currency of the Group. The functional currency of the companies within the Group is sterling except for Trakm8 s.r.o (Czechoslovakian crowns) and Trakm8 HK Limited (US Dollars). This is based on the Group's workforce being based in the UK and that sterling is the currency in which management reporting and decision making is based.

Foreign currency monetary assets and liabilities are converted to Sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are converted to Sterling at the rates of exchange ruling at the transaction date. All of the resulting exchange differences are recognised in the Statement of Comprehensive Income as they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and transferred to the Group's reserves. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The Board have assessed that there continues to be just one segment following the continued integration of the Trakm8, DCS, Route Monkey and Roadsense businesses. This segment has two separate revenue streams distinguished by whether the revenues arise from solely hardware sales (Products) or hardware with ongoing service fees (Solutions).

Changes in Accounting Standards and Disclosures

During the year no new accounting standards became effective which had a significant impact on the Group's consolidated financial statements.

Outlook for Adoptions of Future Standards (New and Amended)

At the date of authorisation of the consolidated financial information, the following standards and interpretations which have not yet been adopted early in these consolidated financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Number	Title	Effective
IFRS 2	Amendments to share based payments	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRC 22	Foreign currency transactions and advance consideration	Not yet endorsed
Annual Improvements	2014-2016 Cycle	1 January 2018
Annual Improvements	2015-2017 Cycle	Not yet endorsed

4 Accounting Policies continued

Other than the standards discussed below, none are expected to have a material impact on the Group.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

The Group is in the business of developing, manufacturing, marketing and distributing vehicle telematics hardware, services and software. In most cases, the hardware, services and software are sold together as a bundled package. In some cases these are sold on their own in separately identified contracts with customers.

(a) Sale of goods

For contracts with customers in which the sale of telematics hardware is bundled with services, the Group is generally able to identify the sale of goods as a separate performance obligation and can determine a stand-alone price. Adoption of IFRS 15 is not expected to have any impact on the Group’s revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. This is in line with the current revenue recognition policy. Therefore, no change to the existing accounting policy is expected upon adopting IFRS15.

(b) Rendering of services

The Group provides different types of services to the customers and has analysed the impact of adopting IFRS 15 on the current revenue recognition policy.

In preparing to adopt IFRS 15, the Group is considering the following:

(i) Service contracts

The Group currently sells multi-element contracts which include a combination of hardware and different services; services include ongoing support for a specified term, data/connection services recognised over the related term and customisation/configuration recognised as related services are performed. The allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to the services rendered would not be affected, which is recognised ratably over the life of the service contract.

However, for a small number of contracts the Group has identified different performance obligations under IFRS 15 and IAS 18, resulting in a different revenue recognition policy from the current policy. Under IFRS 15, customisation/configuration is generally not considered a separate performance obligation and as such revenue is to be recognised in line with the service element. These contracts require delivery of non-standard functionality which is not a separate performance obligation, whereas under IAS 18 revenue was recognised to match with costs incurred in delivering the functionality.

A detailed review of contracts impacted by IFRS 15 has been undertaken and the provisional impact on the balance sheet as at 31 March 2017 is a decrease to working capital of £0.2m and a decrease in reserves of £0.2m. The impact on 2018 revenue is an decrease of approximately £0.7m, with an decrease in operating profit of approximately £0.7m.

(ii) Installation

The Group provide installation services that are sold either bundled together with the sale of telematics hardware to a customer or on their own. Currently, the Group accounts for the installation as a separate deliverable of bundled sales and allocates consideration between these deliverables using the relative stand-alone selling price approach. The Group recognises installation revenue upon installation. Under IFRS 15, allocation will be made based on relative stand-alone selling prices. Hence, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to the installation services would not be affected.

(iii) Sale of software

For contracts with customers including the sale of perpetual software licenses, adoption of IFRS 15 is not expected to have any impact on the Group’s revenue and profit or loss as it is assessed as a separate performance obligation. The Group expects the revenue recognition to occur at a point in time when the software is made available for use by the customers. This is in line with the current revenue recognition policy. Therefore, no change to the existing accounting policy is required upon adopting IFRS15.

Notes to the Consolidated Financial Statements continued

4 Accounting Policies continued

(iv) Software development and integration projects

The revenue from software development and integration projects sold stand-alone as a clearly defined project is recognised over the life of the development by reference to percentage of completion.

Under IFRS 15, the same basis for recognising revenue will be acceptable therefore we do not expect adoption of this standard to cause a significant change to the revenue recognition policy.

(c) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of them will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

(d) Other adjustments

In addition to the disclosure adjustments described above, on adoption of IFRS 15, other items of the primary financial statements such as deferred taxes, will be affected and adjusted as necessary. Furthermore, exchange differences on translation of foreign operations would also be adjusted.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

IFRS 16 Leases

The main change is expected to relate to the recognition on the Group's balance sheet of assets and liabilities relating to leases which are currently being accounted for as operating leases. The Group is yet to assess the full impact of IFRS 16 which becomes effective for accounting periods beginning on or after 1 January 2019.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2018, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group will adopt IFRS 9.

Overall, the Group expects no significant impact on its statement of financial position and equity.

a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value and subsequently at amortisation cost all financial assets currently held on this basis.

The Group only has trade receivables as financial assets that are in scope of IFRS9. The trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. Based on management's assessment of expected impairment losses to be recognised at inception the impact is not expected to be material.

(c) Hedge accounting

The Group does not hold contracts with hedge relationships that qualify for hedge accounting under IFRS 9.

5 Critical Judgements in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, which are described in Note 4, management has made the following judgements that have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Revenue Recognition

Revenue is recognised with reference to the fair value of contracts.

Management applies judgement on contracts which involve more than one deliverable. Each deliverable is assigned to one or more separate element of revenue and the contract consideration is allocated to each element based on its relative fair value. Determining the fair value of each element can require complex estimates due to the nature of goods and services provided. A fair value is determined for each element based on equivalent sales prices where it is sold on a standalone basis after considering volume discounts when applicable.

The split between initial recognition for products supplied and subsequent recognition for service revenue over the contract period and allocating the fair value between these elements is another key judgement made by management in ensuring appropriate revenue recognition.

Management also assesses the state of completion of engineering services, software development and integration projects by reference to work done, elements delivered and services provided to the customer.

Goodwill Carrying Value

A full impairment review has been performed on a 'value in use' basis, which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and an appropriate growth rate. Further details, including a sensitivity analysis are given in Note 14 and the accounting policy is set out in Note 4.

Valuation of Intangibles Acquired on Business Combinations

On the acquisition of a business, it is necessary to attribute fair values to any intangible assets acquired, provided they meet the criteria to be recognised. The fair values of these assets are arrived at by estimating the cost of acquiring equivalent assets from a third party. The Group takes advice from third parties in determining fair values and the estimated useful lives of intangible assets arising on significant acquisitions. Estimates of remaining useful lives of assets are also reviewed at least annually and revised if appropriate.

Capitalised Development Costs

At the start of a project, management assesses whether or not the project meets the criteria for capitalisation under the requirements of IAS 38. Subsequently, the recoverability of capitalised development costs is dependent on assessments of the future commercial viability of the relevant products and processes. Management assess this viability based on market knowledge and demand from customers for improvements to existing product, service and software capabilities.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key estimations at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of Trade Receivables

Management are particularly conscious of the financial weakness of some companies and closely monitors its outstanding debtor book in order to minimise the risk associated with future bad debts. Active credit control management is undertaken with a credit approval process in place and active monitoring of accounts resulting in future supplies being stopped if debts remain overdue. An increasing number of customers taking the Group's services pay by direct debit and this is reducing the Group's exposure to the non-recoverability of trade receivables in the future.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 14.

Notes to the Consolidated Financial Statements continued

6 Segmental Analysis

The chief operating decision maker ('CODM') is identified as the Board. It continues to define all the Group's trading under the single Integrated Telematics Technology segment and therefore review the results of the group as a whole. Consequently all of the Group's revenue, expenses, results, assets and liabilities are in respect of one Integrated Telematics Technology segment.

The Board as the CODM review the revenue streams of Integrated Fleet, Optimisation, Insurance and Automotive Solutions ('Solutions') and Hardware as Discrete Devices ('Products') as part of their internal reporting. Products is the sale of Contract Electronic Manufacturing services (now ceased) and other third party hardware only supply. Solutions represents the sale of the Group's full vehicle telematics and optimisation services, engineering services, professional services and mapping solutions to customers.

A breakdown of revenues within these streams are as follows:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Solutions	**26,808**	21,256
Products	**3,273**	5,503
	30,081	26,759

A geographical analysis of revenue by destination is as follows:

	Year ended 31 March 2018			Year ended 31 March 2017		
	Solutions £'000	**Products £'000**	**Total £'000**	Solutions £'000	Products £'000	Total £'000
United Kingdom	**26,484**	**3,068**	**29,552**	20,922	5,405	26,327
North America	**56**	**–**	**56**	–	18	18
Norway	**58**	**–**	**58**	71	–	71
Rest of Europe	**73**	**197**	**270**	260	14	274
Rest of World	**137**	**8**	**145**	3	66	69
	26,808	**3,273**	**30,081**	21,256	5,503	26,759

7 Other Income

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Grant income	**531**	325
R&D tax credit	**35**	–
	566	325

8 Operating Profit

The following items have been included in arriving at operating profit:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Depreciation (see Note 15)		
– owned fixed assets	**261**	282
– assets on hire purchase	**60**	22
Amortisation of intangible assets (see Note 14)	**1,484**	1,157
Operating lease rentals		
– Land and buildings	**159**	129
– Other	**263**	230
Research and development expenditure	**1,485**	1,314
(Gain)/Loss on foreign exchange transactions	**(59)**	40
Staff costs (Note 12)	**7,936**	7,302
Loss on disposal of property plant & equipment	**26**	–
Exceptional administrative costs	**1,405**	214
Auditors' remuneration		
– Fees payable to the Company's auditors for the audit of the Parent Company and Consolidated Financial Statements	**103**	71
Fees payable to the Company's auditors for other services:		
– Share-based payments advisory services	**8**	–
– Tax compliance services	**–**	10
– Tax advisory services	**–**	10

Adjusted profit before tax is monitored by the Board and measured as follows:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Profit before tax	**1,173**	693
Exceptional administrative costs (note 9)	**1,405**	214
Share-based payments	**216**	249
Adjusted profit before tax	**2,794**	1,156

9 Exceptional Administrative Costs

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Acquisition costs	**256**	63
Integration costs	**501**	90
Head Office relocation	**238**	–
Contract manufacturing closure costs	**410**	61
	1,405	214

The acquisition costs incurred in 2018 relate to non-underlying charges under two separate agreements linked to the acquisition in the prior year. The costs incurred are directly linked to the acquisition and not as part of the ongoing underlying business. One agreement terminates on 31 July 2019, and the second agreement on 31 March 2019. The 2017 acquisition costs relate to the actual acquisition itself.

Notes to the Consolidated Financial Statements continued

9 Exceptional Administrative Costs continued

The Company has incurred significant costs relating to a project to streamline and rationalise the operations of the business. This has resulted in the following non-underlying, one-off costs:

- In the current and prior year, integration costs relate to costs incurred integrating the activities of Route Monkey Limited and DCS Systems Limited that were acquired in previous financial years and include costs associated with office closures. This integration project is now complete.
- Head Office relocation costs are non-underlying costs incurred in moving the Head Office and associated administrative functions from Shaftesbury to the West Midlands which was completed by the end of the financial year.
- In the current and prior year, contract manufacturing closure costs relate to residual inventory costs and contract exit costs following cessation of manufacturing contracts with third parties. All these contracts have now ceased.

10 Finance Costs

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Interest on bank loans	147	148
Amortisation of debts issue costs	13	–
Interest on Hire Purchase and similar agreements	29	17
	189	165

11 Income Tax

Tax Charge For the Year

Our tax charge for the year is shown below. Tax is made up of current and deferred tax. Current tax is the amount payable/(receivable) on the taxable income in the year and any adjustments to the tax payable/(receivable) in the previous years. Deferred tax is explained in Note 18.

		Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Current tax	prior year adjustment	10	(798)
	current year credit	(972)	(996)
	sub total	(962)	(1,794)
Deferred tax	prior year adjustment	(188)	601
	current year charge	752	416
	sub total	564	1,017
Income tax credit	**Total**	(398)	(777)

Tax Recognised Directly in Equity

In addition to the amount credited to the income statement, tax movements recognised in equity were as follows:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Deferred tax:		
Share-based payment	(38)	–
Tax credit in the statement of changes in equity	(38)	–

11 Income Tax continued

Factors Affecting the Tax Charge

The tax assessed for the year is lower (2016: lower) than the applicable rate of corporation tax in the UK. The difference is explained below:

		£'000	£'000
Profit before tax		**1,173**	693
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2016: 20%)		**223**	139
Effects of:			
Expenses not deductible/income not taxable		**162**	124
R&D relief enhanced deduction		**(559)**	(476)
Adjustments in respect of prior periods:	Deferred tax	**(188)**	601
	Current tax	**10**	(798)
Utilisation of tax losses not recognised as a deferred tax asset		**–**	(122)
Share-based payments		**–**	(245)
Other movements		**(46)**	–
Total tax credit		**(398)**	(777)

R&D Relief Enhanced Deduction

This deduction is available on research and development work done by the Group to develop and enhance its data analytics functionality and telematics hardware.

Prior Year Adjustment

The prior year adjustment mainly relates to the R&D tax credits that were finalised during the year.

Finance (No 2) Act 2015 was substantively enacted on 26 October 2015 and reduced the rate of corporation tax in the UK to 19% from 1 April 2017. Finance Act 2016 was substantively enacted on 6 September 2016 and reduced the main rate of corporation tax in the UK to 17% with effect from 1 April 2020.

12 Employees

	Year ended 31 March 2018 No.	Year ended 31 March 2017 No.
The average monthly number of persons (including Directors) employed by the Group was:		
Engineering	**76**	82
Sales & marketing	**84**	78
Production	**59**	75
Administration	**25**	30
	244	265

Staff costs for the employees and Directors (included under Administrative expenses and Cost of sales):

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Wages and Salaries	**6,772**	6,020
Social security costs	**639**	930
Share-based payments	**216**	249
Other pension costs	**309**	103
	7,936	7,302

Notes to the Consolidated Financial Statements continued

12 Employees continued

The compensation for key management personnel was as follows (included under Administrative expenses and Cost of sales):

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Salaries and other short-term employee benefits	**1,466**	1,162
Post-employment benefits	**51**	25
Share-based payments	**175**	111
	1,692	1,298

The key management personnel are the Directors and four senior managers who became key management personnel during the prior year.

The key management personnel made gains of £62,000 (2017: £nil) on the exercise of share options during the year.

Details of Directors' fees and salaries, bonuses and pensions (including that of the highest paid Director) have been audited and are given in the Directors' Report on page 31.

13 Earnings Per Ordinary Share

The earnings per ordinary share have been calculated in accordance with IAS 33 using the profit for the year and the weighted average number of ordinary shares in issue during the year as follows:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Profit for the year after taxation	**1,571**	1,470
Exceptional administrative costs	**1,405**	214
Share-based payments	**216**	249
Tax effect of adjustments	**(267)**	(43)
Adjusted profit for the year after taxation	**2,925**	1,890

	No.	No.
Number of ordinary shares of 1p each	**35,898,254**	35,723,254
Basic weighted average number of ordinary shares of 1p each	**35,740,877**	32,594,891
Diluted weighted average number of ordinary shares of 1p each	**36,297,287**	33,708,702
Earnings per share	**4.40p**	4.51p
Diluted earnings per share	**4.33p**	4.36p
Adjust for effects of:		
Exceptional costs	**3.18p**	0.53p
Share-based payments	**0.61p**	0.77p
Adjusted earnings per share	**8.19p**	5.81p
Adjusted diluted earnings per share	**8.06p**	5.61p

14 Intangible Assets

	Goodwill £'000	Intellectual property £'000	Customer relationships £'000	Development costs £'000	Software £'000	Total £'000
Cost						
As at 1 April 2016	9,752	1,920	–	4,052	1,104	16,828
Additions – Internal developments	–	–	–	2,822	263	3,085
Additions – External purchases	–	–	–	419	–	419
Acquisition of RSL	665	–	100	–	–	765
Reclassified	–	–	–	(59)	59	–
As at 31 March 2017	10,417	1,920	100	7,234	1,426	21,097
Additions – Internal developments	–	–	–	2,707	117	2,824
Additions – External purchases	–	–	–	680	332	1,012
As at 31 March 2018	**10,417**	**1,920**	**100**	**10,621**	**1,875**	**24,933**
Amortisation						
As at 1 April 2016	–	1,479	–	1,221	132	2,832
Charge for year	–	192	22	757	186	1,157
As at 31 March 2017	–	1,671	22	1,978	318	3,989
Charge for year	–	117	34	1,123	210	1,484
As at 31 March 2018	**–**	**1,788**	**56**	**3,101**	**528**	**5,473**
Net book amount						
As at 31 March 2018	**10,417**	**132**	**44**	**7,520**	**1,347**	**19,460**
As at 31 March 2017	10,417	249	78	5,256	1,108	17,108
As at 1 April 2016	9,752	441	–	2,831	972	13,996

Goodwill arose in relation to the Group's acquisition of 100% of the share capital of Roadsense Technology Limited ('Roadsense'), Route Monkey Limited '(Route Monkey'), Box Telematics Limited ('Box') and DCS Systems Limited ('DCS').

Since the acquisition Roadsense, Box, Route Monkey and DCS have been incorporated into the Trakm8 business. These businesses have therefore been assessed as one cash generating unit for an impairment test on Goodwill.

The impairment review has been performed using a value in use calculation.

The impairment review has been based on the Group's budgets for 2018/19 which have been reviewed and approved by the Board. Forecasts for the subsequent 4 years have been produced based on 7% growth rates in revenue and EBITDA in each year. A net present value has been calculated using a pre tax discount rate of 10% which is deemed to be a reasonable rate taking account of the Group's cost of funds and an extra element for risk. A terminal value has been calculated and included in the discounted cash flow forecasts used within the model to fully support the goodwill value. A growth rate of 2% was used to determine the terminal value.

In addition a sensitivity analysis has been undertaken by making the following changes:

1. Reduction in annual growth rates to 3% per annum for five years (terminal growth rate of 2%)
2. Increase in the discount rate to 13%

The conclusion of this review is that no reasonable set of assumptions individually or in aggregate would produce an impairment.

Amortisation expenses of £1,484,000 (2017: £1,157,000) have been charged to Administrative expenses in the Consolidated Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements continued

15 Property, Plant and Equipment

	Freehold property £'000	Furniture, fixtures and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
As at 1 April 2016	508	1,193	550	10	2,261
Additions	–	307	180	–	487
Acquisition of RSL	–	100	–	–	100
Disposals	–	–	–	(3)	(3)
As at 31 March 2017	508	1,600	730	7	2,845
Additions	–	78	168	–	246
Exchange differences	–	2	1	–	3
Disposals	–	(278)	(218)	–	(496)
As at 31 March 2018	**508**	**1,402**	**681**	**7**	**2,598**
Depreciation					
As at 1 April 2016	44	305	329	10	688
Charge for year	5	183	117	–	305
Disposals	–	–	–	(3)	(3)
As at 31 March 2017	49	488	446	7	990
Charge for year	4	170	147	–	321
Exchange differences	–	2	(1)	–	1
Disposals	–	(262)	(208)	–	(470)
As at 31 March 2018	**53**	**398**	**384**	**7**	**842**
Net book amount					
As at 31 March 2018	**455**	**1,004**	**297**	**–**	**1,756**
As at 31 March 2017	459	1,112	284	–	1,855
As at 1 April 2016	464	888	221	–	1,573

Included within freehold property is £285,000 (2017: £285,000) relating to land which is not depreciated.

The Group's obligations under finance leases (see Note 20) are secured by the lessors' title to the leased assets, which have a carrying amount of £320,000 (2017: £314,000) included within property, plant and equipment. This consists of furniture, fixtures and equipment £134,000 (2017: £247,000) and computer equipment £186,000 (2017: £67,000).

Total depreciation expenses of £321,000 (2017: £305,000) have been charged to administrative expenses in the Consolidated Statement of Comprehensive Income.

16 Inventories

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Raw materials	**431**	1,152
Work in progress	**566**	126
Finished goods and goods for resale	**1,559**	2,396
	2,556	3,674

The cost of inventories recognised as an expense and included in cost of sales amounted to £8,253,000 (2017: £7,303,000). During the year old inventory lines totalling £306,000 (2017: £31,590) were written down and charged to cost of sales in the Consolidated Statement of Comprehensive Income. Residual inventory costs following cessation of Contract Electronic Manufacturing contracts with third-parties totalling £60,000 (2017: £nil) were written down and charged to exceptional administrative costs in the Consolidated Statement of Comprehensive Income.

17 Trade and Other Receivables

	Non-current assets		Current assets	
	As at 31 March 2018 £'000	As at 31 March 2017 £'000	**As at 31 March 2018 £'000**	As at 31 March 2017 £'000
Trade receivables	**–**	–	**5,730**	3,774
Other receivables	**–**	–	**3,023**	1,233
Amounts receivable under finance leases	**318**	499	**174**	171
Prepayments and accrued income	**–**	–	**1,917**	898
	318	499	**10,844**	6,076

The analysis of trade receivables by currency is as follows:

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Pound Sterling	**5,700**	3,515
Dollar	**2**	80
Euro	**28**	179
	5,730	3,774

An allowance for impairment is made where there is an identified event which based on previous experience, is evidence of a reduction in the recoverability of the outstanding amount. The allowance that has been made for estimated irrecoverable trade receivables is £505,000 (2017: £29,000). In addition a credit note provision of £220,000 (2017: £nil) has been made against revenue for a specific contract.

As at 31 March 2018 trade receivables of £1,141,000 (2017 £1,420,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Up to 3 months past due	**975**	1,097
3 to 6 months past due	**166**	323
	1,141	1,420

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The analysis of amounts receivable under finance leases is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Within one year	**185**	171	**174**	147
After one and within two years	**184**	499	**179**	503
After two and within five years	**142**	–	**139**	–
After five years	**–**	–	**–**	–
	511	670	**492**	650

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest contract is approximately 2.45% (2017: 2.45%) per annum.

Notes to the Consolidated Financial Statements continued

18 Deferred tax (liability)/asset

The analysis of deferred tax (liability)/asset is as follows:

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Deferred tax (liability)/asset		
Deferred tax (liability)/asset to be recovered within 12 months	(122)	158
Deferred tax (liability)/asset to be recovered after more than 12 months	(107)	139
	(229)	297

The deferred tax (liability)/asset consists of the following:

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Trading losses	1,013	1,240
Short-term timing differences	3	(86)
Accelerated tax depreciation	(1,245)	(857)
	(229)	297

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The movement in the deferred tax (liability)/asset during the year is as follows:

	Trading losses £'000	Accelerated tax depreciation £'000	Short-term timing differences £'000	Total £'000
At 31 March 2017	1,240	(857)	(86)	297
Credited/(debited) to the Statement of Comprehensive Income	(227)	(388)	51	(564)
Credited/(debited) to the Statement of Changes in Equity	–	–	38	38
At 31 March 2018	**1,013**	**(1,245)**	**3**	**(229)**

19 Trade and Other Payables

	Non-current liabilities		Current liabilities	
	As at 31 March 2018 £'000	As at 31 March 2017 £'000	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Trade payables	–	–	4,741	3,996
Social security and other taxes	–	–	1,886	929
Other payables	–	–	139	111
Accruals and deferred income	581	480	2,832	1,435
	581	480	9,598	6,471

The Directors consider that the carrying amount of trade payables approximates to their fair value.

20 Borrowings

	As at 31 March 2018					As at 31 March 2017				
	Bank loan					Bank loan				
	Gross £'000	Arrangement fee £'000	Net £'000	Obligations under finance leases £'000	Total £'000	Gross £'000	Arrangement fee £'000	Net £'000	Obligations under finance leases £'000	Total £'000
Current	**1,004**	**(28)**	**976**	**175**	**1,151**	981	(13)	968	84	1,052
Non-Current	**5,307**	**(49)**	**5,258**	**363**	**5,621**	4,609	(36)	4,573	232	4,805
	6,311	**(77)**	**6,234**	**538**	**6,772**	5,590	(49)	5,541	316	5,857

All borrowings are held in Sterling and the Directors consider their carrying amount approximates to their fair values.

Bank loans comprise the following:

A £5.0m term loan with HSBC. The loan is secured by a fixed and floating charge on all the assets of the Group. It is repayable by monthly instalments until 2021 and bears interest at a floating rate of 1.95% over base rate. As at 31 March 2018 the Group owed £2.9m (2017: £3.9m).

A £5.0m revolving credit facility with HSBC which is repayable in full on 31 December 2020. The loan bears an interest rate of 1.75% over LIBOR on the drawn amount and a fee of 0.75% on the undrawn facility. As at 31 March 2018 the Group had drawn down £3.4m of this credit facility (2017: £1.7m).

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (see Note 15).

21 Provisions

	Warranty £'000	Onerous Lease £'000	Total £'000
As at 1 April 2016	152	–	152
Arising during the year	44	–	44
Utilised	(66)	–	(66)
Released	(24)	–	(24)
As at 1 April 2017	106	–	106
Arising during the year	–	20	20
Utilised	–	–	–
Released	(41)	–	(41)
At 31 March 2018	**65**	**20**	**85**

The warranty provision released during the current year relates to a provision that was held for the Contract Electronic Manufacturing services (now ceased), which had historically had higher levels of warranty turns.

The warranty provision relates to the potential warranty claims that may come to fruition in the near future.

The onerous lease provision relates to the Livingston site that Route Monkey Limited leased before moving out prior to expiry of the lease agreement. The Company will continue paying rentals until 31 September 2018 when the lease expires.

These provisions are expected to be utilised as follows:

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Current	**47**	62
Non-current	**38**	44
	85	106

Notes to the Consolidated Financial Statements continued

22 Share Capital

	As at 31 March 2018		As at 31 March 2017	
	No's '000's	£'000	No's '000's	£'000
Authorised:				
Ordinary shares of 1p each	**200,000**	**200,000**	200,000	200,000
Allotted, issued and fully paid:				
Ordinary shares of 1p each	**35,898**	**359**	35,723	357

Movement in share capital:

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
As at 1 April	**357**	320
New shares issued	**2**	37
As at 31 March	**359**	357

The Company currently holds 29,000 ordinary shares in treasury representing 0.08% (2017: 0.08%) of the Company's issued share capital. The number of 1 pence ordinary shares that the Company has in issue less the total number of Treasury shares is 35,869,254.

During the year the following shares were issued:

Date	Description	Shares No's '000's	Share Capital £'000	Premium £'000
27/11/17	Exercise of options over ordinary shares by an employee	50	1	22
29/03/18	Exercise of options over ordinary shares by an employee	125	1	54
		175	2	76

The weighted average price for share options exercised during the year was 67.5p.

23 Share-based Payments

Trakm8 Holdings PLC has issued options (under the Trakm8 2017 Unapproved Share Option Plan) to subscribe for ordinary shares of 1p in the Company. The purpose of the Option Scheme is to retain and motivate eligible employees.

In the prior year, Trakm8 Holding PLC issued options (under the Trakm8 Approved Group Option Scheme) to subscribe for ordinary shares of 1p in the Company.

The exercise price of all share options is the closing market price on the day of grant. A vesting period of 3 years is applicable according to the terms of each scheme which specify the options will vest providing employees remain in service for 3 years from the date of grant. The maximum term of options granted is 10 years from grant date. All share options are equity settled.

The fair value of the equity settled share options granted is estimated as at the date of grant using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. No performance conditions were included in the fair value calculations. During the year three tranches of options were awarded, tranche V, W and X. The inputs to our Black-Scholes pricing model were:

	Tranch V	Tranch W	Tranch X
Grant date	4-Jul-17	12-Jul-17	27-Nov-17
Weighted average FV (pence)	51.21	48.60	72.47
Weighted average exercise price (pence)	98.50	93.50	137.50
Expected volatility (%)	62.1%	62.1%	62.9%
Expected life of option	5.0	5.0	5.0
Dividend yield (%)	0.0%	0.0%	0.0%
Risk free (%)	0.6%	0.6%	0.7%

The risk free rate of return is the yield on government gilt market price and the volatility has been based on historic share prices.

23 Share-based Payments continued

Options granted during the year were:

Grant date	No of shares	Option exercise price	Date of expiry
04 July 4 2017	725,000	99p	02/07/2027
12 July 2017	25,000	94p	10/07/2027
27 November 2017	475,000	138p	25/11/2027

A reconciliation of option movements over the year to 31 March 2018 is shown below:

	As at 31 March 2018		As at 31 March 2017	
	Share options No.	Weighted average exercise price (p)	Share options No.	Weighted average exercise price (p)
Outstanding at beginning of the year	2,871,226	130	3,263,022	112
Granted during the period	1,225,000	114	175,000	278
Forfeited during the period	(389,414)	239	(116,796)	273
Exercised during the period	(175,000)	45	(450,000)	15
Outstanding at the end of the year	3,531,812	117	2,871,226	130

The range of exercise prices of the outstanding options is 17 pence to 333 pence (2017: 17 pence to 333 pence) and the weighted average remaining contractual life is 7.6 years (2017: 7.7 years).

The Group charged £216,000 to the Statement of Comprehensive Income in respect of Share-based Payments for the financial year ended 31 March 2018 (2017: £249,000).

Share options exercisable at 31 March 2018 were 1,425,000 (2017: 1,000,000).

24 Cash Generated From Operations

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Profit before tax	1,173	693
Depreciation	321	304
Loss on disposal of fixed assets	26	–
Net bank and other interest	156	165
Amortisation of intangible assets	1,484	1,157
Share-based payments	216	249
Operating cash flows before movement in working capital	3,376	2,568
Movement in inventories	1,118	(1,377)
Movement in trade and other receivables	(4,614)	499
Movement in trade and other payables	3,237	(1,105)
Movement in provisions	(21)	(46)
Cash generated from operations	3,096	539
Interest received	33	–
Income taxes received	1,606	129
Net cash inflow from operating activities	4,735	668

Notes to the Consolidated Financial Statements continued

25 Financial Commitments

At the Statement of Financial Position date, the Group had outstanding commitments for future minimum operating lease payments under non-cancellable operating leases, which fall due as follows:

Operating leases	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Land and buildings:		
Within one year	**147**	129
In the second to fifth years inclusive	**480**	454
Over 5 years	**232**	344
	859	927
Other:		
Within one year	**189**	202
In the second to fifth years inclusive	**131**	135
Over 5 years	**–**	–
	320	337

Land and buildings under operating leases represents two leases payable by the Group which have expiry dates from 2018 to 2026.

26 Related Party Transactions

A total of 925,000 (2017: 150,000) share options were granted during the year to seven (2017: five) key management personnel.

The Non-Executive Director Bill Duffy was a Director of eConnect Cars Limited (eConnect) until 22 February 2017, a customer of the Group. Sales to eConnect in the previous year totalled £8,000. All sales were based on prices and terms that would be available to third parties. At 31 March 2017 eConnect owed Trakm8 £nil.

27 Financial Instruments

Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Where appropriate, the Group seeks to mitigate potential adverse effects on its financial performance.

Liquidity Risk

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of borrowings and financial assets with a range of maturities. Borrowing facilities are monitored against the Group's forecast requirements and it is the Group's policy to mitigate the risk by maintaining cash reserves.

Interest Rate Risk

The Group's borrowings are linked to LIBOR and the base rate, the following table details the Group's sensitivity to an increase of 2% and 5% in these two rates.

	2%	
	As at 31 March 2018 Profit £'000	As at 31 March 2017 Profit £'000
LIBOR	**(68)**	(34)
Base rate	**(57)**	(78)

	5%	
	Profit £'000	Profit £'000
LIBOR	**(170)**	(85)
Base rate	**(142)**	(194)

27 Financial Instruments continued

Currency Risk

The Group operates internationally although the majority of its sales are in Sterling. Purchases of components are also made in US Dollars and Euros. The Group endeavours to minimise its foreign currency exposure by trading in Sterling wherever possible, or otherwise match inflows and outflows in its principal trading currencies.

The following table details the Group's sensitivity to a 10% and a 20% decrease and increase in the value of Sterling against the US Dollar and the Euro and the resulting effect on profit. The sensitivity analysis of the Group's exposure to foreign currency risk at the year end has been determined based upon the assumption that the increase in US Dollar and Euro exchange rates is effective throughout the financial year and all other variables remain constant.

	10% decrease		10% increase	
	Year ended 31 March 2018 Profit & equity £'000	Year ended 31 March 2017 Profit & equity £'000	**Year ended 31 March 2018 Profit & equity £'000**	Year ended 31 March 2017 Profit & equity £'000
US Dollar	**(340)**	(300)	**278**	245
Euro	**(191)**	(117)	**156**	96

	20% decrease		20% increase	
	Profit & equity £'000	Profit & equity £'000	**Profit & equity £'000**	Profit & equity £'000
US Dollar	**(765)**	(674)	**510**	449
Euro	**(429)**	(264)	**286**	176

The Group has the following exposure to foreign currency denominated monetary assets and monetary liabilities in the Balance Sheet, translated into Sterling at the relevant year-end exchange rates:

Financial assets/liabilities	**Year ended 31 March 2018 Monetary assets £'000**	**Year ended 31 March 2018 Monetary liabilities £'000**	Year ended 31 March 2017 Monetary assets £'000	Year ended 31 March 2017 Monetary liabilities £'000
US Dollar	**2**	**120**	107	99
Euro	**28**	**696**	187	441
	30	**816**	294	540
Sterling	**14,156**	**12,500**	7,517	10,241
Total	**14,186**	**13,316**	7,811	10,781

Credit Risk

The Group's principal financial assets are bank balances, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables and the Group attaches considerable importance to the collection and management of trade receivables. The Group minimises its credit risk through the application of appropriate credit limits to customers based on an assessment of net worth and trading history with the Group. Standard credit terms are net 30 days from the date of invoice. Overdue trade receivables are managed through a phased escalation culminating in legal action.

The credit quality of cash balances that are neither past due nor impaired can be ascertained with reference to the banks external credit ratings. All remaining financial assets are unrated.

Credit rating (Fitch)	**As at 31 March 2018 £'000**	As at 31 March 2017 £'000
AA-	**3,472**	1,986
BBB+	**–**	2
Baa1	**–**	2
	3,472	1,990

Notes to the Consolidated Financial Statements continued

27 Financial Instruments continued

Financial Instruments by Category

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, liability and equity instrument are disclosed in Note 4 to the financial statements. The Directors do not consider that any of the cash balances are impaired.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's external borrowings are subject to covenants which are assessed periodically throughout the year. The covenants relate to cash flow and leverage requirements. The covenants were reset during the current year and the Company complied with all imposed covenant requirements during the period. The Group expects to meet the covenant requirements in the future periods.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include 'current and non-current borrowings' as shown in the Consolidated Statement of Financial Position. Total capital is calculated as "capital and reserves" as shown in the Consolidated Statement of Financial Position plus total borrowings.

The Group's strategy has been to maintain gearing. This has been successfully achieved through the profits generated and the capital issue in the prior year.

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Total borrowings (note 20)	**6,772**	5,857
Total capital and reserves	**22,142**	20,230
Total capital	**28,914**	26,087
Gearing ratio	**23%**	22%

At the year end the Group had total net borrowings of £3,300,000 (2017 : £3,867,000).

	Loans and receivables	
Assets as per Statement of Financial Position	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Trade and other receivables excluding prepayments	**10,714**	5,821
Cash and cash equivalents	**3,472**	1,990
	14,186	7,811

	Financial liabilities at amortised cost	
	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Borrowings	**6,772**	5,857
Trade and other payables excluding statutory liabilities and deferred revenue	**6,544**	4,923
	13,316	10,780

Payable as follows	As at 31 March 2018 £'000	As at 31 March 2017 £'000
On demand or within one year	**7,695**	5,975
After one and within two years	**1,272**	1,056
After two and within five years	**4,349**	3,749
After five years	**–**	–
	13,316	10,780

27 Financial Instruments continued

Cash and Cash Equivalents

Cash and cash equivalents comprise solely of cash in hand held by the Group.

28 Business Combinations

Roadsense Technology Limited

In the prior year, the Group purchased 100% of the share capital of Roadsense Technology Limited. The acquisition costs incurred in 2018 of £256,000 relate to non-underlying charges under two separate agreements linked to the acquisition in the prior year. The costs incurred are directly linked to the acquisition and not as part of the ongoing underlying business. One agreement terminates on 31 July 2019, and the second agreement on 31 March 2019. The 2017 acquisition costs relate to the actual acquisition itself.

These costs have been recognised as an exceptional administrative expense in the Consolidated Statement of Comprehensive Income. Exceptional administrative expenses have been analysed in Note 8.

29 Dividends

The Company is not proposing a final dividend for the year (2017: nil).

No dividend was paid during the year (2017: 649,000).

30 Operating Leases

The Group rents out equipment under operating leases. Equipment rental income earned during the year was £219,000 (2017: £189,000). At the year end the Group had contracted with lessees of the Group for the following future minimum lease payments under non-cancellable operating leases.

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Within 1 year	**175**	182
After one and within five years	**149**	215
	324	397

Parent Company Statement of Financial Position

as at 31 March 2018

	Note	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Assets			
Non-current assets			
Investments	4	**10,880**	12,027
Deferred tax asset		**34**	–
		10,914	12,027
Current assets			
Trade and other receivables	5	**8,692**	6,733
Cash and cash equivalents		**67**	–
		8,759	6,733
Liabilities			
Current liabilities			
Trade and other payables	6	**(234)**	(155)
Borrowings	7	**(976)**	(968)
		(1,210)	(1,123)
Current assets less current liabilities		**7,549**	5,610
Total assets less current liabilities		**18,463**	17,637
Non-current liabilities			
Borrowings	7	**(5,258)**	(4,573)
Net assets		**13,205**	13,064
Capital and reserves			
Called up share capital	8	**359**	357
Share premium account		**11,750**	11,674
Merger reserve		**627**	627
Treasury reserve		**(4)**	(4)
Retained earnings		**473**	410
Total shareholders' funds		**13,205**	13,064

The Parent Company has taken the exemption conferred by s408 Companies Act 2006 not to publish the Statement of Comprehensive Income of the Parent Company with these accounts. The loss dealt with for the year in the Parent Company's financial statements was £153,000 (2017: profit £696,000).

These financial statements on pages 66 to 72 were approved by the Board of Directors and authorised for issue on 3 July 2018 and are signed on their behalf by:

John Watkins
Director

Jon Furber
Director

Parent Company Statement of Changes in Equity

for the Year Ended 31 March 2018

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Treasury reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 April 2016	320	9,641	612	(4)	114	10,683
Shares issued	37	2,142	15	–	–	2,194
Share placing fees	–	(109)	–	–	–	(109)
Equity dividend	–	–	–	–	(649)	(649)
IFRS 2 charge for the year	–	–	–	–	249	249
Profit for the year	–	–	–	–	696	696
Balance as at 1 April 2017	**357**	**11,674**	**627**	**(4)**	**410**	**13,064**
Shares issued	2	76	–	–	–	78
IFRS 2 charge for the year	–	–	–	–	216	216
Loss for the year	–	–	–	–	(153)	(153)
Balance as at 31 March 2018	**359**	**11,750**	**627**	**(4)**	**473**	**13,205**

Notes to the Parent Company Financial Statements

1 Accounting Policies

Basis of Preparation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements made up to 31 March 2018.

The financial statements of the Parent Company have been prepared in accordance with United Kingdom Accounting Standards – Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The Company has taken advantage of the legal dispensation contained in Section 408 of the Companies Act 2006 allowing it not to publish a separate income statement and related notes. The Company has also taken advantage of the legal dispensation contained in Section 408 of the Companies Act 2006 allowing it not to publish a separate statement of other comprehensive income.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of 'International Accounting Standard 1, Presentation of financial statements' (IAS1) comparative information requirements in respect of paragraph 79(a)(iv) of IAS1
- The following paragraphs of IAS1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 111 (cash flow statement information)
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures (key management compensation)
- The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

Investments

Fixed asset investments are stated at cost less impairment against the cost of investments. The carrying values of investments in subsidiaries are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Cost includes directly attributable acquisition expenses.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents includes bank overdrafts.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Bank Borrowings

Borrowings are initially recognised at fair value, being proceeds received less directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost with any transaction costs amortised to the income statement over the period of the borrowings using the effective interest method.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense.

Current tax is based on taxable profits for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

1 Accounting Policies continued

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based upon tax rates that have been enacted or substantively enacted.

Equity

Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Merger reserve represents the excess over nominal value of the fair value of consideration received for equity shares issued on reverse acquisition of subsidiaries, net of expenses of the share issue prior to the date of transition to IFRS.
- Treasury reserve represents the cost of shares held in Treasury.
- Retained earnings represents retained profits and the share-based payment reserve.

Treasury Shares

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Share-based Payments

The Company has applied the requirements of IFRS 2 Share-based payment.

The grant by the Company of options over its equity instruments to the employees of a subsidiary undertaking in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value of the equity instrument, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity. At each balance sheet date, the Company revises its estimates of the number of options or shares that are expected to vest. The impact of any revision, if any, is recognised as a capital contribution with a corresponding adjustment to reserves.

The fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations. No expense is recognised for awards that do not ultimately vest.

2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical Judgements in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, which are described in Note 1, management has made the following judgements that have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Investments Carrying Value

A full impairment review has been performed on a 'value in use' basis, which requires estimation of future net operating cash flows, the time period over which they will occur, an appropriate discount rate and an appropriate growth rate.

3 Profit and Loss Account

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Company is not presented as part of these financial statements.

The loss after tax for the year in the Company is £153,000 (2017: Profit £696,000). Audit fees for the Company for the year were £3,000 (2017: £3,000).

Notes to the Parent Company Financial Statements continued

4 Investments

Movements in the year comprise the capital contribution in respect of share-based payments and the dissolution of Route Monkey Holdings Limited on 1 February 2018 which the Directors believe has not impacted the carrying value of the investments.

The impairment value represents the dividend in specie that Trakm8 Holdings PLC received upon the dissolution of Route Monkey Holdings Limited.

Cost	Subsidiaries £'000
As at 1 April 2017	12,027
Capital contribution in respect of share-based payments	216
Impairment of investment in Route Monkey Holdings Limited	(1,363)
At 31 March 2018	**10,880**

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Name of subsidiary	Country of incorporation	Nature of business	Registered Office	Class of holding	Proportion held and voting rights
Trakm8 Limited	England and Wales	Development, marketing and distribution of vehicle telematics	4 Roman Park, Roman Way, Coleshill, West Midlands, B46 1HG	Ordinary	100%
Trakm8 s.r.o.	Czech Republic	Mapping services and distribution of vehicle telematics	A7 Office Centre Praha 7 U Pruhonu 1588/11a 170 00 Czech Republic	Ordinary	100%
BOX Telematics Limited	England and Wales	Manufacture and distribution of vehicle telematics	4 Roman Park, Roman Way, Coleshill, West Midlands, B46 1HG	Ordinary	100%
Route Monkey Limited*	Scotland	Route optimisation	4 Roman Park, Roman Way, Coleshill, West Midlands, B46 1HG	Ordinary	100%
Interactive Projects Limited	England and Wales	Dormant	4 Roman Park, Roman Way, Coleshill, West Midlands, B46 1HG	Ordinary	100%
Data Driven Telematics Limited	England and Wales	Dormant	4 Roman Park, Roman Way, Coleshill, West Midlands, B46 1HG	Ordinary	100%
DCS Systems Limited	England and Wales	Dormant	4 Roman Park, Roman Way, Coleshill, West Midlands, B46 1HG	Ordinary	100%
Roadsense Technology Limited	England and Wales	Marketing and distribution of vehicle telematics	4 Roman Park, Roman Way, Coleshill, West Midlands, B46 1HG	Ordinary	100%
Trakm8 HK Limited	Hong Kong	Marketing and distribution of telematics	Prosperity Centre, 25 Chong Yip Street, Kwun Tong, Hong Kong	Ordinary	100%

* Owned directly by Trakm8 Holdings Plc following the transfer from Route Monkey Holdings Plc on 30 March 2017.

The following dormant companies within the Group will take the exemption from preparing and filing financial statements for the year ended 31 March 2018 (by virtue of s394A and 448A of Companies Act 2006 respectively). As the ultimate Parent Company, Trakm8 Holdings PLC has guaranteed the debts and liabilities held within these companies as required under section 394C of the Companies Act 2006.

Company	Company registration number
Interactive Projects Limited	4327499
Data Driven Telematics Limited	5785552
DCS Systems Limited	9641691

The following companies within the Group will adopt the Department for Business, Innovation and Skills audit exemption for the year ended 31 March 2018. As the ultimate Parent Company, Trakm8 Holdings PLC has guaranteed the debts and liabilities held within these companies as required under section 479A of the Companies Act 2006.

4 Investments continued

Company	Company registration number
Trakm8 Limited	4415597
BOX Telematics Limited	3947199
Route Monkey Limited	SC353016
Roadsense Technology Limited	8300339

5 Trade and Other Receivables

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Amounts due from subsidiary undertakings	**8,677**	6,710
Social security and other taxes	**10**	16
Prepayments and other receivables	**5**	7
	8,692	6,733

Amounts due from subsidiary undertakings is unsecured, interest free and repayable on demand.

6 Trade and Other Payable

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Trade creditors	**48**	23
Amounts due to subsidiary undertakings	**11**	–
Accruals and other creditors	**175**	132
	234	155

Amounts due to subsidiary undertakings is unsecured, interest free and repayable on demand.

7 Borrowings

	As at 31 March 2018 Bank loan			As at 31 March 2017 Bank loan		
	Gross £'000	**Arrangement fee £'000**	**Net £'000**	Gross £'000	Arrangement fee £'000	Net £'000
Current	**1,004**	**(28)**	**976**	981	(13)	968
Non-current	**5,307**	**(49)**	**5,258**	4,609	(36)	4,573
	6,311	**(77)**	**6,234**	5,590	(49)	5,541
Bank loan			**6,234**			5,541

The bank loan is repayable as follows:

	£'000	£'000
Within one year	**976**	968
After one and within two years	**1,000**	968
After two and within five years	**4,258**	3,605
	6,234	5,541

Notes to the Parent Company Financial Statements continued

7 Borrowings continued

Bank loans comprise the following:

A £5.0m term loan with HSBC. The loan is secured by a fixed and floating charge on all the assets of the Group. It is repayable by monthly instalments until 2020 and bears interest at a floating rate of 1.95% over base rate. As at 31 March 2018 the Group owed £2.9m (2017: £3.9m).

A £5.0m revolving credit facility with HSBC which is repayable in full on 31 December 2020. The loan bears an interest rate of 1.75% over LIBOR on the drawn amount and a fee of 0.75% on the undrawn facility. As at 31 March 2018 the Group had drawn down £3.4m of this credit facility (2017: £1.7m).

8 Called up Share Capital and Reserves

Details of share capital and share options are shown in Notes 22 and 23 to the Consolidated Financial Statements above.

Details of the Company's other reserves are shown in Note 4 to the Consolidated Financial Statements.

9 Guarantee

The borrowings of the Company is guaranteed by the assets of the subsidiary companies: Trakm8 Limited, BOX Telematics Limited, Route Monkey Limited and Roadsense Limited.

10 Related Parties

The Company has taken advantage of the exemptions conferred by IAS 24 from the requirement to disclose transactions between wholly owned subsidiary undertakings.

A total of 925,000 (2017: 150,000) share options were granted during the year to seven (2017: five) key management employees.

11 Employees and Directors

The Directors of the Company were paid by Trakm8 Ltd or BOX Telematics Ltd for their services to the Group. The Company had no employees (2017: nil) during the year (other than the Directors). See Remuneration Report on page 31 for further details.

Details of Group Directors' fees and salaries, bonuses and pensions (including that of the highest paid Director) have been audited and are given in the Directors' Report on page 31.

12 Dividends

The Company is not proposing a final dividend for the year (2017: nil).

No dividend was paid during the year (2017: 649,000).

Officers and Advisers

for Trakm8 Holdings PLC

Directors
Matthew Cowley
Tim Cowley
Bill Duffy
Keith Evans
Jon Furber
Sean Morris
John Watkins
Mark Watkins

Company Secretary
Jon Furber

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