Registered number: 07848318

MASTERNAUT LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY INFORMATION

Directors	Ralph Dimenna (appointed 22 May 2019, resigned 1 June 2021) Gilson Rodrigues Santiago Freitas (appointed 9 April 2020) Djamel Souici
Company secretary	Djamel Souici
Registered number	07848318
Registered office	Priory Park Great North Road Aberford Leeds West Yorkshire LS25 3DF
Independent auditors	Constantin UK 25 Hosier Lane London EC1A 9LQ
Bankers	HSBC Bank plc 41 Southgate Bath Somerset BA1 1TN
Solicitors	Henmans Freeth (Freeth LLP) 80 Mount Street Nottingham NG1 6HH

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their Strategic Report and audited financial statements for the year ended 31 December 2020.

Business review and financial key performance indicators

The Company is the main UK trading Company of the Masternaut Group ("the Group"). The Group is one of Europe's largest fleet telematics service providers. The Company provides connected solutions to businesses for fleet tracking and optimisation, jobs workflow management, driver safety and behaviour improvement, and CO2 emission reduction.

The Group was acquired by Compagnie Générale des Établissements Michelin SCA, ("Michelin") on 22 May 2019. The Group is 100% integrated into Michelin who are fully committed to support with liquidity and investment to grow. In 2020 the Group focussed on protecting and investing in employees as well as supporting customers through the Coronavirus pandemic. However, the Group has continued to invest in future growth with geographical expansion and new sales offerings.

The company's key financial performance indicators (KPI) during 2020 and 2019 are as follows:

KPIs

	2020	*2019*	*Change*
	£000	*£000*	*%*
Revenue	**25,776**	*27,654*	*(7%)*
Gross Profit	**21,755**	*23,286*	*(7%)*
Operating Profit / (Loss)	**78,778**	*(10,093)*	*(881%)*
Net Assets / (Liabilities)	**6,234**	*(69,947)*	*(109%)*

The Company generated revenue of £25,776k (2019: £27,654k). Revenue reduced as the value of customer contracts that came to the end of their terms or the reduction in price for those that renewed exceeded the value of new business signed in the year. In addition, revenue from new business in 2020 was delayed due to the Coronavirus pandemic. The gross profit reduction reflected the change in reduced revenue in the year.

Total operating loss before exceptional items was £3,384k (2019: 3,885k).

The Company had net assets of £6,234k (2019: net liabilities £69,947k) at the balance sheet date. The improved position is due to amounts owed to group undertakings being waived as part of an ongoing project of the Group.

Financial risk management objectives and policies

The Company's activities expose it to several financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

The Company's activities expose it primarily to interest rate risk. Interest bearing assets and liabilities are currently subject to a floating rate. Given the current outlook for interest rate changes management is satisfied with the risk of likely change.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of expected credit losses. An allowance for impairment is made where there is an identified loss event which, based on expected future losses, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Company manages short term liquidity requirements using a group banking facility which is designed to ensure the Company has sufficient funds available for operations.

COVID-19

The Coronavirus pandemic continues to have an impact on the global economy. Although there is no significant impact on the Company any developments are being closely monitored.

Principal risks and uncertainties

The Board has a policy of continuous identification and review of key business risks and uncertainties. It oversees the development of processes to ensure that these risks are managed appropriately, and operational management are delegated with the tasks of implementing these processes and reporting to the Board on their outcomes. The key risks identified by the Board are as follows:

- Failure of information technology systems
- Dependence on key personnel
- Competition and technological change
- Generation of cash to fund operations
- Continuing products and services developments
- Provision of adequate leasing facilities
- Dependence on mobile networks
- Adverse economic and market conditions (e.g. Eurozone sovereign indebtedness)

The above risks are reviewed by the Board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Company.

The UK left the EU on 31 January 2020 and the transition period expired on 31 December 2020. The full impact of Brexit on the Company is not yet known and developments are being monitored closely. The main areas of risk are to inventory supplies if there are sustained delays at the borders and any restrictions on the movement of employees between the UK and Masternaut's European offices. In order to mitigate the risk, the Company has formed a Brexit team who have put a contingency plan in place

In addition, the Company managed the risk posed by the Coronavirus pandemic during the year. The Company's turnover growth has been impacted by the restrictions the government imposed but costs were controlled during this time to offset any negative impact on the financial statements. The current risk to the Company is low, due to its diverse customer base and the financing and support in place from Michelin.

S.172 Statement

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company, under section 172.

The Board always aims to act in the best interests of the Company, and to be fair and balanced in its approach. The needs of different stakeholders are always considered as well as the consequences of any decision in the long-term and the importance of our internally published high standards of business conduct. More specific information is given in sub-paragraphs (a) to (f), which correspond to the individual factors disclosed under Section 172(1).

a. Long-term decision making

The Board delegates day-to-day management and decision making to its senior management team, but it maintains oversight of the Company's performance, and reserves to itself specific matters for approval. In addition to this, any major decisions with long-term implications, including significant new business initiatives, would need shareholder approval, to ensure that the business decisions taken locally are in alignment with the long-term strategy of the Group. Any decisions approved either locally or by the Shareholder, are then implemented, with subsequent Board oversight to ensure management act in accordance with the agreed strategy. Processes are in place to ensure that the Board receives all relevant information to enable it to make well-judged decisions in support of the Company's long-term success, including management KPIs, other financial information, and a robust suite of internal controls.

b. Stakeholders: Employees

Our people are essential to our success, future growth, and our aim to build leading positions in our long-term markets. We continue to invest substantial time and effort to employ, train, develop and retain employees who are passionate about our business and have up-to-date knowledge and expertise in our key functional areas. Hearing their views on what we do well, and what we can do better, is an important driver for improvement and retaining our best talent. With this in mind, we hold quarterly company-wide informational events with both the leadership team and all employees spanning the whole business, in order to give employees a coherent insight into recent business performance and also future plans and expectations; which also acts as a forum for thoughts, ideas, feedback and suggestions. In addition, we publish regular internal newsletters to ensure they are kept informed of any personnel changes; business progress and developments, and various team building events in order to further strengthen cooperation and teamwork across the workforce.

c. Stakeholders: Customers, Suppliers, Others

We aim to be fair and ethical in dealings with all our external stakeholders, including our suppliers, customers and other business partners, in line with our Code of Conduct and ethical policies. We endeavour to pay suppliers to agreed terms and be a collaborative and responsive partner. With customers, our goal is to act as partners in order to understand their needs and collaborate effectively in order to provide the products and service they need in order to succeed. Each customer has a sales representative, backed by a dedicated sales administration team in order to facilitate this relationship and ensure the smooth operation day-to-day. The local sales team report to the Board with regular KPIs, and these assist in maintaining and developing our understanding of current customer and market trends, issues and likely future needs, and how these can be addressed.

d. Stakeholders: Community & Environment

Contributing positively to our local and global communities and environments is a responsibility and an opportunity. As European and UK regulations are reinforced to lower carbon emissions to combat climate change, companies also have a key role to play in becoming compliant and addressing this issue. We believe strongly that our product and service offering actively encourages and supports businesses across the UK & Ireland to reduce the carbon footprints of their fleets. Our complimentary Fleet CO2 Certification programme for customers, verified by The Energy Saving Trust, rewards businesses' efforts to improve environmental performance and reduce their carbon footprint. In addition, we participate in and actively encourage charitable activities each year in order to raise donations for local worthy causes.

e. Reputation for high standards of business conduct

The Board is responsible for developing the Group corporate culture across the Company, which promotes integrity and transparency. The Group has established comprehensive systems of corporate governance, and approves policies and procedures which promote corporate responsibility and ethical behaviour, and these are implemented within the Company. Central to these policies is the Group's Code of Conduct. This applies to all Directors and employees, and is embedded into the Company's operations. All employees have received these policies and received full training, to ensure they understand the principles and objectives.

f. Acting fairly as between members of the Company

The Board aims to understand the views of its sole shareholder and always to act in their best interests. In order to do this, the Board works closely with the shareholder on a daily basis to ensure operations, strategy and performance are aligned with the long-term objectives of the shareholder, while complying with the Articles of Association of the Company, and in line with the highest standards of conduct as laid out in Group policies.

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

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Djamel Souici
Director

Date: 8 October 2021

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Certain information required to be disclosed in the Director's Report is considered to be of strategic importance to the Company and therefore disclosure is given in the Strategic Report. The specific items disclosed in the Strategic Report are:

- Business Review
- Principal Risks and Uncertainties

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with FRS 101 'Reduced Disclosure Framework', subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Principal activity

The Company is the main UK trading Company of the Masternaut Group ("the Group"), The principal activity of the Company is the provision of sophisticated data and information solutions to customers based on vehicle telematics technology and software applications developed by Masternaut.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Results and dividends

The profit for the year, after taxation, amounted to £76,181k *(2019 - loss £13,062k)*.

The directors do not recommend the payment of any final dividend (2019: £nil).

Political donation

No political donations were made in the current and previous periods.

Directors

The directors who served during the year were:

Ralph Dimenna (appointed 22 May 2019, resigned 1 June 2021)
Gilson Rodrigues Santiago Freitas (appointed 9 April 2020)
Djamel Souici

Directors' Indemnities

The Company has indemnified its directors, by way of directors and officer's liability insurance, against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force at the date of approving the directors' report.

Going Concern

The Directors have a reasonable expectation that the Company and Group have adequate resources, to continue in operational existence for the foreseeable future. The Directors, having considered the current trading prospects, identifiable risks, working capital requirements and the availability of finance, and having obtained a letter of support from the parent company, and are of the opinion that the Company is a going concern.

The Directors took into account the impact of the Covid-19 pandemic and the impact of Brexit in making their assessment of going concern. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Future developments

The Company will continue to invest in future growth and improving and developing new sales offerings.

Research and development activities

During the year ended 31 December 2020, the Company invested in research and development activities relating to the ongoing development and enhancement of its fleet management platform and related applications. The Company holds a portfolio of intellectual property rights relating to its technologies and applications. The Company has incurred expenditure in relation to developing and enhancing these solutions during the year. The expenditure incurred during the year in respect of these developments is detailed within the financial statements.

Engagement with employees

The Company recognises its responsibilities towards keeping employees informed of matters affecting them as employees and the economic factors affecting the performance of the Company, as referred to in the S.172 statement. To this end, consultations take place at appropriate times with employees.

Engagement with suppliers, customers and others

We aim to be fair and ethical in dealings with all our external stakeholders, including our suppliers, customers and other business partners, in line with our Code of Conduct and ethical policies. We endeavour to pay suppliers to agreed terms and be a collaborative and responsive partner. With customers, our goal is to act as partners in order to understand their needs and collaborate effectively in order to provide the products and service they need in order to succeed. Each customer has a sales representative, backed by a dedicated sales administration team in order to facilitate this relationship and ensure the smooth operation day-to-day. The local sales team report to the Board with regular KPIs, and these assist in maintaining and developing our understanding of current customer and market trends, issues and likely future needs, and how these can be addressed.

Disabled employees

Applications for employment made by disabled persons are given full and fair consideration, having regard to the abilities and aptitudes of the candidates. If existing employees become disabled, every effort is made to accommodate them within their existing jobs or, if this proves to be impossible, to find them suitable alternative employment. Opportunities for development and promotion are open to all employees.

Disclosure of information to auditors

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

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

Post year end events

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

The UK left the EU on 31 January 2020 and the transition period expired on 31 December 2020. The full impact of Brexit on the Company is not yet known and any developments are being monitored closely.

Auditors

The auditors, Constantin UK, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

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Djamel Souici
Director

Date: 8 October 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MASTERNAUT LIMITED

Opinion

In our opinion the financial statements of MASTERNAUT LIMITED (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 23 which include the statement of accounting policies ;

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorresponsibilties . This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation and, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MASTERNAUT LIMITED

Use of our report

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

Thierry de Gennes ACA, (Senior statutory auditor)
For and on behalf of Constantin,
Chartered Accountants and Statutory Auditor
25 Hosier Lane, London, EC1A 9LQ

8 October 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	*2019* *£000*
Revenue	6	**25,776**	*27,654*
Cost of sales		**(4,021)**	*(4,368)*
Gross profit		**21,755**	*23,286*
Other operating income	9	**655**	*486*
Exceptional income		**82,211**	*-*
Administrative expenses		**(25,843)**	*(27,678)*
Exceptional expense		**-**	*(6,187)*
Profit/(loss) from operations		**78,778**	*(10,093)*
Finance expense		**(2,503)**	*(2,889)*
Profit/(loss) before tax		**76,275**	*(12,982)*
Tax expense	12	**(94)**	*(80)*
Profit/(loss) for the year		**76,181**	*(13,062)*
Total comprehensive income		**76,181**	*(13,062)*

The notes on pages 19 to 47 form part of these financial statements.

All amounts derive from continuing operations.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £000	*2019 £000*
Assets			
Non-current assets			
Property, plant and equipment	13	**9,916**	*10,417*
Intangible assets	14	**10,476**	*11,241*
		20,392	*21,658*
Current assets			
Inventories	15	**463**	*434*
Trade and other receivables	16	**10,694**	*11,409*
Cash and cash equivalents		**222**	*418*
		11,379	*12,261*
Total assets		**31,771**	*33,919*
Liabilities			
Non-current liabilities			
Trade and other liabilities	17	**971**	*1,100*
Loans and borrowings	20	**9**	*90*
		980	*1,190*
Current liabilities			
Trade and other liabilities	17	**24,557**	*102,676*
		24,557	*102,676*
Total liabilities		**25,537**	*103,866*
Net assets/(liabilities)		**6,234**	*(69,947)*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

	Note	2020 £000	*2019* *£000*
Issued capital and reserves	19		
Share capital	18	-	-
Retained earnings		**6,234**	*(69,947)*
TOTAL EQUITY		**6,234**	*(69,947)*

The notes on pages 19 to 47 form part of these financial statements.

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

....
Djamel Souici
Director

Date: 8 October 2021

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Retained earnings £000	Total equity £000
At 1 January 2019	(56,885)	(56,885)
Comprehensive income for the year		
Loss for the year	(13,062)	(13,062)
Total comprehensive income for the year	(13,062)	(13,062)
Contributions by and distributions to owners		
At 31 December 2019	**(69,947)**	**(69,947)**
At 1 January 2020	(69,947)	(69,947)
Comprehensive income for the year		
Profit for the year	76,181	76,181
Total comprehensive income for the year	76,181	76,181
Contributions by and distributions to owners		
At 31 December 2020	**6,234**	**6,234**

The notes on pages 19 to 47 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies

1.1 Going concern

The Directors have a reasonable expectation that the Company and Group have adequate resources, to continue in operational existence for the foreseeable future. The Directors, having considered the current trading prospects, identifiable risks, working capital requirements and the availability of finance, and having obtained a letter of support from the parent company, are of the opinion that the Company is a going concern. The Directors took into account the impact of the Covid-19 pandemic and the impact of Brexit in making their assessment of going concern.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.2 Revenue

Turnover represents amounts receivable, in the normal course of business, for the provision of telematics-based fleet and vehicle management solutions, and is stated net of any trade discounts, VAT and other sales related taxes. Turnover and profit is recognised in accordance with IFRS 15 Revenue from Contracts with Customers and is measured at the fair value of the consideration received or receivable.

Turnover may arise from the supply of hardware that includes subscription services, the supply of services only or the supply of hardware only.

Turnover arising from contracts for the supply of hardware that include subscription services are recognised over the term of the contract on a straight-line basis, as it is not possible to separately fair value the hardware and subscription service components.

Turnover for services only are recognised over the term of a contract on a straight-line basis.

Turnover arising from the supply of hardware only are recognised in full. Turnover arising from the provision of additional airtime is recognised as incurred by the customer.

1. Accounting policies (continued)

1.3 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments made under short-term (less than 12 months) and low value leases (less than £5k) are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are released to the profit and loss account over the life of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Company – as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- the amount expected to be payable by the lessee under residual value guarantees; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The current lease liability is presented within trade and other payables and for lease liabilities due after more than one year, as a separate line in the balance sheet. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in

1. Accounting policies (continued)

1.3 Leasing (continued)

the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. Right-of-use assets are presented within tangible assets in the balance sheet.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient in the periods presented.

1.4 Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

1. Accounting policies (continued)

1.5 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

1.6 Employee benefits

Retirement benefit costs

The Company operates a defined contribution pension plan. Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Differences between contributions payable in the year and contributions actually paid are shown as either prepayments or accruals in the balance sheet.

1.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

1. Accounting policies (continued)

1.8 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Land is not depreciated. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold property	**50 years Straight line**
Fixtures and fittings	**4 years Straight line**
Computer equipment	**4 years Straight line**
Other property, plant and equipment	**4 years Straight line**

1. Accounting policies (continued)

1.9 Intangible assets

Internally-generated intangible assets

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation

Amortisation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets and amortisation commences in the year of capitalisation, as this best reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Development cost — 4 years straight line

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash held at bank and in hand together with short-term highly liquid investments with an original maturity of less than three months that are readily convertible to known amounts of cash and subject to an insignificant change in value.

1. Accounting policies (continued)

1.11 Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses.

1.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on based on latest purchase price. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

1.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.14 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.15 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

1. Accounting policies (continued)

1.15 Financial assets (continued)

(i) Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity instrument in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

1. Accounting policies (continued)

1.15 Financial assets (continued)

(ii) Amortised cost and effective interest method

The effective interest method is a method for calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased and originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised costs of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by the applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased and originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'finance income' line item.

(iii) Debt instruments classified as at FVOCI

Listed redeemable notes held by the Company are classified as at FVOCI. Fair value is determined in the manner described in note . The listed redeemable notes are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these listed redeemable notes as a result of foreign exchange gains and losses, and interest income calculated using the effective interest method (see (ii) Amortised cost and effective interest method) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these listed redeemable notes had been measured at amortised cost. All other changes in the carrying amount of these listed redeemable notes are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When these listed redeemable notes are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

1. Accounting policies (continued)

1.16 Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

1. Accounting policies (continued)

1.16 Financial liabilities and equity instruments (continued)

(iii) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see note). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'fair value gains/losses' line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

1. Accounting policies (continued)

1.16 Financial liabilities and equity instruments (continued)

(iii) Financial liabilities (continued)

Gains or losses on financial guarantee contracts and loan commitments issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

Fair value is determined in the manner described in note.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.17 Trade and other payables

Trade and other payables are stated at the discounted present value of the estimated outflows of funds. Where the maturity is less than one year they are not discounted and are shown at cost.

1.18 Exceptional items

Where certain non-recurring revenue or expense items recorded in a period are material by their nature, size or incidence, these are disclosed as exceptional within the profit and loss account. Examples of items which may be classified as exceptional include:

a) restructuring costs;
b) provision for onerous contracts;
c) other significant non-recurring items.

2. Reporting entity

MASTERNAUT LIMITED (the 'Company') is a limited company incorporated in England and Wales under the Companies Act 2006.. The Company's registered office is at Priory Park, Great North Road, Leeds, LS25 3DF. The Company's principal activity is the provision of sophisticated data and information solutions to customers based on vehicle telematics technology and software applications developed by Masternaut.

3. Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. They were authorised for issue by the Company's board of directors on .

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions

Details of the Company's accounting policies, including changes during the year, are included in note 1 and 3.

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and elected not to present its own Statement of Comprehensive Income in these financial statements.

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 5.

3.1 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items

Financial instruments

3.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2020

Amendments to IAS 1 and IAS 8 Definition of Material

The adoption of this standard has not had any material impact on the accounts or disclosures reported in these financial statements.

3. Basis of preparation (continued)

3.2 Changes in accounting policies (continued)

i) New standards, interpretations and amendments effective from 1 January 2020 (continued)

Amendments to IFRS 3 Business Combinations: Definition of a Business

The adoption of this standard has not had any material impact on the accounts or disclosures reported in these financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform - Phase 1

The adoption of this standard has not had any material impact on the accounts or disclosures reported in these financial statements.

Amendments to references to the Conceptual Framework in IFRS standards

The adoption of this standard has not had any material impact on the accounts or disclosures reported in these financial statements.

ii) New standards, interpretations and amendments not yet effective

The following standards and interpretations to published standards are not yet effective:

New standard or interpretation	EU Endorsement status	Mandatory effective date (period beginning)
IFRS 17 Insurance Contracts	Not yet endorsed	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	Not yet endorsed	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies	Not yet endorsed	1 January 2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	Not yet endorsed	1 January 2023
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Not yet endorsed	1 January 2022

3. Basis of preparation (continued)

ii) New standards, interpretations and amendments not yet effective (continued)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract	Not yet endorsed	1 January 2022
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	Not yet endorsed	1 January 2022
Amendment to IFRS 4 Insurance Contracts - deferral of IFRS 9	Endorsed	1 January 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2	Endorsed	1 January 2021
Amendment to IFRS 16 Leases: COVID-19 Related Rent Concessions	Endorsed	1 June 2020
Annual Improvements to IFRS Standards 2018-2020	Endorsed	1 January 2022

The directors anticipate that the adoption of these Standards in future periods will not have an impact on the results and net assets of the Company.

The directors anticipate that the adoption of other Standards and interpretations that are not yet effective in future periods will not have an impact on the presentation in the financial statements of the Company.

4. Functional and presentation currency

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. Accounting estimates and judgments

5.1 Judgment

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

The company's income principally represents the provision and installation of tracking devices, and monitoring services of fleet tracking devices. All services are deemed to be interrelated and therefore the revenue for a contract is bundled together and recognised on a straight-line basis over the stated term of the subscription.

In making its judgement, management considered the detailed criteria for the recognition of revenue from the provision of services set out in IFRS 15 Revenue from Contracts with Customers and, in particular, what the company's service obligation is.

Capitalisation of development costs

The company capitalises development costs which meet certain recognition criteria, in accordance with IAS 38 'Intangible assets'. In making its judgement, management has considered the detailed criteria for recognition and concluded that development costs in the current year met the criteria for capitalisation, and so were recognised on the balance sheet. During the year, management determined that development costs amounting to £4,794k (2019: £4,687k) met the criteria for capitalisation; this requires a degree of judgement, particularly in respect of the technical feasibility criteria.

5.2 Estimates and assumptions

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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.

Depreciation of customer equipment

All fleet tracking devices are depreciated on a straight-line basis over 48 months despite the length of the subscription contract as this is best estimate of the average time a tracking device is installed on a vehicle and is based on historical customer behaviour and device reliability.

Impairment of intangible assets

Impairment is reviewed by examining the future commerciality of the developments that have been capitalised to consider whether the carrying value is still appropriate. Management assessed the recoverability of its internally-generated intangible assets, the various projects continue to progress in a very satisfactory manner, and management is confident that the carrying amount of the assets will be recovered in full.

6. Revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

	2020 £000	2019 £000
Sale of goods and services	**25,776**	*27,654*
	25,776	*27,654*

Analysis of revenue by country of destination:

	2020 £000	2019 £000
United Kingdom	**25,776**	*27,654*
	25,776	*27,654*

All revenue in the current and prior year was derived from the Company's principal activity.

7. Loss from operations

		2020 £000	2019 £000
Loss from operations is after charging/(crediting):			
Staff costs	10	**(9,173)**	*(9,326)*
Amortisation of intangible fixed assets	14	**(5,405)**	*(5,000)*
Impairment of tangible fixed assets	13	**-**	*(465)*
Write off of customer equipment		**(1,307)**	*(1,707)*
Difference on foreign exchange		**(63)**	*531*
Auditor remuneration		**(116)**	*(120)*

8. Exceptional items

	2020 £000	*2019 £000*
Intercompany loan write offs	**82,211**	*-*
Transaction costs	**-**	*(5,588)*
Restructuring costs	**-**	*(599)*
Total exceptional items	**82,211**	*(6,187)*

Transaction costs are directly related to the Michelin acquisition. The Company has also continued to restructure the business as part of its process transformation initiative. This has resulted in exceptional costs related to the implementation of this transaction.

9. Other operating income

	2020 £000	*2019 £000*
Other operating income	**69**	*69*
Government grants receivable	**92**	*-*
R&D tax credit	**494**	*417*
	655	*486*

Government grants comprise amounts received from the UK government under the Coronavirus Job Retention Scheme (CJRS) for those staff placed on furlough during the coronavirus pandemic.

10. Employee benefit expenses

	2020	2019
	£000	£000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	(12,524)	(12,343)
National insurance	(1,163)	(1,157)
Defined contribution pension cost	(280)	(279)
Capitalised development costs	4,794	4,453
	(9,173)	(9,326)

Directors Remuneration

The directors did not receive any remuneration from the Company during the year (2019: £224k) since they are employees of, and received remuneration from other group companies. It is not practical to allocate their remuneration between their services on behalf of the Company and of the other group companies.

The monthly average number of persons, including the directors, employed by the Company during the year was as follows:

	2020	2019
Sales and marketing	49	49
Management and administration	32	33
Operations	51	47
Research and development	89	79
Total	221	208

11. Finance income and expense

Recognised in profit or loss

	2020 £000	*2019* *£000*
Finance expense		
Interest on lease liabilities	(7)	*(15)*
Loans from group undertakings	(2,495)	*(2,870)*
Settlement costs	(1)	*(4)*
Total finance expense	(2,503)	*(2,889)*
Net finance expense recognised in profit or loss	(2,503)	*(2,889)*

12. Tax expense

12.1 Income tax recognised in profit or loss

	2020 £000	2019 £000
Current tax		
Tax expense	94	80
Total current tax	94	80
Tax expense	94	80
	94	80

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2020 £000	2019 £000
Profit/(loss) for the year	76,181	(13,062)
Income tax expense	94	80
Profit/(loss) before income taxes	76,275	(12,982)
Tax using the Company's domestic tax rate of 19% (2019:19%)	14,492	(2,467)
Fixed asset differences	41	11
Expenses not deductible for tax purposes, other than goodwill, amortisationand impairment	3	24
Non-taxable income	(15,620)	-
Adjustment in research and development tax credit leading to an increase/(decrease) in the tax charge	94	80
R&D expenditure	-	11
Remeasurement of current and deferred tax for changes in tax rates	(1,009)	150
Deferred tax not recognised	1,644	1,274
Group relief	449	997
Total tax expense	94	80

Changes in tax rates and factors affecting the future tax charges

There were no factors that may affect future tax charges.

A potential deferred tax asset of £3,453k (2019 - £3,228k) relating to tax losses and R&D credits carried forward has not been recognised on the grounds that there is uncertainty over its recoverability.

13. Property, plant and equipment

	Freehold property £000	Fixtures and fittings £000	Computer equipment £000	Other property, plant and equipment £000	Total £000
Cost or valuation					
At 1 January 2019	3,932	374	2,889	9,219	16,414
Additions	-	240	336	5,304	5,880
Disposals	-	(186)	(174)	(4,872)	(5,232)
At 31 December 2019	3,932	428	3,051	9,651	17,062
Additions	-	102	238	3,561	3,901
Disposals	-	-	-	(2,819)	(2,819)
At 31 December 2020	**3,932**	**530**	**3,289**	**10,393**	**18,144**

	Freehold property £000	Fixtures and fittings £000	Computer equipment £000	Other property, plant and equipment £000	Total £000
Accumulated depreciation and impairment					
At 1 January 2019	690	279	1,028	4,619	6,616
Charge owned for the year	58	51	452	2,528	3,089
Disposals	-	(186)	(174)	(3,165)	(3,525)
Impairment charge	465	-	-	-	465
At 31 December 2019	1,213	144	1,306	3,982	6,645
Charge owned for the year	53	95	465	2,482	3,095
Disposals	-	-	(1)	(1,511)	(1,512)
At 31 December 2020	**1,266**	**239**	**1,770**	**4,953**	**8,228**
Net book value					
At 31 December 2019	2,719	284	1,745	5,669	10,417
At 31 December 2020	2,666	291	1,519	5,440	9,916

14. Intangible assets

	Development Costs £000
Cost	
At 1 January 2019	26,844
Additions - external	4,687
At 31 December 2019	31,531
Additions - external	4,640
At 31 December 2020	**36,171**

	Development Costs £000
Accumulated amortisation and impairment	
At 1 January 2019	15,290
Charge for the year - owned	5,000
At 31 December 2019	20,290
Charge for the year - owned	5,405
At 31 December 2020	**25,695**
Net book value	
At 1 January 2019	11,554
At 31 December 2019	11,241
At 31 December 2020	10,476

15. Inventories

	2020 £000	*2019 £000*
Finished goods and goods for resale	**463**	*434*
	463	*434*

16. Trade and other receivables

	2020 £000	*2019* *£000*
Trade receivables	1,750	*2,172*
Trade receivables - net	**1,750**	*2,172*
Amounts owed by group undertakings	6,393	*6,889*
Total financial assets other than cash and cash equivalents classified as loans and receivables	**8,143**	*9,061*
Prepayments and accrued income	2,393	*2,337*
Other receivables	158	*11*
Total trade and other receivables	**10,694**	*11,409*

The amounts owed by group undertakings are payable within 60 days from the date of invoice issued under normal terms of trade.

17. Trade and other payables

	2020 £000	2019 £000
Trade payables	**2,346**	*2,511*
Payables to related parties	**17,543**	*95,214*
Other payables	**80**	*84*
Accruals	**2,707**	*2,735*
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**22,676**	*100,544*
Other payables - tax and social security payments	**561**	*842*
Deferred income	**2,291**	*2,390*
Total trade and other payables	**25,528**	*103,776*
Less: current portion - trade payables	**(2,346)**	*(2,511)*
Less: current portion - amounts owed to group undertakings	**(17,543)**	*(95,214)*
Less: current portion - other payables	**(641)**	*(925)*
Less: current portion - accruals	**(2,707)**	*(2,736)*
Less: current portion - deferred revenue	**(1,320)**	*(1,290)*
Total current portion	**(24,557)**	*(102,676)*
Total non-current position	**971**	*1,100*

The amounts owed to group undertakings are payable within 60 days from the date of invoice issued under normal terms of trade.

The amounts owed to group undertakings is unsecured and payable on demand. The interest rate payable is based on the weighted cost of group debt facilities. In 2020 this was 2.97% (2019: 3.13%).

Overdraft Facility

The Company has an overdraft facility available for drawings on its current accounts up to £1m. Interest of 1.0% over the base rate is payable on any amount drawn from the facility. The facility is unsecured and repayable on demand.

18. Share capital

Authorised

	2020 Number	2020 £000	*2019 Number*	*2019 £000*
Shares treated as equity				
Class A shares of £1.00 each	**1,000,000**	**1,000**	*1,000,000*	*1,000*
	1,000,000	**1,000**	*1,000,000*	*1,000*

Issued and fully paid

	2020 Number	*2019 Number*
Class A shares of £1.00 each		
At 1 January and 31 December	**1**	*1*

The Company has one class of ordinary shares, which carry no right to fixed income.

19. Reserves

The profit and loss account represent cumulative profits or losses, net of dividends paid and other adjustments.

20. Leases

(i) Leases as a lessee

Lease liabilities are due as follows:

	2020 £000	*2019 £000*
Obligations under leases		
Not later than one year	**80**	*84*
Between one year and five years	**9**	*90*
	89	*174*

The Company does not face a significant liquidity risk with regard to its lease liabilties. Lease liabilities, along with liquidity risk, are monitored by the Directors of the Company.

The following amounts in respect of leases have been recognised in profit or loss:

	2020 £000	*2019 £000*
Finance lease charges payable	**7**	*15*
Expenses relating to low-value leases	**26**	*26*

21. Controlling Party

Masternaut Holdings Limited, whose registered address is 18 Oxford Road, Marlow, Buckinghamshire, SL7 2NL, owns the entire issued share capital of the Company.

Masternaut Bidco Limited is the Company's ultimate holding company whose registered office is 1 Eversholt Street, Eversholt Street, London, England, NW1 2DN.

Since 22 May 2019 and as at 31 December 2020, the ultimate controlling party was Compagnie Générale des Établissements Michelin SCA ("Michelin"), incorporated in France, registered at 23, Place des Carmes, Dechaux, CEDEX 9, 63040, Clermont Ferrand, France. Michelin owns 100% of the voting share capital of Masternaut Bidco Limited, the Company's ultimate parent company.

The largest group in which the results of the Company are consolidated is that headed by Compagnie Générale des Établissements Michelin SCA. The consolidated accounts are publicly available and also may be obtained from the stated address above.

22. Related Party Transactions

The Company is exempt, under FRS 101, from the requirement of paragraphs 17 and 18A of IAS 24 Related Party Disclosures, to disclose transactions with other wholly owned members of the group headed by Compagnie Générale des Établissements Michelin SCA.

The consolidated accounts of Compagnie Générale des Établissements Michelin SCA are publically available.

23. Events after the reporting date

The Coronavirus pandemic continues to have an impact on the global economy. Although there is no significant impact on the Company any developments are being closely monitored.

The UK left the EU on 31 January 2020 and the transition period expired on 31 December 2020. The full impact of Brexit on the Company is not yet known and any developments are being monitored closely.