UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 3, 2019

POWERFLEET, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	001-39080	83-4366463
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

123 Tice Boulevard, Woodcliff Lake, New Jersey	07677
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code (201) 996-9000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	PWFL	The Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

EXPLANATORY NOTE

On October 3, 2019, PowerFleet, Inc. (the "Company") filed a Current Report on Form 8-K (the "Form 8-K") reporting the completion on October 3, 2019 of the previously announced Transactions (as defined below) contemplated by (i) the Agreement and Plan of Merger, dated as of March 13, 2019 (the "Merger Agreement"), by and among I.D. Systems, Inc., a Delaware corporation ("I.D. Systems"), the Company, Pointer Telocation Ltd., a private company limited by shares formed under the laws of the State of Israel ("Pointer"), Powerfleet Israel Holding Company Ltd., a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of the Company ("Pointer Holdco"), and Powerfleet Israel Acquisition Company Ltd., a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of Pointer Holdco prior to the Transactions ("Pointer Merger Sub"), and (ii) the Investment and Transaction Agreement, dated as of March 13, 2019, as amended by Amendment No. 1 thereto dated as of May 16, 2019, Amendment No. 2 thereto dated as of June 27, 2019 and Amendment No. 3 thereto dated as of October 3, 2019 (the "Investment Agreement," and together with the Merger Agreement, the "Agreements"), by and among I.D. Systems, the Company, PowerFleet US Acquisition Inc., a Delaware corporation and a wholly-owned subsidiary of the Company prior to the Transactions ("I.D. Systems Merger Sub"), and ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ABRY Investment Partnership, L.P. (the "Investors"), affiliates of ABRY Partners II, LLC. As a result of the transactions contemplated by the Agreements (the "Transactions"), I.D. Systems and Pointer Holdco each became direct, wholly-owned subsidiaries of the Company and Pointer became an indirect, wholly-owned subsidiary of the Company.

This Current Report on Form 8-K/A is being filed to amend the Form 8-K to provide the financial statements and pro forma financial information described below, in accordance with the requirements of Item 9.01 of Form 8-K. The pro forma financial information included in this Form 8-K/A has been presented for informational purposes only, as required by Form 8-K. It does not purport to represent the actual results of operations that I.D. Systems and Pointer would have achieved had the companies been combined during the periods presented in the pro forma financial information and is not intended to project the future results of operations that the combined company may achieve after the Transactions. Except as described above, all other information in the Company's Current Report on Form 8-K filed on October 3, 2019 remains unchanged.

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements of Businesses Acquired.*

The audited consolidated balance sheet of Pointer Telocation Ltd. as of December 31, 2018 and December 31, 2017 and consolidated statements of comprehensive income, changes in equity and cash flows for each of the two years ended December 31, 2018 and December 31, 2017 and related notes are included as Exhibit 99.1 to this Form 8-K/A.

The unaudited consolidated balance sheet of Pointer Telocation Ltd. as of September 30, 2019 and consolidated statements of comprehensive income, changes in equity and cash flows for the three and nine months ended September 30, 2019 and September 30, 2018 and related notes are included as Exhibit 99.2 to this Form 8-K/A.

(b) *Pro Forma Financial Information.*

The unaudited pro forma condensed combined financial information of I.D. Systems and Pointer as of and for the nine months ended September 30, 2019 and for the year ended December 31, 2018 are included as Exhibit 99.3 to this Form 8-K/A.

(d) *Exhibits.*

Exhibit No.	Description
23.1	Consent of Kost, Forer, Gabbay & Kasierer.
23.2	Consent of Grant Thornton Argentina.
23.3	Consent of Baker Tilly Brasil Norte SS Auditores Independentes – EPP.
23.4	Consent of Mazars Certified Public Accountants.
99.1	Audited consolidated balance sheet of Pointer Telocation Ltd. as of December 31, 2018 and December 31, 2017 and consolidated statements of comprehensive income, changes in equity and cash flows for each of the two years ended December 31, 2018 and December 31, 2017 and related notes.
99.2	Unaudited consolidated balance sheet of Pointer Telocation Ltd. as of September 30, 2019 and consolidated statements of comprehensive income, changes in equity and cash flows for the three and nine months ended September 30, 2019 and September 30, 2018 and related notes.
99.3	Unaudited pro forma condensed combined financial information of I.D. Systems, Inc. and Pointer Telocation Ltd. as of and for the nine months ended September 30, 2019 and for the year ended December 31, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

POWERFLEET, INC.

By:	*/s/ Ned Mavrommatis*
Name:	Ned Mavrommatis
Title:	Chief Financial Officer

Date: December 19, 2019

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-234081 and 333-234079) and Registration Statement on Form S-3 (No. 333-234703) of PowerFleet, Inc. of our report dated April 1, 2019 relating to the financial statements of Pointer Telocation Ltd., which appears in this Current Report on Form 8-K/A.

/s/ Kost, Forer, Gabbay & Kasierer

Kost, Forer, Gabbay & Kasierer
A Member of Ernst & Young Global
Tel-Aviv, Israel
December 19, 2019

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-234081 and 333-234079) and Registration Statement on Form S-3 (No. 333-234703) of PowerFleet, Inc. of our report dated February 7, 2019 relating to the financial statements of Pointer Argentina S.A., which appears in this Current Report on Form 8-K/A.

/s/ Grant Thornton Argentina

Grant Thornton Argentina
Buenos Aires, Argentina
December 19, 2019

EXHIBIT 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-234081 and 333-234079) and Registration Statement on Form S-3 (No. 333-234703) of PowerFleet, Inc. of our report dated February 27, 2019 relating to the financial statements of Pointer Telocation Ltd., which appears in this Current Report on Form 8-K/A.

/s/ Baker Tilly Brasil Norte SS Auditors Independentes – EPP

Baker Tilly Brasil Norte SS Auditors Independentes – EPP
Luiz Enrique Rocha Lauria
São Paulo, Brazil
December 19, 2019

EXHIBIT 23.4

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-234081 and 333-234079) and Registration Statement on Form S-3 (No. 333-234703) of PowerFleet, Inc. of our reports dated March 26, 2018 and February 22, 2019 relating to the financial statements of POINTER SA (PTY) LTD., which appears in this Current Report on Form 8-K/A.

/s/ Mazars Certified Public Accountants

Mazars Certified Public Accountants
Cape Town, South Africa
December 18, 2019

EXHIBIT 99.1

EXPLANATORY NOTE

Set forth below in this Exhibit 99.1 are the historical audited consolidated balance sheet of Pointer Telocation Ltd. as of December 31, 2018 and December 31, 2017 and consolidated statements of comprehensive income, changes in equity and cash flows for each of the two years ended December 31, 2018 and December 31, 2017. Unless the context otherwise requires, references to the terms the “Company,” “we,” “our,” or “us” used throughout this Exhibit 99.1 refer to Pointer Telocation Ltd. and its subsidiaries.

EXHIBIT 99.1

POINTER FINANCIAL STATEMENTS
DECEMBER 31, 2018

POINTER TELOCATION LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018

IN U.S. DOLLARS

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Kost Forer Gabbay & Kasierer
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ey.com

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of

POINTER TELOCATION LTD.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Pointer Telocation Ltd. and subsidiaries ("the Company") as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 1, 2019 and the report of the other auditors, expressed an unqualified opinion thereon.

We did not audit the financial statements of Pointer Argentina S.A, Pointer Do Brasil Comercial Ltda. and Pointer SA (PTY) Ltd., (the "Subsidiaries"), whose financial statements reflect total assets constituting 13.9% and 18% as of December 31, 2018 and 2017, respectively, and total revenues constituting 26.2%, 29.5% and 27% of the related consolidated revenues for the years ended December 31, 2018, 2017 and 2016, respectively. The financial statements of the Subsidiaries were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for the Subsidiaries, is based solely on the reports of the other auditors.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

We have served as the Company's auditor since 1995.
Tel-Aviv, Israel
April 1, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of

POINTER TELOCATION LTD.

Opinion on Internal Control over Financial Reporting

We have audited Pointer Telocation Ltd. and subsidiaries (the "Company") internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO Criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO Criteria.

We did not examine the effectiveness of internal control over financial reporting of Pointer do Brazil Commercial Ltda., a wholly owned subsidiary, whose financial statements reflect total assets and revenues constituting 13% and 16%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2018. The effectiveness of Pointer do Brazil Commercial Ltda. Company's internal control over financial reporting was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the effectiveness of Pointer do Brazil Commercial Ltda. Company's internal control over financial reporting, is based solely on the report of the other auditors.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017 and the related consolidated statements of operations, statements of comprehensive loss, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018 and the related notes of the Company, and our report dated April 1, 2019 expressed based on our audit and the report of the other auditors.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel-Aviv, Israel
April 1, 2019

Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Pointer Comercial do Brasil Ltda.

Opinions on the Financial Statements and Internal Control over Financial Reporting

Opinion

We have audited the accompanying consolidated balance sheets of **Pointer Comercial Brasil Ltda** (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework: 2013 issued by COSO.

Basis for Opinion

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Baker Tilly Brasil Norte SS Auditores Independentes

We have served as the Company's auditor since 2016.

Barueri, São Paulo, Brazil.
February 27, 2019.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Pointer Argentina S.A.

Opinion on the financial statements

We have audited the accompanying balance sheets of Pointer Argentina S.A. (the "Company") as of December 31, 2018 and 2017, the related statements of operations and comprehensive (loss) income, changes in shareholders' surplus, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON ARGENTINA

Adler, Hasenclever & Asociados Sociedad de Responsabilidad Limitada
We have served as the Company's auditor since 2003.

Buenos Aires, Argentina.
February 7, 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of Pointer SA Proprietary Limited

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Pointer SA Proprietary Limited (the "Company") as of December 31, 2018 and 2017, the related statements of comprehensive income, changes in equity, and cash flows, for each of the years ended December 31, 2018 and 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2007.

/s/ Mazars
Mazars
Partner: Andries Batt
Registered Auditor
22 February 2019
Cape Town

REGISTERED AUDITOR – A FIRM OF CHARTERED ACCOUNTANTS (SA) ● IRBA REGISTRATION NUMBER 900222

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of Pointer SA Proprietary Limited

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Pointer SA Proprietary Limited (the "Company") as of December 31, 2017 and 2016, the related statements of comprehensive income, changes in equity, and cash flows, for each of the years ended December 31, 2017 and 2016, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2007.

/s/ Mazars
Partner: Andries Batt
Registered Auditor
26 March 2018
Cape Town

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	8,528	7,375
Trade receivables (net of allowance for doubtful accounts of $1,464 and $1,127 at December 31, 2018 and 2017, respectively)	13,902	13,660
Other accounts receivable and prepaid expenses (Note 3)	3,362	2,865
Inventories (Note 4)	6,432	6,551
Total current assets	32,224	30,451
LONG-TERM ASSETS:		
Long-term loan to related party	948	973
Long-term accounts receivable	898	891
Long-Term contract assets	360	225
Severance pay fund (Note 2r)	3,038	3,546
Property and equipment, net (Note 5)	5,915	5,848
Other intangible assets, net (Note 6)	1,229	1,935
Goodwill (Note 7)	37,538	41,010
Deferred tax asset (Note 15)	7,934	9,585
Total long-term assets	57,860	64,013
Total assets	90,084	94,464

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	December 31,	
	2018	**2017**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit and current maturities of long-term loans (Note 8)	2,354	5,101
Trade payables	5,743	6,204
Deferred revenues and customer advances	785	777
Other accounts payable and accrued expenses (Note 9)	8,490	9,117
Total current liabilities	17,372	21,199
LONG-TERM LIABILITIES:		
Long-term loans from banks (Note 10)	2,685	5,015
Deferred taxes and other long-term liabilities (Note 11)	360	838
Accrued severance pay (Note 2r)	3,531	3,996
Total long term liabilities	6,576	9,849
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)		
EQUITY:		
Pointer Telocation Ltd's shareholders' equity:		
Share capital (Note 13)		
Ordinary shares of NIS 3 par value -		
Authorized: 16,000,000 shares at December 31, 2018 and 2017; Issued and outstanding: 8,134,303 and 8,059,094 shares at December 31, 2018 and 2017, respectively	6,050	5,995
Additional paid-in capital	130,309	129,076
Accumulated other comprehensive loss	(8,151)	(2,340)
Accumulated deficit	(62,278)	(69,597)
Total Pointer Telocation Ltd's shareholders' equity	65,930	63,134
Non-controlling interest	206	282
Total equity	66,136	63,416
Total liabilities and equity	90,084	94,464

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands (except per share data)

	Year ended December 31,		
	2018	**2017**	**2016**
Revenues (Note 17c):			
Products	25,243	26,182	22,784
Services	52,543	51,973	41,569
Total revenues	77,786	78,155	64,353
Cost of revenues:			
Products	15,104	16,073	13,904
Services	21,674	21,914	18,672
Total cost of revenues	36,778	37,987	32,576
Gross profit	41,008	40,168	31,777
Operating expenses:			
Research and development	4,707	4,051	3,669
Selling and marketing	14,560	14,038	11,774
General and administrative	11,169	11,275	9,004
Amortization of intangible assets	456	463	473
Acquisition related costs	300	32	609
Total operating expenses	31,192	29,859	25,529
Operating income	9,816	10,309	6,248
Financial expenses, net (Note 19)	1,133	1,004	1,046
Other expenses, net	3	5	9
Income before taxes on income	8,680	9,300	5,193
Tax expenses (income), (Note 15)	1,753	(7,221)	1,845
Income from continuing operations	6,927	16,521	3,348
Income from discontinued operation, net (Note 18)	-	-	154
Net income	6,927	16,521	3,502
Other comprehensive income:			
Currency translation adjustments of foreign operations	(5,811)	3,293	1,311
Total comprehensive income	1,116	19,814	4,813
Profit (loss) from continuing operations attributable to:			
Pointer Telocation Ltd's shareholders	6,963	16,518	3,324
Non-controlling interests	(36)	3	24
	6,927	16,521	3,348

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands (except per share data)

	Year ended December 31,		
	2018	**2017**	**2016**
Profit from discontinued operations attributable to:			
Pointer Telocation Ltd's shareholders	-	-	120
Non-controlling interests	-	-	34
	-	-	154
Earnings per share attributable to Pointer Telocation Ltd's Shareholders (Note 14):			
Basic net earnings:			
Earnings from continuing operations	0.85	2.07	0.43
Earnings from discontinued operations	-	-	0.02
	0.85	2.07	0.45
Diluted net earnings:			
Earnings from continuing operations	0.84	2.03	0.43
Earnings from discontinued operations	-	-	0.02
	0.84	2.03	0.45

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands (except share data)

		Pointer Telocation Ltd's Shareholders					
	Number of shares	Share capital	Additional paid-in capital	Accumulated Other comprehensive income	Accumulated deficit	Non-controlling interest	Total equity
Balance as of January 1, 2016	7,784,644	5,770	128,410	(6,254)	(71,822)	(1,069)	55,035
Exercise of options	89,275	67	31	-	-	-	98
Stock-based compensation expenses	-	-	320	-	-	-	320
Exercise of options in subsidiary	-	-	(323)	323	-	-	-
Distribution of a subsidiary as a divided in kind	-	-	-	(213)	(17,737)	373	(17,577)
Other comprehensive income	-	-	-	511	-	800	1,311
Net income attributable to Non-controlling interest	-	-	-	-	-	58	58
Net income attributable to Pointer shareholders	-	-	-	-	3,444	-	3,444
Balance as of December 31, 2016	7,873,919	5,837	128,438	(5,633)	(86,115)	162	42,689
Issuance of shares in respect of Stock-based compensation	185,175	158	237	-	-	-	395
Stock-based compensation expenses	-	-	401	-	-	117	518
Other comprehensive income	-	-	-	3,293	-	-	3,293
Net income attributable to Non -controlling interest	-	-	-	-	-	3	3
Net income attributable to Pointer shareholders	-	-	-	-	16,518	-	16,518
Balance as of December 31, 2017	8,059,094	5,995	129,076	(2,340)	(69,597)	282	63,416
Effect of adoption of ASC Topic 606	-	-	-	-	356	-	356
Exercise of options	75,209	55	35	-	-	-	90
Stock-based compensation expenses	-	-	1,198	-	-	-	1,198
Other comprehensive loss	-	-	-	(5,811)	-	(40)	(5,851)
Net loss attributable to Non-controlling interest	-	-	-	-	-	(36)	(36)
Net income attributable to Pointer shareholders	-	-	-	-	6,963	-	6,963
Balance as of December 31, 2018	8,134,303	6,050	130,309	(8,151)	(62,278)	206	66,136

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2018	**2017**	**2016**
Cash flows from operating activities:			
Net income	6,927	16,521	3,502
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,571	2,924	3,258
Accrued interest and exchange rate changes of debenture and long-term loans	(20)	52	29
Accrued severance pay, net	71	93	20
Gain from sale of property and equipment, net	(101)	(113)	(232)
Stock-based compensation	1,198	380	320
Increase in trade receivables, net	(1,121)	(1,616)	(3,489)
Increase in other accounts receivable and prepaid expenses	(855)	(206)	(942)
Increase in inventories	(56)	(1,170)	(1,063)
Decrease (increase) deferred income taxes	779	(8,018)	1,774
Decrease in long-term accounts receivable	220	165	99
Increase (decrease) in trade payables	48	(1,597)	3,346
Increase (decrease) in other accounts payable and accrued expenses	(1,064)	2,285	2,455
Net cash provided by operating activities	8,597	9,700	9,077
Cash flows from investing activities:			
Purchase of property and equipment	(2,721)	(3,033)	(4,129)
Purchase of other intangible assets	-	(233)	(115)
Proceeds from sale of property and equipment	101	114	648
Acquisition of subsidiary (a)	-	-	(8,531)
Net cash used in investing activities	(2,620)	(3,152)	(12,127)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	Year ended December 31,		
	2018	**2017**	**2016**
Cash flows from financing activities:			
Receipt of long-term loans from banks	-	-	6,263
Repayment of long-term loans from banks	(5,078)	(4,875)	(4,976)
Proceeds from issuance of shares and exercise of options, net of issuance costs	90	395	98
Distribution as a dividend in kind of previously consolidated subsidiary (b)	-	-	(1,870)
Short-term bank credit, net	32	(231)	716
Net cash provided (used) in financing activities	(4,956)	(4,711)	231
Effect of exchange rate on cash and cash equivalents	132	(528)	(462)
Increase (decrease) in cash and cash equivalents	1,153	1,309	(3,281)
Cash and cash equivalents at the beginning of the year	7,375	6,066	9,347
Cash and cash equivalents at the end of the period- continuing operations	8,528	7,375	6,066
Cash and cash equivalents at the end of the period- discontinued operation	-	-	-
Cash and cash equivalents at the end of the year	8,528	7,375	6,066
(a) Acquisition of subsidiary:			
Working capital (Cash and cash equivalent excluded)	-	-	(334)
Property and equipment	-	-	(1,239)
Intangible assets	-	-	(2,098)
Goodwill	-	-	(6,070)
Deferred taxes	-	-	714
Payables for acquisition of investments in subsidiaries	-	-	496
	-	-	(8,531)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	Year ended December 31,		
	2018	**2017**	**2016**
(b) Distribution as a dividend in kind of previously consolidated subsidiary:			
The subsidiaries' assets and liabilities at date of distribution:			
Working capital (excluding cash and cash equivalents)	-	-	(5,443)
Property and equipment	-	-	7,048
Goodwill and other intangible assets	-	-	15,883
Other long term liabilities	-	-	(1,781)
Non-controlling interest	-	-	373
Accumulated other comprehensive loss	-	-	(213)
Dividend in kind	-	-	(17,737)
	-	-	(1,870)
(c) Non-cash investing activity:			
Purchase of property and equipment	61	61	48
(d) Supplemental disclosure of cash flow activity:			
Cash paid during the year for:			
Interest	469	703	567
Income taxes	729	540	20

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- GENERAL

a. Pointer Telocation Ltd. (the “Company”) was incorporated in Israel and commenced operations in July 1991. The Company conducts its operations through two main segments. Through its Cellocator segment, the Company designs, develops and produces leading mobile resource management products, including asset management, fleet management, and security products, for sale to third party operators providing Mobile Resource Management services (“MRM”) and to our MRM segment. Through its MRM segment, the Company acts as an operator by bundling its products together with a range of services, including fleet management services, asset management services and stolen vehicle retrieval services.

The Company provides services, for the most part, in Israel, Argentina, Mexico, South Africa and Brazil, through its local subsidiaries and affiliates. The Company sells its products worldwide directly through its local subsidiaries, and through its affiliates to independent operators in order to provide similar services in Latin America, Europe, India and other countries utilizing the Company’s technology and operational know-how. The Company’s shares are traded on the Nasdaq Capital Market.

b. On June 8, 2016, Pointer spun off its Israeli subsidiary, Shagrir Group Vehicle Services Ltd., through which Pointer carried out its road side assistance (RSA) activities. The Company listed Shagrir’s shares for trade on the Tel Aviv Stock Exchange. The results of Shagrir through that date are included in Pointer’s results as discontinued operations. See also Note 18.

c. The Company holds 99.6% of the share capital of Argentina SA’s (formerly Tracsat S.A.) (“Pointer Argentina”). Pointer Argentina is the operator of the Company’s systems and products that provides fleet management and stolen vehicle recovery services in Buenos Aires, Argentina.

d. The Company holds 100% of the share capital of Pointer Recuperation de Mexico S.A. de C.V. (“Pointer Mexico”). Pointer Mexico provides fleet management along with stolen vehicle recovery services to its customers in Mexico, it is also responsible for distributing the Company’s products throughout Mexico.

e. The Company holds 100% of the share capital of Pointer do Brasil Comercial S.A. (“Pointer Brazil”). In October 7, 2016, the Company acquired 100% interest in Cielo Telecom Ltd. (“Cielo”), a fleet management services company based in South Brazil. Cielo Telecom manages fleet customers covering approximately 16,000 trucks. In July 31, 2018, the Company concluded the merger process of Cielo.

f. In October 2008, the Company established a wholly-owned subsidiary in the United States, Pointer Telocation Inc.

g. On September 9, 2014, the Company acquired 100% interest in Global Telematics S.A. Proprietary Limited (“Global Telematics”), a provider of commercial fleet management and vehicle tracking solutions in South Africa.

U.S. dollars in thousands (except share and per share data)

NOTE 1:- GENERAL (Cont.)

On October 2, 2017, the Company sold 2,519,544 ordinary shares of Pointer South Africa, representing approximately 12% of Pointer South Africa's issued and outstanding share capital as of the date thereof, to Ms. Preshnee Moodley, who serves on Pointer South Africa's Board of Directors, in exchange for her services. Following the consummation of the transaction, the Company now holds 88% of the issued share capital of Pointer South Africa.

h. In May 2012, the Company established a wholly-owned subsidiary in India, Pointer Telocation India Private Limited.

i. On October 6, 2016, the Company's shareholders approved a compensation policy for the Company's directors and officers (the "Compensation Policy"). The Compensation Policy includes, among other issues prescribed by Israeli Companies Law, 5799-1999 (the "Companies Law"), a framework for establishing the terms of office and employment of the office holders, and guidelines with respect to the structure of the variable pay of office holders. The Compensation Policy includes compensation, bonus and benefits strategy for office holders which is designed in order to reward performance, maintain a reasonable wage structure throughout the organization and to reinforce a culture in order to promote the long-term success of the Company.

j. On October 7, 2016, the Brazilian subsidiary acquired 100% interest in Cielo Telecom Ltd. ("Cielo"), a fleet management services company based in South Brazil.

On the acquisition date, the fair value of the consideration transferred totaled $8.5 million in cash.

The acquisition was accounted for under the purchase method of accounting as determined by ASC Topic 805, "Business Combinations". Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of acquisition.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

Working capital, net	334
Property and equipment	1,239
Other intangible assets	2,098
Goodwill	6,070
Deferred taxes	(714)
Payables for acquisition of investments in subsidiaries	(496)
	$ 8,531

U.S. dollars in thousands (except share and per share data)

NOTE 1:- GENERAL (Cont.)

Unaudited pro forma condensed results of operations:

The following represents the unaudited pro forma condensed results of operations for the year ended December 31, 2016, assuming that the acquisitions of Cielo occurred on January 1, 2016. The pro forma information is not necessarily indicative of the results of operations that would have actually occurred had the acquisitions been consummated on those dates, nor does it purport to represent the results of operations for future periods.

	Year ended December 31, 2016
	Unaudited
Revenues	$ 67,468
Net income attributable to Pointer shareholders' from continuing operations	$ 3,820
Basic income per share	$ 0.49
Diluted income per share	$ 0.48

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

a. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant assumptions are employed in estimates used in determining values of intangible assets, tax assets and tax liabilities, warranty costs and stock-based compensation costs. Actual results could differ from those estimates.

b. Financial statements in U.S. dollars:

The Company's reporting currency is the U.S. dollar.

The majority of the revenues of the Company's Cellocator business are generated in U.S. dollars ("USD") or linked to the USD. In addition, a substantial portion of the Company's Cellocator business' costs are incurred in USD. The Company's management believes that the USD is the primary currency of the economic environment of the Cellocator business and thus its functional currency. Due to the fact that Argentina has been determined to be highly inflationary, The financial statements of Pointer Argentina have been remeasured as if its functional currency was the USD since 1 July 2018.

The majority of revenues generated by the Company's MRM business are raised in Israeli NIS ("NIS"), or linked to the NIS. In addition, a substantial portion of the Company's MRM business costs are incurred in NIS. The Company's management believes that the NIS is the primary currency of the economic environment of the MRM business and thus its functional currency.

For those subsidiaries whose functional currency has been determined to be their local currency (for Pointer Mexico- the Mexican peso; for Pointer Inc. the USD; for Pointer do Brazil Comercial Ltda. the Brazilian Real), assets and liabilities are translated at year-end exchange rates and statement of operations items are translated at average exchange rates prevailing during the year. Such translation adjustments are recorded as a separate component, other comprehensive income (loss), in shareholders' equity (deficiency).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries.

Intercompany transactions and balances including profits from intercompany sales not yet realized outside the Company have been eliminated upon consolidation.

Changes in the parent's ownership interest in a subsidiary with no change of control are treated as equity transactions, rather than step acquisitions or dilution gains or losses. Losses of partially owned consolidated subsidiaries shall be continued to be allocated to the non-controlling interests even when their investment was already reduced to zero.

d. Cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less at the date acquired.

e. Inventories:

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the "moving average" cost method. Inventory consists of raw materials, work in process and finished products. Inventory write-offs are provided to cover risks arising from slow-moving items, technological obsolescence, excess inventories, and for market prices lower than cost. In 2018, 2017 and 2016, the Company and its subsidiaries wrote-off approximately net amount of \$346, \$129 and \$147, respectively. The net write-offs are included in the cost of revenues.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Installed products	20-33
Computers and electronic equipment	10 - 33 (mainly 33)
Office furniture and equipment	6 - 15
Motor vehicles	15 - 20 (mainly 20)
Network installation	10 - 33
Buildings	6.67
Leasehold improvements	Over the term of the lease, including the option term or the useful lives of the assets, whichever is shorter

g. Goodwill:

Goodwill reflects the excess of the purchase price of the acquired activities over the fair value of net assets acquired. Pursuant to ASC 350, "Intangibles - Goodwill and Other", goodwill is not amortized but rather tested for impairment at least annually, at the reporting unit level.

The Company identified several reporting units based on the guidance of ASC 350.

ASC 350 prescribes a two-phase process for the impairment testing of goodwill.

In the evaluation of goodwill for impairment, the Company has the option to perform a qualitative assessment to determine whether further impairment testing is necessary or to perform a quantitative assessment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. Under the qualitative assessment, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. If under the quantitative assessment the fair value of a reporting unit is less than its carrying amount, then the amount of the impairment loss, if any, must be measured under step two of the impairment analysis. In the first phase of impairment testing, goodwill attributable to the reporting units is tested for impairment by comparing the fair value of each reporting unit with its carrying value. If the carrying value of the reporting unit exceeds its fair value, the second phase is then performed. The second phase of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

No impairment losses were identified in 2018, 2017 or 2016.

h. Identifiable intangible assets:

Intangible assets consist of the following: a brand name, customers' related intangibles, developed technology and acquired patents. Intangible assets are amortized over their useful life using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up. Intangible assets are stated at amortized cost.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The customers' related intangibles are amortized over a five to nine year period.

Backlog is amortized over a three-year period.

Non- competition agreement is amortized over a three-year period.

Brand name is amortized over a ten-year period.

Customer related intangibles are amortized based on the accelerated method. For customer related intangibles in respect with the Brazil transaction during 2013 and the transaction during 2016, the Company used the straight line method, the differences from the accelerated method were immaterial.

Other intangibles are amortized based on straight line method over the periods above mentioned.
No impairment losses were identified in 2018, 2017 and 2016.

i. Impairment of long-lived assets:

The Company's long lived assets are reviewed for impairment in accordance with ASC 360-10-35, "Property, Plant, and Equipment- Subsequent Measurement" whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

No impairment losses were identified in 2018, 2017 and 2016.

j. Provision for warranty:

The Company and its subsidiaries generally grant an assurance type waaranty of one-year to three-year for their products. The Company and its subsidiaries estimate the costs that may be incurred under its basic limited warranty and records a liability in the amount of such costs at the time which product revenue is recognized. Factors that affect the warranty liability include the number of installed units, historical and anticipated rates of warranty claims and cost per claim. The Company and its subsidiaries periodically assess the adequacy of its recorded warranty liabilities and adjust the amounts as necessary. Changes in the Company's and its subsidiaries' product liabilities (which are included in other accounts payable and accrued expenses and other long term liabilities' captions in the Balance Sheet) during 2018 and 2017 are as follows:

	Year ended December 31,	
	2018	**2017**
Balance, beginning of the year	567	604
Warranties issued during the year	346	468
Settlements made during the year	(118)	(145)
Expirations	(351)	(360)
Balance end of year	444	567

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Revenue recognition:

The Company and its subsidiaries generate revenue from subscriber fees for the provision of services and sales of systems and products, mainly in respect of asset management services, fleet management services, stolen vehicle recovery services and other value added services. To a lesser extent, revenues are also derived from technical support services. The Company and its subsidiaries sell the systems primarily through their direct sales force and indirectly through resellers.

Adoption of ASC Topic 606, “Revenue from Contracts with Customers”:

On January 1, 2018, the Company adopted the new guidance on Revenue from Contracts with Customers under Topic 606 using the modified retrospective transition method.

Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting treatment under Topic 605.

The core principle of the standard is for companies to recognize revenue to depict the transfer of control of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services.

In order to achieve that core principle, the Company applies the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

(1) Identify the contract with a customer:

A contract is an agreement between two or more parties that creates enforceable rights and obligations. In evaluating the contract, the Company analyzes the customer’s intent and ability to pay the amount of promised consideration (credit risk) and considers the probability of collecting substantially all of the consideration.

The Company determines whether collectability is reasonably assured on a customer-by-customer basis pursuant to its credit review policy.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(2) Identify the performance obligations in the contract:

At a contract's inception, the Company assesses the goods or services promised in a contract with a customer and identifies the performance obligations.

The main performance obligations are the provisions of the following:

Product, services and NRE.

(3) Determine the transaction price:

The transaction price is the amount of consideration to which the Company is entitled in exchange for transferring promised goods or services to a customer.

When a contract provides a customer with payment terms of more than a year, the Company considers whether those terms create variability in the transaction price and whether a significant financing component exists.

(4) Allocate the transaction price to the performance obligations in the contract:

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company does not have any significant extended payments terms.

Some of the contracts have multiple performance obligations, including contracts that combine product with installation and customer support. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation using its best estimate of the relative standalone selling price of each distinct good or service in the contract. The primary method used to estimate the relative standalone selling price is expected costs of satisfying a performance obligation and an appropriate margin for that distinct good or service. In assessing whether to allocate variable consideration to a specific part of the contract, the Company considers the nature of the variable payment and whether it relates specifically to its efforts to satisfy a specific part of the contract.

(5) Recognize revenue when a performance obligation is satisfied:

The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Product revenue is recognized at a point of time when the product have been delivered. The Company recognizes revenue from products when a customer takes possession of the product.

The Company recognizes revenues from services on a straight line over the service contractual period, starting at commencement of the services. Renewals of service contracts create new performance obligations that are satisfied over the term with the revenues recognized ratably over the term.

Products and services may be sold separately or in bundled packages. The typical length of a contract for service is 36 months.

Services including leased devices and installation recognized on a straight line over the service contractual period, starting at commencement of services.

For products sold separately, customers pay in full at a point of sale. For devices sold in bundled packages, customers usually pay monthly in equal installments over the period of 36 months.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Set-up fees are recognized at a point of time upon completion and professional services are recognized over the time on a straight line over the services contractual period. Software as a Service ("SAAS") revenues are recognized over the time on a straight line over the services' contractual period. Non-Recurring Engineering ("NRE") services are recognized over the time based on costs incurred.

The most significant impacts of the standard to the Company relate to the timing of revenue recognition for arrangements involving leasing. The cumulative effect of accounting change recognized was $356 recorded as a decrease to beginning balance of accumulated deficit, and a corresponding increase to prepaid and other current assets and a decrease in other assets.

Refer to the following table for the detailed effect to our consolidated balance sheet upon adoption:

	Balance at December 31, 2017	New Revenue Standard Adjustment	Balance at January 1, 2018
Assets			
Prepaid and other current assets	$ 2,865	$ 555	$ 3,420
Other assets	1,116	(199)	917
Shareholders' Equity			
Accumulated Deficit	(69,597)	356	(69,241)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following tables summarize the impacts of adopting Topic 606 on the Company's consolidated financial statements for the year ended December 31, 2018:

	Impact of changes in accounting policies Year ended December 31, 2018		
	As reported	**Adj.**	**Balances without adoption of Topic 606**
Service revenue	52,543	344	52,887
Product revenue	25,243	(268)	24,975
Total revenues	77,786	76	77,862
Cost of revenues	36,778	-	36,778
Research and development expenses	4,707	-	4,707
Selling and marketing expenses	14,560	29	14,589
General and administrative expenses	11,169	-	11,169
Amortization of intangible assets	456	-	456
One time acquisition related costs	300	-	300
Financial expenses	1,133	-	1,133
Income tax expense	1,753	(5)	1,748
Others	3	-	3
Net income	6,927	52	6,979

1. Contract costs:

The Company pays commissions to sales and marketing and certain management personnel based on their attainment of certain predetermined sales goals. Sales commissions are considered incremental costs of obtaining a contract with a customer and are deferred and amortized.

The Company is required to capitalize and amortize incremental costs of obtaining a contract, such as certain sales commission costs, over the remaining contractual term or over an expected period of benefit, which the Company has determined to be approximately three years.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Disaggregation of revenue:

The following is a description of principal activities separated by reportable segments from which the Company generates its revenue. For more detailed information about reportable segments, see Note 17.

In the following table, revenue is disaggregated by primary geographical market, major product line, and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the reportable segments:

	Reportable segments results of operations for the year ended December 31, 2018			
	Cellocator segment	MRM segment	Elimination	Total
Revenue recognized:				
At a point of time	22,137	10,733	(7,627)	25,243
Over a period of time	1,627	51,669	(753)	52,543
	24,764	62,402	(8,380)	77,786

3. Contract balances:

The following table provides information about contract assets and liabilities:

	Balance at December 31, 2018	Balance at December 31, 2017
Contract assets	$ 808	$ 973
Contract liabilities	$ 267	$ 313

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to the receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customers, for which transfer if control occurs, and therefore revenue is recognized on completion.

l. Research and development costs:

Research and development costs are charged to expenses as incurred.

m. Advertising expenses:

Advertising expenses are charged to the statement of operations as incurred. Advertising expenses for the years ended December 31, 2018, 2017 and 2016 were $1,466, $1,459 and $1,337, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Income taxes:

The Company accounts for income taxes in accordance with ASC 740, “Income Taxes”. This ASC prescribes the use of the liability method whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

The Company adopted an amendment to ASC 740, “Income Taxes”. The amendment clarifies the accounting for uncertainties in income taxes by establishing minimum standards for the recognition and measurement of tax positions taken or expected to be taken in a tax return. Under the requirements of ASC 740, the Company must review all of its tax positions and make a determination as to whether its position is more likely than not to be sustained upon examination by regulatory authorities. If a tax position meets the more likely than not standard, then the related tax benefit is measured based on a cumulative probability analysis of the amount that is more-likely-than-not to be realized upon ultimate settlement or disposition of the underlying issue.

In the years ended December 31, 2018, 2017 and 2016, the Company recorded tax expenses in connection to uncertainties in income taxes of $144, $127 and $0 respectively.

o. Basic and diluted net earnings per share:

Basic and diluted net earnings per share are computed based on the weighted average number of ordinary shares outstanding during the year. Diluted net earnings (loss) per share further include the dilutive effect of stock options outstanding during the year, in accordance with ASC 260, “Earnings Per Share”. Part of the Company’s outstanding stock options and warrants has been excluded from the calculation of the diluted earnings per share because such securities are anti-dilutive. The total weighted average number of the Company’s shares related to the outstanding options and warrants excluded from the calculations of diluted earnings per share was 18,750, 20,125 and 202,000 for the years ended December 31, 2018, 2017 and 2016, respectively.

p. Accounting for stock-based compensation:

The Company applies ASC 718, “Compensation: Stock Compensation”. In accordance with ASC 718, all grants of employee equity based stock options are recognized in the financial statements based on their grant date fair values. The fair value of graded vesting options, as measured at the date of grant, is charged to expenses, based on the accelerated attribution method over the requisite service period of each of the awards, net of estimated forfeitures.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Effective as of January 1, 2017, the Company adopted Accounting Standards Update 2016-09, "Compensation: Stock Compensation (Topic 718)" ("ASU2016-09") on a modified, retrospective basis.

Upon adoption of ASU 2016-09, the Company elected to change its accounting policy to account for forfeitures as they occur.

During the years ended December 31, 2018, 2017 and 2016, the Company recognized stock-based compensation expenses related to employee stock options in the amounts of $1,198, $380 and $320, respectively.

According to ASC 718, a change in any of the terms or conditions of the Company's stock options is accounted for as a modification. Therefore, if the terms of an award are modified, the Company calculates incremental compensation costs as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors existing at the modification date. For vested options, the Company recognizes any incremental compensation cost immediately in the period the modification occurs, whereas for unvested options, the Company recognizes, over the new requisite service period, any incremental compensation cost due to the modification and any remaining unrecognized compensation cost for the original award over its term.

q. Data related to options to purchase the Company shares:

1. The fair value of the Company's stock options granted to employees and directors for the years ended December 31, 2018, 2017 and 2016 was estimated using the Black-Scholes option-pricing model, with the following weighted average assumptions:

	Year ended December 31,		
	2018	2017	2016
Risk free interest rate	0.78%-2.96%	0.86%-1.39%	0.8%-1.00%
Dividend yield	0%	0%	0%
Expected volatility	40.16%-51.76%	52.25%-57.73%	55.81%-60.84%
Expected term (in years)	4.00-5.50	4.00-5.50	4.00-5.50
Forfeiture rate	0%	0%	2%

The Black-Scholes option pricing model requires a number of assumptions, of which the most significant are expected stock price volatility and the expected option term. Expected volatility was calculated based upon actual historical stock price movements. The expected option term represents the period that the Company's stock options are expected to be outstanding and was determined for plain vanilla options as the average of the vesting period and the contractual term, based on the simplified method permitted by SAB 107 and extended by SAB 110, in cases that the Company encounters difficulties in making a refind estimate of expected term, due to lack of historical information.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company adopted SAB 110 and continues to apply the simplified method until enough historical experience is available to provide a reasonable estimate of the expected term for stock option grants. In a few limited cases, the Company did not use the simplified method in measuring the fair value of modified awards, either when the options were deeply out of the money immediately before the modification or when the Company accelerated the vesting and extended the exercise period after an employee's resignation. Since in both instances, the entire remaining contractual term of the options was relatively short, we assumed that the expected life to be the entire remaining contractual term.

The risk-free interest rate is based on the yield from U.S. Treasury bill with accordance to the expected term of the options.

The Company has historically not paid dividends and has no foreseeable plans to pay dividends and therefore uses an expected dividend yield of zero in the option pricing model. The Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest.

On October 2, 2017, the Company sold 2,519,544 ordinary shares of Pointer South Africa, representing approximately 12% of Pointer South Africa's issued and outstanding share capital as of the date thereof, to Ms. Preshnee Moodley, who serves on Pointer South Africa's Board of Directors, in exchange to its services.

r. Severance pay:

The liability of the Company and its subsidiaries in Israel for severance pay is calculated pursuant to Israel's Severance Pay Law 5273-1963 (the "Severance Law") based on the most recent salary of the employees multiplied by the number of years of employment as of balance sheet date and are presented on an undiscounted basis (the "Shut Down Method"). Employees are entitled to one month's salary for each year of employment, or a portion thereof. The liability for the Company and its subsidiaries in Israel is fully provided by monthly deposits with insurance policies and by accrual. The value of these policies is recorded as an asset in the Company's balance sheet.

The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to the Severance Law or labor agreements. The value of the deposited funds is based on the cash surrendered value of these policies, and includes profits or losses accumulated to balance sheet date.

Some of the Company's employees are subject to Section 14 of the Severance Law and the General Approval of the Labor Minister dated June 30, 1998, issued in accordance to the said Section 14, mandating that upon termination of such employees' employment, all the amounts accrued in their insurance policies shall be released to them. The severance pay liabilities and deposits covered by these plans are not reflected in the balance sheet as the severance pay risks have been irrevocably transferred to the severance funds.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Severance pay expenses for the years ended December 31, 2018, 2017 and 2016 were $978, $1,037 and $728, respectively.

s. Concentrations of credit risk:

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents, trade receivables, trade payables and derivatives.

The Company's cash and cash equivalents are invested primarily in deposits with major banks worldwide, mainly in Israel. Generally, these deposits may be redeemed upon demand and, therefore, bear low risk. Management believes that the financial institutions that hold the Company's investments have a high credit rating.

The Company's trade receivables include amounts billed to clients located mainly in Israel, Latin America and Europe. Management periodically evaluates the collectability of its trade receivables to reflect the amounts estimated to be collectible. An allowance is determined in respect to specific debts whose collection, in management's opinion, is doubtful. In 2018, 2017 and 2016, the Company recorded expenses in respect to such debts in the amount of $539, $802 and $511, respectively. As for major customers, see Note 17d.

Changes in the allowance for doubtful accounts during 2018 and 2017 are as follows:

	Year ended December 31,	
	2018	**2017**
Balance at beginning of the year	1,127	1,281
Deductions during the year	(57)	(992)
Charged to expenses	539	802
Foreign currency translation adjustment	(145)	36
Balance at end of year	1,464	1,127

t. Fair value measurements:

The following methods and assumptions were used by the Company and its subsidiaries in estimating fair value disclosures for financial instruments:

The carrying amounts reported in the balance sheet for cash and cash equivalents, trade receivables, other accounts receivable, short-term bank credit, trade payables and other accounts payable approximate their fair values due to the short-term maturities of such instruments.

Amounts recorded for long-term loans approximate fair values. The fair value was estimated using discounted cash flow analysis, based on the Company's incremental borrowing rates for similar type of borrowing arrangements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company accounts for certain assets and liabilities at fair value under ASC 820, "Fair Value Measurements and Disclosures". Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820 establishes a three tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - Significant other observable inputs based on market data obtained from sources independent of the reporting entity;

Level 3 - Unobservable inputs which are supported by little or no market activity (for example cash flow modeling inputs based on assumptions).

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company categorized each of its fair value measurements in one of these three levels of hierarchy.

Assets and Liabilities that are measured at Fair Value on a Nonrecurring Basis subsequent to their initial recognition.

During 2018, 2017 and 2016 there were no impairment losses regarding goodwill.

u. Discontinued operations

Under ASC 205, "Presentation of Financial Statements - Discontinued Operation" when a component of an entity, as defined in ASC 205, has been disposed of or is classified as held for sale, the results of its operations, including the gain or loss on its disposal are classified as discontinued operations and the assets and liabilities of such component are classified as assets and liabilities attributed to discontinued operations; that is, provided that the operations, assets and liabilities and cash flows of the component have been eliminated from the Company's consolidated operations and the Company will no longer have any significant continuing involvement in the operations of the component.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. New accounting pronouncements not yet effective:

1. In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (Topic 842) "Leases" Topic 842 supersedes the lease requirements in Accounting Standards Codification (ASC) Topic 840, "Leases". Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for leases and provide enhanced disclosures. ASU No. 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018, early adoption is permitted. In July 2018, the FASB issued amendments in ASU 2018-11, which provide another transition method in addition to the existing transition method, by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, and to not apply the new guidance in the comparative periods they present in the financial statements. The Company has elected to apply the standard retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASC 842 supersedes the previous leases standard, ASC 840, "Leases". The Company also expects to elect certain relief options offered in ASU 2016-02 including certain available transitional practical expedients. The Company is in the process of implementing changes to the existing systems and processes in conjunction with a review of existing vendor agreements. The Company will adopt Topic 842 effective January 1, 2019. The Company currently anticipates that the adoption of this standard will have a material impact on the consolidated balance sheets. Based on the Company's current portfolio of leases, approximately $2.5 to 5 million of lease assets and liabilities would be recognized on its balance sheet. The Company continues to assess the potential impacts of the guidance, including normal ongoing business dynamics or potential changes in contracting terms.

2. In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". ASU 2017-04 was issued to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The amendments in ASU 2017-04 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The Company is evaluating the potential impact of this pronouncement.

3. In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in the more timely recognition of losses. ASU 2016-13 also applies to employee benefit plan accounting, with an effective date of the first quarter of fiscal 2022. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated balance sheets, statements of operations and cash flows.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

4. In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, which expands the activities that qualify for hedge accounting and simplifies the rules for reporting hedging transactions. The standard will become effective for the Company beginning January 1, 2019. Early adoption is permitted. The Company does not expect that this new guidance will have a material impact on its consolidated financial statements.

w. Recently issued and adopted proncounments

1. In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). Under the new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flow arising from contracts with customers. The guidance permits two methods of modification: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The Company adopted the new standard, effective January 1, 2018, using the modified retrospective method applied to those contracts which were not substantially completed as of the adoption date. Refer to “Revenue Recognition” above for further details.

2. In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”), which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for the Company from January 1, 2018. This new guidance does not have an impact on the Company’s consolidated financial statements.

U.S. dollars in thousands (except share and per share data)

NOTE 3:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2018	2017
Prepaid expenses	1,572	1,453
Contract assets	448	748
Government authorities	433	517
Employees	51	30
Other receivables	858	117
	3,362	2,865

NOTE 4:- INVENTORIES

	December 31,	
	2018	2017
Raw materials	3,853	3,621
Work in process	-	149
Finished goods	2,579	2,781
	6,432	6,551

NOTE 5:- PROPERTY AND EQUIPMENT, NET

a. Composition:

	December 31,	
	2018	2017
Cost:		
Installed products	9,584	9,771
Computers and electronic equipment	7,549	7,353
Office furniture and equipment	1,692	1,397
Motor vehicles	207	349
Network installation	3,840	4,211
Leasehold improvements	940	778
	23,812	23,859
Accumulated depreciation:		
Installed products	7,017	7,061
Computers and electronic equipment	4,849	4,768
Office furniture and equipment	1,522	1,290
Motor vehicles	156	237
Network installation	3,829	4,193
Leasehold improvements	524	462
	17,897	18,011
Depreciated cost	5,915	5,848

b. Depreciation expenses for the years ended December 31, 2018, 2017 and 2016 were $2,115, $2,461 and $2,133, respectively.

c. No Impairment losses recorded for the years ended December 31, 2018, 2017 and 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 6:- OTHER INTANGIBLE ASSETS, NET

a. Other intangible assets, net:

	December 31,	
	2018	2017
Cost:		
Patents	639	639
Developed technology	4,963	4,975
Customer related intangible	7,847	8,061
Others	840	868
Brand name	2,723	2,800
	17,012	17,343
Accumulated amortization:		
Patents	639	639
Developed technology (see note 2h)	4,963	4,942
Customer related intangible	7,080	6,799
Others	730	691
Brand name	2,371	2,337
	15,783	15,408
Amortized cost	1,229	1,935

b. Amortization expenses for the years ended December 31, 2018, 2017 and 2016 were $456, $463 and $473, respectively.

c. Estimated amortization expenses for the years ending:

December 31,	
2019	368
2020	334
2021	270
2022	257
	1,229

U.S. dollars in thousands (except share and per share data)

NOTE 7:- GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31, 2018 and 2017 are as follows:

	December 31,	
	2018	**2017**
Goodwill, beginning of the year	41,010	38,107
Foreign currency translation adjustments	(3,472)	2,903
Goodwill, end of year	37,538	41,010

The carrying value of goodwill by reporting unit as of 31 December, 2018 is as follows:

Reporting unit	**2018**
Cellocator	2,534
SVR (*)	27,976
Pointer brazil	1,996
Cielo brazil	5,032
	37,538

The carrying value of goodwill by reporting unit as of 31 December 2017 is as follows:

Reporting unit	**2017**
Cellocator	2,534
SVR (*)	30,245
Pointer brazil	2,338
Cielo brazil	5,893
	41,010

(*) SVR in Israel.

The material assumptions used for the income approach for 2018 were:

	Cellocator	**SVR**	**Pointer brazil**	**Cielo**
Discount rate	16%	14%	20%	20%
Growth rate	3%	2%	6.4%	6.4%
Years of projected cash flows	5	5	5	5

U.S. dollars in thousands (except share and per share data)

NOTE 8:- SHORT-TERM BANK CREDIT AND CURRENT MATURITIES OF LONG-TERM LOANS FROM BANKS, SHAREHOLDERS AND OTHERS

Classified by currency, linkage terms and annual interest rates, the credit and loans are as follows:

	Interest rate		December 31,	
	2018	2017	2018	2017
	%			
Current maturities of long-term loans from banks, shareholders and others:				
In, or linked to Dollars	Libor+2%	Libor+2%	2,332	4,856
In other currencies	-	10%-17%	-	245
Short term bank credit	17%	-	22	-
			2,354	5,101
Unutilized credit lines			10,811	10,954

NOTE 9:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2018	2017
Employees and payroll accruals	4,044	4,260
Government authorities	1,867	1,858
Provision for warranty	304	369
Accrued expenses	2,220	2,561
Related party	53	53
Others	2	16
	8,490	9,117

U.S. dollars in thousands (except share and per share data)

NOTE 10:- LONG-TERM LOANS FROM BANKS

a. Composition:

	Interest rate		December 31,	
	2018	2017	2018	2017
	%			
In, or linked to Dollars (see c below)	3.71%	3.71%	5,017	9,871
In other currencies	-	10%-17%	-	245
			5,017	10,116
Less - current maturities			2,332	5,101
			2,685	5,015

b. As of December 31, 2018, the aggregate annual maturities of the long-term loans are as follows:

2019 (current maturities)	2,332
2020	1,512
2021	1,173
	5,017

c. With respect to the bank loans provided to the Company for the purpose of funding the acquisitions of Pointer Brazil (see note 1e) and Cielo Telecom Ltda., and for utilizing credit facilities, the Company is required to meet certain financial covenants as follows:

1. The ratio of the shareholders equity to the total consolidated assets will not be less than 20% and the shareholders equity will not be less than $20,000, beginning December 31, 2007.

2. The ratio of the Company and its subsidiaries' debt (debt to banks, convertible debenture and loans from others that are not subordinated to the bank less cash) to the annual EBITDA will not exceed 3.5 in 2016, 3 in 2017 and 2.5 in 2018 and thereafter.

3. The ratio of Pointer Telocation Ltd.'s debt (debt to banks, convertible debenture and loans from others was not subordinated to the bank less cash) to the annual EBITDA will not exceed 3.5 in 2016, 3 in 2017 and 2.5 in 2018 and thereafter.

As of December 31, 2018 the Company is in compliance with the financial covenants of its bank loans.

U.S. dollars in thousands (except share and per share data)

NOTE 11:- DEFERRED TAXES AND OTHER LONG-TERM LIABILITIES

	December 31,	
	2018	**2017**
Provision for warranty	138	199
Deferred tax	133	540
Deferred revenues	89	99
	360	838

NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Charges:

As collateral for its liabilities, the Company has recorded floating charges on all of its assets, including its intellectual property and equipment, in favor of banks.

b. Collateral:

The Company obtained bank guarantees in the amount of $382 in favor of its lessor, customs and customers.

c. Royalties:

The Company has undertaken to pay royalties to the BIRD Foundation ("BIRD"), at the rate of 5% on sales proceeds of products developed with the participation of BIRD up to the amount received, linked to the USD. The contingent obligation as of December 31, 2018 is $ 2,444. No royalties were accrued or paid during 2018, 2017 and 2016.

d. Lease commitments:

The Company and its subsidiaries have leased offices, motor vehicles and locations for periods through 2022. Minimum annual rental payments under non-cancelable operating leases are as follows:

2019	2,123
2020	1,259
2021	377
2022 and thereafter	342
	4,101

Rent expenses for the years ended December 31, 2018, 2017 and 2016, were $2,452, $2,325 and $2,327, respectively.

e. Litigation:

1. As of December 31, 2018, several claims were filed against the Company, mainly by customers. The claims are in an amount aggregating to approximately $119. The substance of the claims generally relate to the malfunction of the Company's products, which occurred during the ordinary course of business. The Company is defending such litigation in court and has recorded a provision of $26.

U.S. dollars in thousands (except share and per share data)

NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

2. In August 2014, Pointer Brazil was notified that it had not paid an aggregate of $273 in VAT tax (Brazilian ICMS tax) plus $927 of interest, in addition to a penalty fee in the aggregate of $1,036, collectively as of December 31, 2018. The Company is defending such litigation in court and made a provision of $78. The potential timeframe for such litigation may extend to 14 years.

3. In July 2015, the Company received a tax deficiency notice against Pointer Brazil, pursuant to which Pointer or Pointer Brazil would be required to pay an aggregate amount of approximately US $14.0 million. The claim alleged that the services provided by Pointer Brazil ought to be classified as “Telecommunication Services”, and must therefore be subject to the State Value Added Tax. On August 14, 2018, the lower Chamber of the State Tax Administrative Court (TIT) rendered a decision that was favorable to Pointer Brazil in relation to the ICMS demands, but adverse in regards to the clerical obligation of keeping in good order a set of ICMS books and their respective tax receipts. Following this decision, the outstanding balance amounts to $235. Both the State and the company filed an appeal against part of the decision that was unfavorable to them and, currently, we are waiting for the judgment of both appeals by the higher Chamber of TIT. The Company’s legal counsel is of the opinion that it is highly probable that the Company will prevail, and that no material costs will arise in respect to these claims. For this reason, the Company has not made any provision.

f. Commitments:

1. The Company and DBSI Investment Ltd. (“DBSI”), an equity owner in the Company (see Note 16), have entered into a management services agreement pursuant to which DBSI shall provide management services in consideration of annual management fees of $180 for a period of three years commencing on August 1, 2017.

2. Under the Bank’s credit facility, the Company is required to meet required financial covenants (see Note 10c).

NOTE 13:- EQUITY

a. Ordinary shares:

The Company’s ordinary shares confer upon their holders voting rights, the right to receive cash dividends and the right to participate in the distribution of excess assets upon liquidation of the Company.

b. Options:

1. In December 2013, the Company adopted a Global Share Incentive Plan (2013) (the “2013 Plan”). The Board of Directors of the Company approved 376,712 of shares reserved under the 2013 Plan. To date, the options under the 2013 Plan are granted in accordance with Section 102 to the Israeli Income Tax Ordinance in the Capital Gains Track, all subject to the provisions of the Israeli Income Tax Ordinance. The grant of options is subject to the approval of the Board of Directors of the Company. The exercise price of the options shall be determined by the Board of Directors in its discretion, provided that the price per share is not less than the nominal value of each share, or to the extent required pursuant to applicable law or to qualify for favorable tax treatment, not less than 100% of the closing price of the share on the market on the date of grant or average of the closing price within a specific time frame prior to the grant as determined by the Board of Directors or a committee of the Board of Directors. Generally, options vest over a period of four years are valid for a period of seven years from the date of grant.

U.S. dollars in thousands (except share and per share data)

NOTE 13:- EQUITY (Cont.)

2. A summary of employee option activity under the Company's Stock Option Plans and RSU's as of December 31, 2018 and changes during the year ended December 31, 2018 are as follows:

	Number of options	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at January 1, 2018	339,459	$ 4.61		
Granted	271,000	$ 0.80		
Exercised	(75,209)	$ 1.29		
Forfeited	(15,250)	$ 1.04		
Outstanding at December 31, 2018	520,000	$ 4.22		
Exercisable at December 31, 2018	166,875	$ 5.95	4.45	$ 1,035
Vested and expected to vest at December 31, 2018	512,938	$ 4.28	5.49	$ 4,041

The weighted average grant date fair value of options granted during the years ended December 31, 2018 and 2017 was $11.6 and $7.8, respectively. The aggregate intrinsic value in the table above reflects the total intrinsic value (the difference between the Company's closing stock price on the last trading day of the fourth quarter of fiscal 2018 and the exercise price, multiplied by the number of in the money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2018. This amount changes based on the fair market value of the Company's stock.

As of December 31, 2018, there was approximately $2,204 of total unrecognized compensation costs related to non vested share-based compensation arrangements granted under the Company's stock option plans.

That cost is expected to be recognized over a weighted-average period of 2.0 years. The total grant date fair value of options that vested during the year ended December 31, 2018 was approximately $264.

U.S. dollars in thousands (except share and per share data)

NOTE 13:- EQUITY (Cont.)

3. The following table summarizes information relating to employees' stock options and RSU's outstanding as of December 31, 2018, according to exercise prices:

Options outstanding			Options exercisable	
Number outstanding at December 31, 2018	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at December 31, 2018	Weighted average exercise price
	Years			
231,500	6.20	$ 0.8	-	$ -
26,000	3.16	$ 6.14	7,500	$ 6.14
212,500	4.52	$ 5.94	159,375	$ 5.94
25,000	6.88	$ 12.00	-	$ -
25,000	6.63	$ 11.50	-	$ -
520,000	5.41	$ 5.41	166,875	$ 5.95

4. On July 6, 2016, the Board of Directors resolved to issue to the Company's employees options to purchase 250,000 of the Company's ordinary shares pursuant to the 2013 Plan. These options vest in four equal annual installments over a period of four years, commencing as of the date of the grant, at an exercise price of $5.94 per share.

5. In April 2017, the Board of Directors resolved to issue to the Company's directors Restricted Stock Units, or RSU, to purchase 4,500 of the Company's ordinary shares, pursuant to the 2013 plan, which will vest in three equal installments over a period of three years, at an exercise price of 3 NIS per share, commencing in June 2017.

   Also in April 2017, the Board of Directors resolved to issue to the Company's employees Restricted Stock Units to purchase 17,000 of the Company's ordinary shares, pursuant to the 2013 plan, which will vest in four equal installments over a period of four years, at an exercise price of 3 NIS per share, commencing April 2017.

6. On February 27, 2018, the Board of Directors resolved to issue to certain Company employees RSU's to purchase 89,000 of the Company's ordinary shares, pursuant to the plan. The RSU's will vest in four equal annual installments over a period of four years, commencing as of date of the grant, at an exercise price of NIS 3.0 per share.

   On June 11, 2018, the Board of Directors resolved to issue to the Company's CEO RSU's to purchase 120,000 of the Company's ordinary shares, pursuant to the plan. 84,000 RSU's shall vest over a period of four years, subject to meeting certain revenues and non GAAP profit targets, at an exercise price of NIS 3.0 per share. 36,000 RSU's shall vest in four equal installments over a period of four years, commencing on March 27, 2018. The Chief Executive Officer shall be entitled to 25% of the RSUs; provided that the Chief Executive Officer shall continue to be employed by the Company at each of the applicable vesting dates.

7. On August 15, 2018, the Board of Directors resolved to issue to the Company's employee options to purchase 25,000 of the Company's ordinary shares, pursuant to the 2013 plan, which will vest in four equal installments over a period of four years, at an exercise price of 3 NIS per share, commencing August 2018.

U.S. dollars in thousands (except share and per share data)

NOTE 13:- EQUITY (Cont.)

8. On November 15, 2018, the Board of Directors resolved to issue to certain Company employees RSU's and options to purchase 37,000 of the Company's ordinary shares, pursuant to the plan. The RSU's and options will vest in four equal annual installments over a period of four years, commencing as of date of the grant, at an exercise price of NIS 3.0 per share for RSU and an exercise price per share of $12 for an option.

9. As of December 31, 2018, 90,912 options are available for future grant under the 2013 Plan.

c. Dividends:

Any dividend distributed by the Company will be declared and paid in USD, subject to statutory limitations. The Company's policy is not to declare dividends out of tax exempt earnings.

NOTE 14:- NET EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net earnings per share:

	Year ended December 31,		
	2018	**2017**	**2016**
Numerator:			
Numerator for basic net earnings per share - Net income	$ 6,963	$ 16,518	$ 3,444
Numerator for diluted net earnings per share - Net income	$ 6,963	$ 16,518	$ 3,444
Denominator:			
Denominator for basic net earnings per share - weighted-average number of shares outstanding (in thousands)	8,100	7,998	7,820
Denominator for diluted net earnings per share - adjusted weighted average shares and assumed exercises (in thousands)	8,280	8,131	7,938
Basic net earnings per share	$ 0.85	$ 2.07	$ 0.45
Diluted net earnings per share	$ 0.84	$ 2.03	$ 0.45

NOTE 15:- INCOME TAXES

a. Israeli taxation:

1. Corporate tax rate:

Taxable income of the Israeli companies is subject to the Israeli corporate tax at the rate as follows: 2016 - 25% , 2017 - 24% and 2018 - 23%.

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Achieving the Budget Targets for the 2017 and 2018 Budget Years), 2016, which reduced the corporate tax rate to 24%, (instead of 25%) effective from January 1, 2017 and further to 23%, effective from January 1, 2018.

2. Tax benefits under the Law for the Encouragement of Industry (Taxation), 1969:

The Company has the status of an “industrial company”, as defined by this law. According to this status and by virtue of regulations published thereunder, the Company is entitled to claim a deduction of accelerated depreciation on equipment used in industrial activities, as determined in the regulations issued under the Inflationary Law. The Company is also entitled to amortize a patent or rights to use a patent or intellectual property that are used in the enterprise’s development or advancement, to deduct issuance expenses for shares listed for trading, and to file consolidated financial statements under certain conditions.

U.S. dollars in thousands (except share and per share data)

NOTE 15:- INCOME TAXES (Cont.)

3. The Law for the Encouragement of Capital Investments, 1959 (the "Capital Investments Law"):

On August 5, 2013, the Israeli "Knesset", or Cabinet, issued the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013, which consists of Amendment 71 to the Law for the Encouragement of Capital Investments (the "71 Amendment"). According to the 71 Amendment, the tax rate on preferred income form a preferred enterprise in 2014 and thereafter will be 16% (in development area A: 9%).

The Amendment also prescribes that any dividends distributed to individuals or foreign residents from the preferred enterprise's earnings as above will be subject to tax at a rate of 20%.

b. Non Israeli subsidiaries:

Non-Israeli subsidiaries are taxed based on tax laws in their respective jurisdictions. The Corporate income tax rate of significant jurisdictions are as follows:

	Tax rate
Mexico	30%
Brazil	34%
Argentina	35%
United States (*)	35%

(*) Federal.

c. Income (loss) before taxes on income:

	Year ended December 31,		
	2018	2017	2016
Domestic	9,193	8,813	5,936
Foreign	(513)	487	(743)
	8,680	9,300	5,193

U.S. dollars in thousands (except share and per share data)

NOTE 15:- INCOME TAXES (Cont.)

d. Deferred taxes:

1. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and amounts used for income tax purposes. Significant components of the deferred tax liabilities and assets of the Company and its subsidiaries are as follows:

	December 31,	
	2018	**2017**
Reserves and accruals	381	392
Carryforward tax losses	17,954	23,950
Other temporary differences	7	666
Total deferred tax assets before valuation allowance	18,342	25,008
Valuation allowance (2)	(5,021)	(9,229)
Net deferred tax assets	13,321	15,779
Goodwill and other intangible assets	(5,521)	(6,696)
Other temporary differences	(12)	(38)
Total deferred tax liabilities	(5,533)	(6,734)
Total deferred tax Assets , net of deferred tax liabilities	7,788	9,045

2. The Company and its subsidiaries have provided valuation allowances in respect of deferred tax assets resulting from tax losses carryforward and other temporary differences for amounts that are more likely than not will be realized in the foreseeable future.

U.S. dollars in thousands (except share and per share data)

NOTE 15:- INCOME TAXES (Cont.)

3. Reconciling items between the statutory tax rate of the Company and the effective tax rate:

	Year ended December 31,		
	2018	**2017**	**2016**
Income before taxes, as reported in the consolidated statements of operations	8,680	9,300	5,193
Statutory tax rate	23%	24%	25%
Theoretical tax expenses on the above amount at the Israeli statutory tax rate	1,996	2,232	1,298
Tax adjustment in respect of different tax rates in subsidiaries and changes in tax rates	(530)	(536)	118
Change in valuation allowance in respect of deferred taxes	9	(8,950)	-
Operating carryforward losses for which a valuation allowance was provided	52	3	197
Realization of carryforward tax losses for which a valuation allowance was provided	(90)	(404)	40
Provision for uncertain tax position	144	127	-
Nondeductible expenses and other permanent differences	172	307	192
	1,753	(7,221)	1,845

e. Carryforward tax losses and deductions:

Carryforward tax losses of the Company totaled approximately $78,848 (including a capital loss in the amount of approximately $41,262) as of December 31, 2018. The carryforward tax losses have no expiration date.

Carryforward tax losses of Pointer Argentina are approximately $57 as of December 31, 2018. The carryforward tax losses will expire from 2020 to 2023.

Carryforward tax losses of Pointer Mexico totaled approximately $1,943 as of December 31, 2018. The carryforward tax losses will expire from 2019 to 2028.

Carryforward tax losses of Pointer Brazil totaled approximately $3,739 as of December 31, 2018. The carryforward tax losses have no expiration date.

Carryforward tax losses of Pointer South Africa totaled approximately $6,631 as of December 31, 2018. The carryforward tax losses have no expiration date.

U.S. dollars in thousands (except share and per share data)

NOTE 15:- INCOME TAXES (Cont.)

f. Final tax assessments:

Tax assessments for the Company are considered final as of the 2014 tax year.

Tax assessments for Pointer Mexico are considered final as of the 2009 tax year.

Tax assessments for Pointer Argentina are considered final as of the 2013 tax year.

Tax assessments for Pointer South Africa are considered final as of the 2017 tax year.

g. Taxes on income (tax benefit) included in the consolidated statements of operations:

	Year ended December 31,		
	2018	**2017**	**2016**
Current	994	927	501
Deferred	759	(8,148)	1,344
	1,753	(7,221)	1,845
Domestic	1,810	(7,674)	1,768
Foreign	(57)	453	77
	1,753	(7,221)	1,845

h. Uncertain tax position:

As of December 31, 2018 and 2017 balances in respect to ASC 740, “Income Taxes” amounted to $ 271 and $ 127, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax positions is as follows:

	December 31,	
	2018	**2017**
Balance at the beginning of the year	127	-
Additions based on tax positions taken related to the current year	144	127
Balance at the end of the year	271	127

Substantially all the balance of unrecognized tax benefits, if recognized, would reduce the Company’s annual effective tax rate.

U.S. dollars in thousands (except share and per share data)

NOTE 16:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Balances with related parties:

	December 31,	
	2018	2017
Long Term Loan (*)	948	973
Taldor	20	2
Shagrir	93	159
DBSI (see Note 12f(1))	(53)	(53)

(*) On March 29, 2016, the Board of Directors approved to repay the capital note, which was issued by Shagrir Group to the Company in December 2015, in the amount of NIS 8,000. In addition, the Board of Directors also approved a motion to grant NIS 4,100 worth of equity to Shagrir Group and an additional NIS 3,100 of equity to Shagrir group for a future capital note to be issued in 5 years, as to be without any interest.

b. Transactions with related parties:

	Year ended December 31,		
	2018	2017	2016
Management fees to DBSI (see note 12f(1))	180	180	180
Sales to related parties	79	254	106
Purchase from related parties	688	682	847

NOTE 17:- SEGMENT, CUSTOMER AND GEOGRAPHIC INFORMATION

a. General:

In 2016, Pointer spun off its Israeli subsidiary Shagrir Group Vehicle Services Ltd.

Segments reporting to this subsidiary were retroactively adjusted to reflect these adjustments.

As of December 31, 2016, the Company has had two reportable segments: the Cellocator segment and the MRM segment.

The Company applies ASC 280, “Segment Reporting Disclosures”. The Company evaluates performance and allocates resources based on operation profit or loss.

U.S. dollars in thousands (except share and per share data)

NOTE 17:- SEGMENT, CUSTOMER AND GEOGRAPHIC INFORMATION (Cont.)

b. The following presents segment results of operations for the year ended December 31, 2018:

	Cellocator segment	MRM segment	Elimination	Total
Segments revenues	23,764	62,402	(8,380)	77,786
Segments operating profit	1,110	8,477	229	9,816
Segments tangible and intangible assets	8,611	34,620	1,451	44,682
Depreciation, amortization and impairment expenses	174	2,397	-	2,571
Expenditure for assets	158	2,563	-	2,721

The following presents segment results of operations for the year ended December 31, 2017:

	Cellocator segment	MRM segment	Elimination	Total
Segments revenues	24,364	62,208	(8,417)	78,155
Segments operating profit	2,742	7,569	(2)	10,309
Segments tangible and intangible assets	9,026	37,799	1,968	48,793
Depreciation, amortization and impairment expenses	144	2,780	-	2,924
Expenditure for assets	197	3,069	-	3,266

The following presents segment results rgarding operations for the year ended December 31, 2016:

	Cellocator segment	MRM segment	Elimination	Total
Segments revenues	22,707	49,620	(7,974)	64,353
Segments operating profit	1,660	4,708	(120)	6,248
Segments tangible and intangible assets	8,359	35,392	2,148	45,899
Depreciation, amortization and impairment expenses	321	2,295	-	2,616
Expenditure for assets	135	2,264	-	2,399

U.S. dollars in thousands (except share and per share data)

NOTE 17:- SEGMENT, CUSTOMER AND GEOGRAPHIC INFORMATION (Cont.)

c. Summary information about geographical areas:

1. Revenues *):

	Year ended December 31,		
	2018	**2017**	**2016**
Israel	37,901	35,230	29,438
Latin America (mainly Mexico)	11,719	9,603	7,009
Brazil	12,723	14,248	9,142
Argentina	3,550	4,607	3,995
Europe	3,774	4,413	4,501
Other	8,119	10,054	10,268
	77,786	78,155	64,353

*) Revenues are attributed to geographic areas based on the location of the end customers.

2 Long-lived assets:

	Year ended December 31,		
	2018	**2017**	**2016**
Israel	2,136	1,999	1,248
Argentina	482	614	627
Mexico	663	358	298
Brazil	2,233	2,398	2,949
South Africa	389	463	489
Other	12	16	3
	5,915	5,848	5,614

d. In 2018, 2017 and 2016, none of our customer accounted for more than 10% of the total Company revenue.

NOTE 18:- DISCONTINUED OPERATION

a. Below is data of the operating results attributed to the discontinued operation:

	Year ended December 31, 2016
Revenue from sales	18,248
Cost of sales	15,260
Gross profit	2,988
Selling, general and administrative expenses	2,531
Operating income	457
Financial expenses, net	54
Other income, net	-
Taxes on income	249
Income from discontinued operation	154

U.S. dollars in thousands (except share and per share data)

NOTE 18:- DISCONTINUED OPERATION (Cont.)

b. Below is data of the net cash flows provided by (used in) the discontinued operation:

	Year ended December 31, 2016
Operating activities	116
Investing activities	(1,187)
Financing activities	251

NOTE 19:- SELECTED STATEMENTS OF OPERATIONS DATA

a. Financial expenses, net:

	Year ended December 31,		
	2018	2017	2016
Income:			
Interest on short-term bank deposits	57	8	1
Interest on long-term loans to affiliate	51	51	56
Foreign currency transaction adjustments	-	205	-
Other	39	47	37
	147	311	94
Expenses:			
Bank charges and interest expenses	1,043	1,223	985
Foreign currency transaction adjustments	103	-	64
Interest on long-term loans to others	89	92	70
Other	45	-	21
	1,280	1,315	1,140
Financial expenses, net	1,133	1,004	1,046

NOTE 20:- SUBSEQUENT EVENTS

a. On March 13, 2019, I.D Systems Inc., or I.D. Systems, and the Company entered into a definitive agreement whereby I.D. Systems will acquire all of the outstanding shares of the Company in a cash and stock transaction valued at approximately $140 million.

Total consideration of $140 million comprised of approximately $72 million in cash and approximately 11 million in shares of PowerFleet, Inc., a newly-created holding company that will control both the Company and I.D. Systems.

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EXHIBIT 99.2

EXPLANATORY NOTE

Set forth below in this Exhibit 99.2 are the historical unaudited consolidated balance sheet of Pointer Telocation Ltd. as of September 30, 2019 and consolidated statements of comprehensive income, changes in equity and cash flows for each of the three and nine months ended September 30, 2019 and 2018. Unless the context otherwise requires, references to the terms the “Company,” “we,” “our,” or “us” used throughout this Exhibit 99.1 refer to Pointer Telocation Ltd. and its subsidiaries.

EXHIBIT 99.2

POINTER FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

POINTER TELOCATION LTD. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2019

IN U.S. DOLLARS

UNAUDITED

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

		September 30, 2019 Unaudited		December 31, 2018
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	7,218	$	8,528
Trade receivables (net of allowance for doubtful accounts of $1,692 and $1,464 as of September 30, 2019 and December 31, 2018, respectively)		19,701		13,902
Other accounts receivable and prepaid expenses		3,399		3,362
Inventories		8,158		6,432
Total current assets		38,476		32,224
LONG-TERM ASSETS:				
Long term loans to related party		-		948
Long-term unbilled and other accounts receivable		949		1,258
Severance pay fund		3,562		3,038
Property and equipment, net		6,109		5,915
Other intangible assets, net		895		1,229
Goodwill		39,187		37,538
Deferred tax asset		7,845		7,934
Operating lease right-of-use asset		2,933		-
Total long-term assets		61,480		57,860
Total assets	$	99,956	$	90,084

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	September 30, 2019 Unaudited	December 31, 2018
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit and current maturities of long-term loans	$ 1,335	$ 2,354
Trade payables	10,382	5,743
Deferred revenues	1,081	785
Other accounts payable and accrued expenses	8,257	8,490
Total current liabilities	21,055	17,372
LONG-TERM LIABILITIES:		
Long-term loans from banks	753	2,685
Deferred revenues and other long-term liabilities	331	360
Accrued severance pay	4,103	3,531
Operating lease liabilities	2,946	-
Total long term liabilities	8,133	6,576
EQUITY:		
Pointer Telocation Ltd.'s shareholders' equity:		
Share capital		
Ordinary shares of NIS 3 par value -		
Authorized: 16,000,000 shares at September 30, 2019 and December 31, 2018; Issued and outstanding: 8,188,616 and 8,134,303 shares at September 30, 2019 and December 31, 2018, respectively	6,063	6,050
Additional paid-in capital	132,047	130,309
Accumulated other comprehensive loss	(5,844)	(8,151)
Accumulated deficit	(61,582)	(62,278)
Total Pointer Telocation Ltd.'s shareholders' equity	70,684	65,930
Non-controlling interest	84	206
Total equity	70,768	66,136
Total liabilities and equity	$ 99,956	$ 90,084

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE LOSS

U.S. dollars in thousands

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2019	Three months ended September 30, 2018	Year ended December 31, 2018
	Unaudited		Unaudited		
Revenues:					
Products	$ 24,228	$ 19,555	$ 9,418	$ 5,918	$ 25,243
Services	37,709	39,798	12,818	12,812	52,543
Total revenues	61,937	59,353	22,236	18,730	77,786
Cost of revenues:					
Products	16,605	11,740	6,713	3,551	15,104
Services	16,437	16,309	5,711	5,160	21,674
Total cost of revenues	33,042	28,049	12,424	8,711	36,778
Gross profit	28,895	31,304	9,812	10,019	41,008
Operating expenses:					
Research and development	3,999	3,446	1,358	1,087	4,707
Selling and marketing	11,303	10,983	3,790	3,438	14,560
General and administrative	7,792	8,400	2,754	2,852	11,169
Amortization of intangible assets	272	367	99	119	456
One time acquisition related costs	(*) 3,102	262	(*) 2,391	-	300
Total operating expenses	26,468	23,458	10,392	7,496	31,192
Operating income (loss)	2,427	7,846	(580)	2,523	9,816
Financial expenses, net	624	856	260	190	1,133
Other expenses (income), net	(8)	13	(2)	(2)	3
Income (loss) before taxes on income	1,811	6,977	(838)	2,335	8,680
Taxes on income	1,186	1,481	214	531	1,753
Net income (loss)	625	5,496	(1,052)	1,804	6,927
Other comprehensive income (loss):					
Currency translation adjustments of foreign operations	2,307	(4,802)	(90)	(200)	(5,811)
Total comprehensive income (loss)	$ 2,932	$ 694	$ (1,142)	$ 1,604	$ 1,116

(*) Out of which, for the nine and three month period ended September 30, 2019, $1,039, relates to stock based compensation expenses as a result of historical grants of RSUs which were accelerated as part of the Transactions (Please refer to note 9). This expense relates to general and administrative.

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE LOSS

U.S. dollars in thousands (except share and per share data)

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				
Profit (loss) attributable to:					
Pointer Telocation Ltd.'s shareholders	$ 696	$ 5,503	$ (1,035)	$ 1,807	$ 6,963
Non-controlling interests	(71)	(7)	(17)	(3)	(36)
	625	5,496	(1,052)	1,804	6,927
Earnings per share attributable to Pointer Telocation Ltd.'s shareholders:					
Basic net earnings per share	$ 0.09	$ 0.68	$ (0.13)	$ 0.22	$ 0.85
Diluted net earnings per share	0.08	0.67	(0.13)	0.22	0.84
Weighted average - Basic number of shares	8,171,443	8,088,700	8,188,616	8,131,988	8,099,952
Weighted average – fully diluted number of shares	8,374,064	8,273,532	8,404,799	8,274,676	8,279,562

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands (except share data)

	Number of shares	Share capital	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Non-controlling interest	Total equity
		Pointer Telocation Ltd.'s Shareholders					
Balance as of January 1, 2018	8,059,094	$ 5,995	$ 129,076	$ (2,340)	$ (69,597)	$ 282	$ 63,416
Exercise of share options	75,209	55	35	-	-	-	90
Stock-based compensation expenses	-	-	1,198	-	-	-	1,198
Effect of adoption of ASC Topic 606	-	-	-	-	356	-	356
Other comprehensive income (loss)	-	-	-	(5,811)	-	(40)	(5,851)
Net loss attributable to Non-controlling interest	-	-	-	-	-	(36)	(36)
Net income attributable to Pointer Telocation Ltd.'s shareholders	-	-	-	-	6,963	-	6,963
Balance as of December 31, 2018	8,134,303	6,050	130,309	(8,151)	(62,278)	206	66,136
Exercise of share options	54,313	13	30	-	-	-	43
Stock-based compensation expenses	-	-	1,708	-	-	-	1,708
Other comprehensive income (loss)	-	-	-	2,307	-	(51)	2,256
Net loss attributable to Non-controlling interest	-	-	-	-	-	(71)	(71)
Net income attributable to Pointer Telocation Ltd.'s shareholders	-	-	-	-	696	-	696
Balance as of September 30, 2019 (unaudited)	8,188,616	$ 6,063	$ 132,047	$ (5,844)	$ (61,582)	$ 84	$ 70,768

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands (except share data)

		Pointer Telocation Ltd.'s Shareholders					
	Number of shares	Share capital	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Non-controlling interest	Total equity
Balance as of January 1, 2018	8,059,094	$ 5,995	$ 129,076	$ (2,340)	$ (69,597)	$ 282	$ 63,416
Exercise of share options	72,894	54	26	-	-	-	80
Stock-based compensation expenses	-	-	793	-	-	-	793
Other comprehensive income (loss)	-	-	-	(4,764)	356	(38)	(4,446)
Net income attributable to Non-controlling interest	-	-	-	-	-	(7)	(7)
Net income attributable to Pointer Telocation Ltd.'s shareholders	-	-	-	-	5,503	-	5,503
Balance as of September 30, 2018 (unaudited)	8,131,988	$ 6,049	$ 129,895	$ (7,104)	$ (63,738)	$ 237	$ 65,339

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2019	Three months ended September 30, 2018	Year ended December 31, 2018
	Unaudited		Unaudited		
Cash flows from operating activities:					
Net income (loss)	$ 625	$ 5,496	$ (1,052)	$ 1,804	$ 6,927
Adjustments required to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	2,418	1,939	672	593	2,571
Accrued interest and exchange rate changes of debenture and long-term loans	(14)	7	85	(18)	(20)
Accrued severance pay, net	19	15	161	(30)	71
Gain from sale of property and equipment, net	(55)	(73)	(19)	(24)	(101)
Stock-based compensation expenses	1,708	792	1,236	406	1,198
Decrease (increase) in trade and unbilled receivables, net	(5,317)	69	(2,007)	857	(1,121)
Decrease (increase) in other accounts receivable and prepaid expenses	10	(1,039)	2,224	330	(855)
Decrease (increase) in inventories	(1,805)	1,017	(447)	266	(56)
Decrease in deferred tax asset	596	616	211	276	779
Decrease (increase) in long-term unbilled and other accounts receivable	1,436	(99)	1,055	103	220
Decrease in operating lease right-of-use asset	1,287	-	431	-	-
Decrease in operating lease liabilities	(1,274)	-	(478)	-	-
Increase (decrease) in trade payables	4,663	(479)	2,167	(726)	48
Increase (decrease) in other accounts payable and accrued expenses	(298)	(1,095)	(1,412)	(713)	(1,064)
Net cash provided by operating activities	3,999	7,166	2,827	3,124	8,597
Cash flows from investing activities:					
Purchase of property and equipment	(2,276)	(2,061)	(769)	(428)	(2,721)
Proceeds from sale of property and equipment	55	72	19	23	101
Net cash used in investing activities	$ (2,221)	$ (1,989)	$ (750)	$ (405)	$ (2,620)

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2019	Three months ended September 30, 2018	Year ended December 31, 2018
	Unaudited		Unaudited		
Cash flows from financing activities:					
Repayment of long-term loans from banks	$ (3,539)	$ (3,810)	$ (1,954)	$ (1,165)	$ (5,078)
Proceeds of long-term loans from related party and others	1,026	-	1,026	-	-
Proceeds from issuance of shares in respect of stock-based compensation	43	80	23	-	89
Short-term bank credit, net	600	(41)	54	(120)	32
Net cash used in financing activities	(1,870)	(3,771)	(851)	(1,285)	(4,957)
Effect of exchange rate on cash and cash equivalents	(1,218)	(466)	(706)	(287)	133
Increase (decrease) in cash and cash equivalents	(1,310)	940	520	1,147	1,153
Cash and cash equivalents at the beginning of the period	8,528	7,375	6,698	7,168	7,375
Cash and cash equivalents at the end of the period	$ 7,218	$ 8,315	$ 7,218	$ 8,315	$ 8,528
(a) Non-cash activity:					
Purchase of property and equipment	$ 16	$ 24	$ 16	$ 24	$ 61
Creation of Operating lease asset	$ 4,220	-	$ 123	-	-
(b) Supplemental disclosure of cash flow activity:					
Cash paid during the year for:					
Interest	$ 438	$ 403	$ 123	$ 96	$ 469
Income taxes	$ 460	$ 550	$ 154	$ 117	$ 729

The accompanying notes are an integral part of the interim consolidated financial statements.

NOTE 1:- GENERAL

a. Pointer Telocation Ltd. (the “Company”) was incorporated in Israel and commenced operations in July 1991. The Company conducts its operations through two main segments. Through its Cellocator segment, the Company designs, develops and produces leading mobile resource management products, including asset management, fleet management, and security products, for sale to third party operators providing mobile resource management services and to our Mobile Resource Management (“MRM”) segment. Through its MRM segment, the Company acts as an operator by bundling its products together with a range of services, including fleet management services, asset management services and stolen vehicle retrieval services.

b. The Company provides services, for the most part, in Israel, Argentina, Mexico, South Africa and Brazil, through its local subsidiaries and affiliates. The Company sells its products worldwide through direct sell, its local subsidiaries and affiliates to independent operators provide similar services in Latin America, Europe, India and other countries utilizing the Company’s technology and operational know-how. The Company’s shares are traded on the Nasdaq Capital Market.

c. On March 13, 2019, I.D Systems Inc., or I.D. Systems, and the Company entered into a definitive agreement (the “Merger Agreement”) by and among I.D. Systems, Inc., a Delaware corporation (“I.D. Systems”), PowerFleet, Inc., a Delaware corporation and a wholly-owned subsidiary of I.D. Systems prior to the Transactions (“PowerFleet”), the Company, Powerfleet Israel Holding Company Ltd., a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of PowerFleet (“Pointer Holdco”), and Powerfleet Israel Acquisition Company Ltd., a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of Pointer Holdco prior to the Transactions (“Pointer Merger Sub”), whereby I.D. Systems will acquire all of the outstanding shares of the Company in a cash and stock transaction valued at approximately $140,000.

Total consideration of $140,000 comprised of approximately $72,000 in cash and approximately 11,000,000 in shares of PowerFleet, Inc., a newly-created holding company that will control both the Company and I.D. Systems.

On October 3, 2019, pursuant to the transactions (the “Transactions”) contemplated by (i) the Agreement and Plan of Merger, dated as of March 13, 2019 (the Merger Agreement, and (ii) the Investment and Transaction Agreement, dated as of March 13, 2019, as amended by Amendment No. 1 thereto dated as of May 16, 2019, Amendment No. 2 thereto dated as of June 27, 2019 and Amendment No. 3 thereto dated as of October 3, 2019 (the “Investment Agreement,” and together with the Merger Agreement, the “Agreements”), by and among I.D. Systems, PowerFleet, PowerFleet US Acquisition Inc., a Delaware corporation and a wholly-owned subsidiary of PowerFleet prior to the Transactions (“I.D. Systems Merger Sub”), and ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ABRY Investment Partnership, L.P. (the “Investors”), I.D. Systems reorganized into a new holding company structure by merging I.D. Systems Merger Sub with and into I.D. Systems, with I.D. Systems surviving as a direct, wholly-owned subsidiary of PowerFleet, and Pointer Merger Sub merged with and into the Company, with the Company surviving as a direct, wholly owned subsidiary of Pointer Holdco and an indirect, wholly-owned subsidiary of PowerFleet. Prior to the Transactions, PowerFleet had no material assets, did not operate any business and did not conduct any activities, other than those incidentals to its formation and matters contemplated by the Agreements. I.D. Systems was determined to be the accounting acquirer in the Transactions.
For more details, see note 9

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Unaudited interim financial statements:

The accompanying consolidated balance sheet as of September 30, 2019, consolidated statements of income and comprehensive income (loss) for the three and nine months ended September 30, 2019 and 2018 and the consolidated statements of cash flows for the three and nine months ended September 30, 2019 and 2018 are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. In the preparation of the consolidated financial statements, the Company applied the significant accounting policies, on a consistent basis to the audited consolidated annual financial statements of the Company as of December 31, 2018 except as detailed in note 2e (Recently adopted accounting pronouncements).

In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair presentation of the Company's consolidated financial position as of September 30, 2019, and the Company's consolidated cash flows and financial performance for the three and Nine months ended September 30, 2019 and 2018.

The balance sheet as of December 31, 2018 has been derived from the audited consolidated financial statements as of such date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for a complete set of financial statements.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2018 included in the Company's Annual Report on Form 20-F/A filed with the U.S. Securities and Exchange Commission ("SEC") on April 1, 2019.

Results for the three and nine months ended September 30, 2019 are not necessarily indicative of results that may be expected for the year ending December 31, 2019.

b. Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Principles of consolidation:

Our consolidated financial statements include the accounts of the Company and its wholly and majority owned subsidiaries.

Intercompany transactions and balances including profits from intercompany sales not yet realized outside the Company, have been eliminated upon consolidation.

d. Recently issued accounting pronouncements not yet adopted

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13) "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2019. The Company is currently evaluating the potential effect on its consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (ASU 2017-04) "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." ASU 2017-04 eliminates step two of the goodwill impairment test and specifies that goodwill impairment should be measured by comparing the fair value of a reporting unit with its carrying amount. Additionally, the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets should be disclosed. ASU 2017-04 is effective for annual or interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019, with early adoption permitted. The Company does not expect that this new guidance will have a material impact on the Company's Consolidated Financial Statements.

e. Recently adopted accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, "Leases", on the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification.

The Company has elected the short-term lease exception for leases with a term of 12 months or less. As part of this election it will not recognize right-of-use assets and lease liabilities on the balance sheet for leases with terms less than 12 months. The Company also elected the practical expedient to not separate lease and non-lease components for all our leases. This will result in the initial and subsequent measurement of the balances of the right-of-use asset and lease liability being greater than if the policy election was not applied.

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Some leases include one or more options to renew. The exercise of lease renewal options is typically at the Company's sole discretion; therefore, some of renewals to extend the lease terms are not included in our right of use assets and lease liabilities as they are not reasonably certain of exercise. The Company regularly evaluates the renewal options, and, when it is reasonably certain of exercise, it will include the renewal period in its lease term. Lease modifications result in remeasurement of the lease liability.

The right-of-use asset and lease liability are initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate based on the information available at the date of adoption in determining the present value of the lease payments.

Some of the real estate leases contain variable lease payments, including payments based on an index or rate. Variable lease payments based on an index or rate are initially measured using the index or rate in effect at lease adoption. Additional payments based on the change in an index or rate are recorded as a period expense when incurred.

The Company has various operating leases for office space and vehicles that expire through 2028. Below is a summary of the Company operating right-of-use assets and operating lease liabilities as of September 30, 2019:

		September 30, 2019 (unaudited)
Operating right-of-use assets	$	2,933
Operating lease liabilities, current	$	1,410
Operating lease liabilities long-term		1,536
Total operating lease liabilities	$	2,946

The short term lease liabilities are included within accrued expenses and other short term liabilities in the consolidated balance sheet.

Minimum lease payments for our right of use assets over the remaining lease periods as of September 30, 2019, are as follows:

		September 30, 2019 (unaudited)
2019	$	739
2020		1,158
2021		441
2022		271
2023		177
Thereafter		375

U.S. dollars in thousands (except share and per share data)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Total undiscounted lease payments	$	3,161
Less: Interest		215
Present value of lease liabilities	$	2,946

The weighted average remaining lease terms and discount rates for all of operating leases were as follows as of September 30, 2019:

Remaining lease term and discount rate:	
Weighted average remaining lease term (years)	2.37
Weighted average discount rate	5.03%

Total rent expenses for the nine months ended September 30, 2019 and 2018 were $1,857 and $1,835, respectively.

NOTE 3:- INVENTORIES

	September 30, 2019		December 31, 2018	
	Unaudited			
Raw materials	$	4,890	$	3,853
Work in process		111		-
Finished goods		3,157		2,579
		8,158		6,432

NOTE 4:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Charges:

As collateral for its liabilities, the Company has recorded floating charges on all of its assets, including the intellectual property and equipment, in favor of banks.

b. Collateral:

The Company provided bank guarantees in the amount of $447 in favor of its lessor customs and customers.

c. Royalties:

The Company has undertaken to pay royalties to the BIRD Foundation (“BIRD”), at the rate of 5% on sales proceeds of products developed with the participation of BIRD up to the amount received, linked to the U.S. dollar. The contingent obligation as of September 30, 2019 is $2,444. No royalties were accrued or paid during 2019 and 2018.

NOTE 4:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

d. Litigation:

1. As of September 30, 2019, several claims were filed against the Company, mainly by customers. The claims are in an amount aggregating to approximately $424. The substance of the claims generally relate to the malfunction of the Company's products, which occurred during the ordinary course of business. The Company is defending such litigation in court and has recorded a provision of $4.

2. In August 2014, Pointer Brazil was notified that it had not paid an aggregate of $265 in VAT tax (Brazilian ICMS tax) plus $930 of interest, in addition to a penalty fee in the aggregate of $1,003, collectively as of September 30, 2019. The Company is defending such litigation in court and made a provision of $78. The potential timeframe for such litigation may extend to 14 years.

3. In July 2015, the Company received a tax deficiency notice against Pointer Brazil, pursuant to which Pointer or Pointer Brazil would be required to pay an aggregate amount of approximately US $13,900. The claim alleged that the services provided by Pointer Brazil ought to be classified as "Telecommunication Services", and must therefore be subject to the State Value Added Tax. On August 14, 2018, the lower Chamber of the State Tax Administrative Court (TIT) rendered a decision that was favorable to Pointer Brazil in relation to the ICMS demands, but adverse in regards to the clerical obligation of keeping in good order a set of ICMS books and their respective tax receipts. Following this decision, the outstanding balance amounts to $234. Both the State and the company filed an appeal against part of the decision that was unfavorable to them and, currently, the Company is waiting for the judgment of both appeals by the higher Chamber of TIT. The Company's legal counsel is of the opinion that it is highly probable that the Company will prevail, and that no material costs will arise in respect to these claims. For this reason, the Company has not made any provision.

e. Commitments:

The Company and DBSI Investment Ltd. ("DBSI"), an equity owner in the Company (see Note 7), have a management services agreement pursuant to which DBSI shall provide management services in consideration of annual management fees of $180. On October 3, 2019, subsequent to the balance sheet date, the management agreement was terminated.

f. Covenants:

In respect of the bank loans provided to the Company for the purpose of funding the acquisition of Pointer Brazil and Cielo Brazil and in connection with the utilization of its credit facilities, the Company is required to meet certain financial covenants as follows:

1. The ratio of the shareholders' equity to the total consolidated assets will not be less than 20% and the shareholders equity will not be less than $20,000, starting December 31, 2007.

NOTE 4:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

2. The ratio of the Company and its subsidiaries' debt (debt to banks, convertible debentures and loans from others that are not subordinated to the bank less cash) to the annual EBITDA will not exceed 3.5 in 2016, 3 in 2017 and 2.5 in 2018 and thereafter.

3. The ratio of the Company's debt (debt to banks, convertible debentures and loans from others that are not subordinated to the bank less cash) to the annual EBITDA will not exceed 3.5 in 2016, 3 in 2017 and 2.5 in 2018 and thereafter.

As of September 30, 2019, the Company is in compliance, with the financial covenants of its bank loans.

On October 3, 2019, the Company repaid the entire outstanding loans as required in the "Credit Agreement" mentioned in note 9 (Subsequent events).

NOTE 5:- NET EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net earnings per share from continuing operations:

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				
Numerator:					
Numerator for basic net earnings per share - Net income attributable to Pointer Telocation Ltd.'s shareholders	$ 696	$ 5,503	$ (1,035)	$ 1,807	$ 6,963
Numerator for diluted net earnings per share - Net income attributable to Pointer Telocation Ltd.'s shareholders	696	5,503	(1,035)	1,807	6,963
Denominator:					
Denominator for basic net earnings per share - weighted-average number of shares outstanding (in thousands)	8,171	8,089	8,189	8,132	8,100
Denominator for diluted net earnings per share - adjusted weighted average shares and assumed exercises (in thousands)	8,374	8, 274	8,405	8,275	8,280
Basic net earnings per share from continuing operations	$ 0.09	$ 0.68	$ (0.13)	$ 0.22	$ 0.85
Diluted net earnings per share from continuing operations	0.08	0.67	(0.12)	0.22	0.84

NOTE 6:- INCOME TAXES

The effective tax rate for the nine months period ended September 30, 2019 was 65.5%, compared to 21.2% for the nine months period ended September 30, 2018. The change in the effective tax rate for the nine months period ended September 30, 2019, is primarily attributable to the acquisition costs, which are not recognized for tax purposes.

U.S. dollars in thousands (except share and per share data)

NOTE 7:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Balances with related parties:

	September 30, 2019 Unaudited	December 31, 2018
Trade receivables:		
Taldor	$ 17	$ 23
Trade payables:		
Shagrir	$ (193)	$ (93)
Taldor	$ (14)	$ (3)
Other accounts payable and accrued expenses:		
DBSI (see note 4e)	$ (54)	$ (53)

As of October 3, 2019, the above are no longer considered as related parties.

b. Transactions with related parties:

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				
Management fees to DBSI (see Note 4e)	$ 135	$ 135	$ 45	$ 45	$ 180
Sales to related parties	122	187	48	89	79
Purchases from related parties	627	823	162	229	688

c. Long term loan related parties:

The Company has granted a long term loan to its related party Shagrir Systems Vehicle Services Ltd. The loan bears no interest and shall not be paid before December 31, 2020. As of September 30, 2019 the loan was fully repaid before its maturity date.

NOTE 8:- SEGMENT INFORMATION

a. The Company conducts its operations through two reporting segments. The following segment identification is identical to the segment identification used in the Company's latest annual audited consolidated financial report.

b. The following presents segment results of operations for the Nine months ended September 30, 2019 (unaudited):

	Cellocator segment	MRM segment	Elimination	Total
Segments revenues	$ 23,515	$ 44,520	$ (6,098)	$ 61,937
Segments operating profit	208	5,779	(3,560)	2,427
Segments tangible and intangible assets	9,015	35,974	1,202	46,191
Depreciation and amortization	148	2,270	-	2,418
Expenditures for assets	123	2,153	-	2,276

U.S. dollars in thousands (except share and per share data)

NOTE 8:- SEGMENT INFORMATION (Cont.)

c. The following presents segment results of operations for the nine months ended September 30, 2018 (unaudited):

	Cellocator segment	MRM segment	Elimination	Total
Segments revenues	$ 18,781	$ 47,329	$ (6,757)	$ 59,353
Segments operating profit	1,976	6,290	(420)	7,846
Segments tangible and intangible assets	8,762	35,082	1,456	45,300
Depreciation and amortization	129	1,810	-	1,939
Expenditures for assets	121	1,940	-	2,061

d. The following presents segment results of operations for the three months ended September 30, 2019 (unaudited):

	Cellocator segment	MRM segment	Elimination	Total
Segments revenues	$ 8,940	$ 14,875	$ (1,579)	$ 22,236
Segments operating profit	(2,346)	3,745	(1,979)	(580)
Segments tangible and intangible assets	9,015	35,974	1,202	46,191
Depreciation and amortization	50	622	-	672
Expenditures for assets	34	734	-	768

U.S. dollars in thousands (except share and per share data)

NOTE 8:- SEGMENT INFORMATION (Cont.)

e. The following presents segment results of operations for the three months ended September 30, 2018 (unaudited):

	Cellocator segment	MRM segment	Elimination	Total
Segments revenues	$ 6,051	$ 15,026	$ (2,347)	$ 18,730
Segments operating profit	775	1,886	(138)	2,523
Segments tangible and intangible assets	8,762	35,082	1,456	45,300
Depreciation and amortization	43	550	-	593
Expenditures for assets	39	389	-	428

f. The following presents segment results of operations for the year ended December 31, 2018:

	Cellocator segment	MRM segment	Elimination	Total
Segments revenues	$ 23,764	$ 62,402	$ (8,380)	$ 77,786
Segments operating profit	1,110	8,477	229	9,816
Segments tangible and intangible assets	8,611	34,620	1,451	44,682
Depreciation, amortization and impairment expenses	174	2,397	-	2,571
Expenditures for assets	158	2,563	-	2,721

NOTE 9:- SUBSEQUENT EVENTS

On October 3, 2019, pursuant to the terms of the Merger Agreement, Pointer Merger Sub merged with and into Pointer (the “Pointer Merger”), with Pointer surviving as a direct, wholly-owned subsidiary of Pointer Holdco and an indirect, wholly-owned subsidiary of PowerFleet. Also on October 3, 2019 (the “Closing Date”), in connection with the completion of the Transactions and pursuant to the terms of the Investment Agreement, I.D. Systems reorganized into a new holding company structure by merging I.D. Systems Merger Sub with and into I.D. Systems (the “I.D. Systems Merger”), with I.D. Systems surviving as a direct, wholly-owned subsidiary of PowerFleet. As a result of the Transactions, I.D. Systems and Pointer Holdco each became direct, wholly-owned subsidiaries of PowerFleet and Pointer became an indirect, wholly-owned subsidiary of PowerFleet. In addition, as a result of the Transactions, PowerFleet became a publicly traded corporation and former I.D. Systems stockholders and former Pointer

NOTE 9:- SUBSEQUENT EVENTS (Cont.)

shareholders received common stock of PowerFleet. I.D. Systems common stock ceased trading on the Nasdaq Global Market and Pointer ordinary shares ceased trading on the Nasdaq Capital Market and the Tel Aviv Stock Exchange ("TASE"), following the close of trading on October 2, 2019 and at the effectiveness of the Pointer Merger on October 3, 2019, respectively, and PowerFleet common stock commenced trading on the Nasdaq Global Market on October 3, 2019 and on the TASE on October 6, 2019, in each case under the symbol "PWFL".

At the effective time of the I.D. Systems Merger (the "I.D. Systems Merger Effective Time"), each share of I.D. Systems common stock outstanding immediately prior to such time (other than any I.D. Systems common stock owned by I.D. Systems immediately prior to the I.D. Systems Merger Effective Time) was converted automatically into the right to receive one share of PowerFleet common stock. At the effective time of the Pointer Merger (the "Pointer Merger Effective Time"), each Pointer ordinary share outstanding immediately prior to such time (other than Pointer ordinary shares owned, directly or indirectly, by I.D. Systems, PowerFleet or any of their subsidiaries or Pointer or any of its wholly-owned subsidiaries immediately prior to the Pointer Merger Effective Time) was cancelled in exchange for $8.50 in cash, without interest (the "Cash Consideration"), and 1.272 shares of PowerFleet common stock (the "Stock Consideration," and together with the Cash Consideration, the "Pointer Merger Consideration").

At the Pointer Merger Effective Time, each award of options to purchase Pointer ordinary shares that was outstanding and unvested immediately prior to such time was cancelled and substituted with options to purchase shares of PowerFleet common stock under the 2018 Plan on the same material terms and conditions as were applicable to the corresponding option immediately prior to the Pointer Merger Effective Time, except that (i) the number of shares of PowerFleet common stock underlying such substituted option is equal to the product of (A) the number of Pointer ordinary shares underlying such option immediately prior to the Pointer Merger Effective Time multiplied by (B) 2.544, with any fractional shares rounded down to the nearest whole number of shares of PowerFleet common stock, and (ii) the per-share exercise price is equal to the quotient obtained by dividing (A) the exercise price per Pointer ordinary share subject to such option immediately prior to the Pointer Merger Effective Time by (B) 2.544 (rounded up to the nearest whole cent).

At the Pointer Merger Effective Time, each award of options to purchase Pointer ordinary shares that was outstanding and vested immediately prior to such time was cancelled in exchange for the right to receive the product of (i) the excess, if any, of (A) the Pointer Merger Consideration (allocated between the Cash Consideration and the Stock Consideration in the same proportion as for holders of Pointer ordinary shares), over (B) the exercise price per Pointer ordinary share subject to such option, multiplied by (ii) the total number of Pointer ordinary shares underlying such option. If the exercise price of a vested option was equal to or greater than the consideration payable in respect of a vested option, such option was cancelled without payment.

At the Pointer Merger Effective Time, each award of restricted stock units of Pointer (a "Pointer RSU") that was outstanding and vested immediately prior to such time was cancelled in exchange for the right to receive the Pointer Merger Consideration (allocated between the Cash Consideration and the Stock Consideration in the same proportion as for holders of Pointer ordinary shares). Each Pointer RSU that was outstanding and unvested immediately prior to such time was cancelled and substituted with restricted stock units under the 2018 Plan representing the right to receive, on the same material terms and conditions as were applicable under such Pointer RSU immediately prior to the Pointer Merger Effective Time, that number of

NOTE 9:- SUBSEQUENT EVENTS (Cont.)

shares of PowerFleet common stock equal to the product of (i) the number of Pointer ordinary shares underlying such Pointer RSU immediately prior to the Pointer Merger Effective Time multiplied by (ii) 2.544, with any fractional shares rounded down to the nearest lower whole number of shares of PowerFleet common stock.

The Cash Consideration was financed using (i) net proceeds of the issuance and sale by PowerFleet of 50,000 shares of PowerFleet's Series A Convertible Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock"), to the Investors for an aggregate purchase price of $50,000 pursuant to the terms of the Investment Agreement, and (ii) term loan borrowings by Pointer Holdco on the Closing Date of $30,000 under a credit agreement, dated August 19, 2019 (the "Credit Agreement"), with Bank Hapoalim B.M., pursuant to which Bank Hapoalim B.M. agreed to provide Pointer Holdco with two senior secured term loan facilities in an aggregate principal amount of $30,000 (comprised of two facilities in the aggregate principal amount of $20,000 and $10,000) (the "Term Facilities") and a five-year revolving credit facility (the "Revolving Facility") to Pointer in an aggregate principal amount of $10,000 (collectively, the "Credit Facilities").

The Credit Facilities will mature on the date that is five years from the Closing Date. The indicative interest rate provided for the Term Facilities in the Credit Agreement is approximately 4.73% for the Term A Facility and 5.88% for the Term B Facility. The interest rate for the Revolving Facility is, with respect to NIS-denominated loans, Hapoalim's prime rate + 2.5%, and with respect to US dollar-denominated loans, LIBOR + 4.6%. The Credit Facilities include customary representations, warranties, affirmative covenants, negative covenants (including the following financial covenants, tested quarterly: Pointer's net debt to EBITDA; Pointer's net debt to working capital; minimum equity of Pointer Holdco; Pointer Holdco equity to total assets; Pointer Holdco net debt to EBITDA; and Pointer EBITA to current payments and events of default.

The Term A Facility is expected to require amortization of the original principal amount, payable in annual installments of $2,000, $5,000, or $5,500, depending on the year, until the final maturity date. The Term B Facility is not expected to be subject to amortization over the life of the loan and instead the original principal amount is expected to be due in one installment on the fifth anniversary of the date of the consummation of the Transactions.

The Transactions will be accounted for as a business combination and I.D. Systems has been determined to be the accounting acquirer in the Transactions.

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EXHIBIT 99.3

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information has been prepared to illustrate the effects of the transactions (the “Transactions”) between I.D. Systems, Inc. (“I.D. Systems”) and Pointer Telocation Ltd. (“Pointer”), the reorganization in which PowerFleet, Inc. (the “Company” or “PowerFleet”), a wholly-owned subsidiary of I.D. Systems prior to the Transactions, became the parent company of I.D. Systems and Pointer, and other financing transactions.

The unaudited pro forma combined balance sheet has been prepared to reflect the transaction as if the transaction had occurred on September 30, 2019. The unaudited pro forma combined statements of comprehensive income (loss) combines the statements of comprehensive income (loss) of I.D. Systems and Pointer for the year ended December 31, 2018 and for the nine months ended September 30, 2019, as if the transaction had occurred on January 1, 2018.

The pro forma condensed combined financial statements have been prepared using the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States, with I.D. Systems treated as the acquirer and Pointer as the acquiree. The acquisition method of accounting is dependent upon certain valuations and other studies that have yet to progress to a stage where there is sufficient information for a definitive measure. Accordingly, the pro forma adjustments are preliminary, have been made solely for the purpose of providing pro forma financial statements, and are subject to revision based on a final determination of fair value as of the date of acquisition. Differences between these preliminary estimates and the final acquisition accounting may have a material impact on the accompanying pro forma condensed combined financial statements and I.D. Systems’ future results of operations and financial position.

Pro forma adjustments related to the balance sheet reflect the preliminary allocation of the purchase price to Pointer’s assets and liabilities based on a preliminary estimate of their fair values and financing adjustments. Pro forma adjustments to the statements of operations reflect acquisition accounting adjustments and financing adjustments. The pro forma condensed combined financial statements do not give effect to the costs of any integration activities or benefits that may result from the realization of future cost savings from operating efficiencies, or any other synergies that may result from the Pointer acquisition.

The pro forma condensed combined financial statements are provided for informational purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of I.D. Systems would have been had the acquisition occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position. The pro forma condensed combined financial statements should be read in conjunction with the accompanying notes to the pro forma condensed combined financial statements and the audited and unaudited interim consolidated financial statements and accompanying notes of I.D. Systems and Pointer incorporated by reference herein.

The historical financial information of I.D. Systems was derived from the consolidated financial statements of I.D. Systems as of and for the period ended September 30, 2019 (unaudited) and for the year ended December 31, 2018 (audited). The historical financial information of Pointer was derived from the consolidated financial statements of Pointer as of and for the period ended September 30, 2019 (unaudited) and for the year ended December 31, 2018 (audited). The unaudited pro forma condensed combined financial statements should be read in conjunction with the following information:

- Notes to the unaudited pro forma condensed combined financial statements;

- PowerFleet’s Current Report on Form 8-K filed on October 3, 2019, including the related exhibits;

- I.D. Systems’ financial statements and notes included in the Annual Report on Form 10-K and the Quarterly Report on Form 10-Q filed with Securities and Exchange Commission on April 1, 2019 and May 15, 2019, respectively; and

- Pointer’s financial information included in the Annual Report on Form 20-F filed with Securities and Exchange Commission on April 1, 2019.

Pro Forma Condensed Combined Balance Sheet as of September 30, 2019
(Unaudited)
(in thousands, except share amounts)

	I.D. Systems	Pointer	Merger Pro Forma Adjustments	Note 4	Pro Forma Combined Balance Sheet
ASSETS					
Current assets:					
Cash and cash equivalents	$ 5,560	$ 7,218	$ 7,347	**1,3,4**	$ 20,125
Restricted cash	307	-	-		307
Accounts receivable, net	13,821	19,701	(5,256)	**2**	28,266
Financing receivables - current, net	950	-	-		950
Inventory, net	9,761	8,158	(1,198)	**f**	16,721
Deferred costs - current	3,868	-	-		3,868
Prepaid expenses and other current assets	2,822	3,399	(624)	**3**	5,597
Total current assets	37,089	38,476	269		75,834
Financing Receivables - less current portion	972	-	-		972
Deferred Costs - less current portion	5,467	-	-		5,467
Fixed assets, net	2,070	6,109	1,561	**4,8**	9,740
Other intangible assets, net	6,292	895	27,978	**4,8**	35,165
Goodwill	9,362	39,187	34,680	**4**	83,229
Other assets	204	-	-		204
Right of use asset	1,822	2,933	-		4,755
Long-term accounts receivable	-	949	-		949
Severance pay fund	-	3,562	-		3,562
Deferred tax asset	-	7,845	-		7,845
TOTAL ASSETS	$ 63,278	$ 99,956	$ 64,488		$ 227,722

See notes to unaudited pro forma combined financial statements

Pro Forma Condensed Combined Balance Sheet as of September 30, 2019 - continued
(Unaudited)
(in thousands, except share amounts)

	I.D. Systems	Pointer	Merger Pro Forma Adjustments	Note 4	Pro Forma Combined Balance Sheet
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued expenses	$ 16,583	$ 18,639	$ (4,389)	**2,5,7**	$ 30,833
Deferred revenue - current	8,095	1,081	-		9,176
Short-term bank credit and current maturities of long-term loans	-	1,335	(1,335)	**1**	-
Convertible note payable			5,000	**3**	5,000
Term loan A and B for acquisition of Pointer, net of debt issuance costs – current			2,000	**3**	2,000
Lease Liability - current	849	-	-		849
Total current liabilities	25,527	21,055	1,276		47,858
Deferred revenue – less current portion	9,019	331	-		9,350
Long-term loans from banks	-	753	(753)	**1**	-
Term loan A and B for acquisition of Pointer, net of debt issuance costs – less current portion	-	-	27,376	**3**	27,376
Deferred taxes and other long-term liabilities	-	-	8,005	**3**	8,005
Lease liability - less current portion	1,122	2,946	-		4,068
Accrued severance pay	-	4,103	-		4,103
TOTAL LIABILITES	35,668	29,188	35,904		100,760
Commitments and contingencies					
Convertible redeemable Preferred stock:					
Series A - 100 shares authorized, $0.01 par value; 50 shares issued and outstanding, liquidation preference of $50,000	-	-	46,309	**3**	46,309
					-
Stockholders' Equity:					
Common stock; authorized 75,000 shares, $0.01 par value; 29,353 shares issued and outstanding	-	-	294	**4,6**	294
19,653 shares issued and 18,597 shares outstanding	197	-	(197)	**6**	-
8,189 shares issued and outstanding	-	6,063	(6,063)	**4**	-
Additional paid-in capital	141,753	132,047	(80,088)	**4,6**	193,712
Accumulated deficit	(108,058)	(61,582)	56,542	**4,5,7,f,8**	(113,098)
Accumulated other comprehensive loss	(255)	(5,844)	5,844	**4**	(255)
Treasury stock; 1,045 common shares at cost	(6,027)	-	6,027	**6**	-
Total Combined Company stockholders' equity	27,610	70,684	28,668		126,962
Non-controlling interest	-	84	(84)	**4**	-
TOTAL STOCKHOLDERS' EQUITY	27,610	70,768	28,584		126,962
TOAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 63,278	$ 99,956	$ 64,488		$ 227,722

See notes to unaudited pro forma combined financial statements

Pro Forma Condensed Combined Statement of Comprehensive Income (Loss)
For the year ended December 31, 2018
(Unaudited)
(in thousands, except earnings (loss) per share)

	I.D. Systems	Pointer	Pro Forma Adjustments	Note 4	Pro Forma Combined
Revenues					
Products	$ 36,897	$ 25,243	$ (114)	a	$ 62,026
Services	16,167	52,543	(317)	a	68,393
Total revenues	53,064	77,786	(431)		130,419
Cost of revenues					
Products	22,638	15,104	-		37,742
Services	4,628	21,674	-		26,302
Total cost of revenues	27,266	36,778	-		64,044
Gross profit	25,798	41,008	(431)		66,375
Operating expenses:					
Selling, general and administrative	24,671	26,485	3,614	b,k	54,770
Research and development	6,863	4,707	(431)	a	11,139
Total operating expenses	31,534	31,192	3,183		65,909
		-			
(Loss) Income from operations	(5,736)	9,816	(3,614)		466
Other (expense) income	(76)	(1,136)	(1,864)	c,d	(3,076)
Net (loss) Income before income taxes	(5,812)	8,680	(5,478)		(2,610)
Income tax expense	-	(1,753)	-		(1,753)
Net (loss) income	$ (5,812)	$ 6,927	$ (5,478)		$ (4,363)
Dividends on preferred stock	-	-	(4,980)	e	(4,980)
Net (loss) income attributable to common stockholders	$ (5,812)	$ 6,927	$ (10,458)		$ (9,343)
Other comprehensive income:					
Unrealized (loss) gain on investments, net	(98)				(98)
Reclassification of net realized investment (gains) losses included in net loss	164				164
Currency translation adjustments of foreign operations	77	(5,811)	-		(5,734)
Total comprehensive (loss) income	$ (5,669)	$ 1,116	$ (10,458)		$ (15,011)
Net (loss) / earning per share - basic	$ (0.34)	$ 0.85	$ (2.60)		$ (0.32)
Weighted average common shares outstanding-basic	17,233	8,100	4,020		29,353
Net (loss) / earning per share - diluted	$ (0.34)	$ 0.84	$ (2.72)		(0.32)
Weighted average common shares outstanding - diluted	17,233	8,280	3,840		29,353

See notes to unaudited pro forma combined financial statements

Pro Forma Condensed Combined Statement of Comprehensive Income (Loss)
For the nine months ended September 30, 2019
(Unaudited)
(in thousands, except earnings (loss) per share)

	I.D. Systems	Pointer	Pro Forma Adjustments	Note 4	Pro Forma Combined
Revenues					
Products	$ 28,954	$ 24,228	$ (8,606)	f	$ 44,576
Services	17,815	37,709	(121)	f	55,403
Total revenues	46,769	61,937	(8,727)		99,979
Cost of revenues					
Products	18,528	16,605	(7,110)	f	28,023
Services	6,522	16,437	-		22,959
Total cost of revenues	25,050	33,042	(7,110)		50,982
Gross profit	21,719	28,895	(1,617)		48,997
Operating expenses:					
Selling, general and administrative	23,097	22,469	(4,655)	g,k	40,911
Research and development	5,508	3,999	(419)	f	9,088
Total operating expenses	28,605	26,468	(5,074)		49,999
(Loss) income from operations	(6,886)	2,427	3,457		(1,002)
Other (expense) income	8	(616)	(1,308)	h,i	(1,916)
Net (loss) income before income taxes	(6,878)	1,811	2,149		(2,918)
Income tax expense	-	(1,186)	-		(1,186)
Net (loss) income	$ (6,878)	$ 625	$ 2,149		$ (4,104)
Dividends on preferred stock	-	-	(3,736)	j	(3,736)
Net (loss) income attributable to common stockholders	$ (6,878)	$ 625	$ (1,587)		$ (7,840)
Other comprehensive income:					
Unrealized (loss) gain on investments, net	9				9
Reclassification of net realized investment (gains) losses included in net loss	38				38
Currency translation adjustments of foreign operations	133	2,307	-		2,440
Total comprehensive (loss) income	$ (6,698)	$ 2,932	$ (1,587)		$ (5,353)
Net (loss) earnings per share - basic	$ (0.39)	$ 0.09	$ (0.46)		$ (0.27)
Weighted average common shares outstanding-basic	17,744	8,171	3,438		29,353
Net (loss) / earning per share - diluted	$ (0.39)	$ 0.08	$ (0.49)		$ (0.27)
Weighted average common shares outstanding - diluted	17,744	8,374	3,235		29,353

See notes to unaudited pro forma combined financial statements

Combined Financial Information
(in thousands, except earnings per share)

1. Description of the Transactions

On October 3, 2019 (the "Closing Date"), PowerFleet, Inc. (the "Company" or "PowerFleet") completed the previously announced Transactions (as defined below) contemplated by (i) the Agreement and Plan of Merger, dated as of March 13, 2019 (the "Merger Agreement"), by and among I.D. Systems, Inc., a Delaware corporation ("I.D. Systems"), PowerFleet, Pointer Telocation Ltd., a private company limited by shares formed under the laws of the State of Israel ("Pointer"), Powerfleet Israel Holding Company Ltd., a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of PowerFleet ("Pointer Holdco"), and Powerfleet Israel Acquisition Company Ltd., a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of Pointer Holdco prior to the Transactions ("Pointer Merger Sub"), and (ii) the Investment and Transaction Agreement, dated as of March 13, 2019, as amended by Amendment No. 1 thereto dated as of May 16, 2019, Amendment No. 2 thereto dated as of June 27, 2019 and Amendment No. 3 thereto dated as of October 3, 2019 (the "Investment Agreement," and together with the Merger Agreement, the "Agreements"), by and among I.D. Systems, PowerFleet, PowerFleet US Acquisition Inc., a Delaware corporation and a wholly-owned subsidiary of PowerFleet prior to the Transactions ("I.D. Systems Merger Sub"), and ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ABRY Investment Partnership, L.P. (the "Investors"), affiliates of ABRY Partners II, LLC.

At the effective time of the I.D. Systems Merger (as defined below) on October 3, 2019 (the "I.D. Systems Merger Effective Time"), pursuant to the terms of the Investment Agreement, I.D. Systems reorganized into a new holding company structure by merging I.D. Systems Merger Sub with and into I.D. Systems (the "I.D. Systems Merger"), with I.D. Systems surviving as a direct, wholly-owned subsidiary of PowerFleet. Also on October 3, 2019, at the effective time of the Pointer Merger (as defined below), pursuant to the terms of the Merger Agreement, Pointer Merger Sub merged with and into Pointer (the "Pointer Merger"), with Pointer surviving as a direct, wholly-owned subsidiary of Pointer Holdco and an indirect, wholly-owned subsidiary of PowerFleet. As a result of the I.D. Systems Merger, the Pointer Merger and the other transactions contemplated by the Agreements (the "Transactions"), I.D. Systems and Pointer Holdco each became direct, wholly-owned subsidiaries of PowerFleet and Pointer became an indirect, wholly-owned subsidiary of PowerFleet.

At the I.D. Systems Merger Effective Time, each share of I.D. Systems common stock, par value $0.01 per share ("I.D. Systems Common stock"), outstanding immediately prior to such time (other than any I.D. Systems Common Stock owned by I.D. Systems immediately prior to the I.D. Systems Merger Effective Time) was converted automatically into the right to receive one share of common stock of PowerFleet, par value $0.01 per share ("PowerFleet Common Stock"). At the Pointer Merger Effective Time (as defined below), each Pointer ordinary share, par value NIS 3.00 per share ("Pointer Ordinary Share"), outstanding immediately prior to such time (other than Pointer Ordinary Shares owned, directly or indirectly, by I.D. Systems, PowerFleet or any of their subsidiaries or Pointer or any of its wholly-owned subsidiaries immediately prior to the Pointer Merger Effective Time) was cancelled in exchange for $8.50 in cash, without interest (the "Cash Consideration"), and 1.272 shares of PowerFleet Common Stock (the "Stock Consideration," and together with the Cash Consideration, the "Merger Consideration").

I.D. Systems stock options and restricted stock awards that were outstanding immediately prior to the I.D. Systems Merger Effective Time were converted automatically into equivalent PowerFleet awards on the same terms and conditions applicable to such I.D. Systems stock options and restricted stock awards prior to the I.D. Systems Merger Effective Time.

At the effective time of the Pointer Merger on October 3, 2019 (the "Pointer Merger Effective Time"), each award of options to purchase Pointer Ordinary Shares that was outstanding and unvested immediately prior to such time was cancelled and substituted with options to purchase shares of PowerFleet Common Stock under the PowerFleet, Inc. 2018 Incentive Plan ("2018 Plan") on the same material terms and conditions as were applicable to the corresponding option immediately prior to the Pointer Merger Effective Time, except that (i) the number of shares of PowerFleet Common Stock underlying such substituted option is equal to the product of (A) the number of Pointer Ordinary Shares underlying such option immediately prior to the Pointer Merger Effective Time multiplied by (B) 2.544, with any fractional shares rounded down to the nearest whole number of shares of PowerFleet Common Stock, and (ii) the per-share exercise price is equal to the quotient obtained by dividing (A) the exercise price per Pointer Ordinary Share subject to such option immediately prior to the Pointer Merger Effective Time by (B) 2.544 (rounded up to the nearest whole cent).

At the Pointer Merger Effective Time, each award of options to purchase Pointer Ordinary Shares that was outstanding and vested immediately prior to such time was cancelled in exchange for the right to receive the product of (i) the excess, if any, of (A) the Merger Consideration (allocated between the Cash Consideration and the Stock Consideration in the same proportion as for holders of Pointer Ordinary Shares), over (B) the exercise price per Pointer Ordinary Share subject to such option, multiplied by (ii) the total number of Pointer Ordinary Shares underlying such option. If the exercise price of a vested option was equal to or greater than the consideration payable in respect of a vested option, such option was cancelled without payment.

At the Pointer Merger Effective Time, each award of restricted stock units of Pointer (a "Pointer RSU") that was outstanding and vested immediately prior to such time was cancelled in exchange for the right to receive the Merger Consideration (allocated between the Cash Consideration and the Stock Consideration in the same proportion as for holders of Pointer Ordinary Shares). Each Pointer RSU that was outstanding and unvested immediately prior to such time was cancelled and substituted with restricted stock units under the 2018 Plan representing the right to receive, on the same material terms and conditions as were applicable under such Pointer RSU immediately prior to the Pointer Merger Effective Time, that number of shares of PowerFleet Common Stock equal to the product of (i) the number of Pointer Ordinary Shares underlying such Pointer RSU immediately prior to the Pointer Merger Effective Time multiplied by (ii) 2.544, with any fractional shares rounded down to the nearest lower whole number of shares of PowerFleet Common Stock.

The Cash Consideration was financed using (i) net proceeds of the issuance and sale by PowerFleet of 50,000 shares of PowerFleet's Series A Convertible Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock"), to the Investors for an aggregate purchase price of $50,000,000 pursuant to the terms of the Investment Agreement, and (ii) term loan borrowings by Pointer Holdco on the Closing Date of $30,000,000 under a credit agreement, dated August 19, 2019 (the "Credit Agreement"), with Bank Hapoalim B.M., pursuant to which Bank Hapoalim B.M. agreed to provide Pointer Holdco with two senior secured term loan facilities in an aggregate principal amount of $30,000,000 (comprised of two facilities in the aggregate principal amount of $20,000,000 ("Term Loan A") and $10,000,000 ("Term Loan B")) and a five-year revolving credit facility to Pointer in an aggregate principal amount of $10,000,000.

In addition, on October 3, 2019, pursuant to the terms of Amendment No. 3 to the Investment Agreement, PowerFleet issued and sold to the Investors in a private placement convertible unsecured promissory notes in the aggregate principal amount of $5,000,000 (the "Notes") at the closing of the Transactions. The principal amount of, and accrued interest through the maturity date on, the Notes will convert automatically into Series A Preferred Stock (at the original issuance price thereof) upon receipt of the approval by PowerFleet's stockholders in accordance with Nasdaq rules. The Notes will bear interest at 10% per annum, will mature on the third business day before the first anniversary of their issuance date (unless earlier converted) and may be prepaid in full subject to a prepayment premium.

2. Basis of Pro Forma Presentation

The pro forma information was prepared based on the historical financial statements and related notes of I.D. Systems (as the accounting acquirer) and Pointer, as adjusted for the pro forma information of applying the acquisition method of accounting in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification ("ASC") Topic 805, Business Combinations ("ASC 805").

The pro forma adjustments are based upon available information and assumptions that I.D. Systems believes are reasonable and related and/or directly attributable to the Transactions, are factually supportable and are expected to have a continuing impact on the combined results. As the final valuations are being performed, increases or decreases in the fair value of relevant balance sheet amounts will result in adjustments, which may result in material differences from the information presented herein.

The unaudited pro forma combined financial information is for illustrative purposes only. The financial results may have been different had the companies always been combined. You should not rely on the unaudited pro forma combined financial information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience. The transactions between I.D. Systems and Pointer are eliminated in the pro forma combined financial information.

3. Preliminary Estimated Purchase Price Allocation

The unaudited pro forma combined balance sheet has been adjusted to reflect the allocation of the preliminary estimated purchase price to identifiable assets to be acquired and liabilities to be assumed related to Pointer, with the excess recorded as goodwill. The preliminary purchase price allocation in these unaudited pro forma combined financial statements is based upon an estimated purchase price of approximately $129,957 as determined by, besides cash consideration, the price per share of PowerFleet Common Stock to be issued to Pointer shareholders and Pointer employees whose stock options and restricted stock units are vested prior to the Pointer Merger and based on the applicable exchange ratio. Accordingly, the pro forma purchase price adjustments are preliminary and will be subject to change based on the opening stock price of the PowerFleet as well as the actual net tangible assets and intangible assets and liabilities that exist as of the closing date.

Based on the number of ordinary shares of Pointer outstanding, the acquisition consideration is as follows:

Number of ordinary shares of Pointer outstanding		8,189
Plus: Pointer restricted stock units		118
Plus: Equivalent Pointer ordinary shares for stock options		149
Total Pointer ordinary shares including vested stock awards		8,456
Per share exchange ratio		1.272
Number of shares of PowerFleet Common Stock		10,756
PowerFleet Common Stock price per share	$	5.40
Total estimated consideration paid in PowerFleet Common Stock	$	58,083
Plus: Cash consideration	$	71,874
Total Purchase Price	$	129,957

Total value of the considerations to be paid is as follows:

		Estimate fair value
Pointer ordinary shares outstanding	$	125,850
Pointer restricted stock units (1)		1,821
Pointer vested stock options (1)		2,286
Fair value of total estimated consideration transferred	$	129,957

(1) In connection with the Pointer Merger, at the Pointer Merger Effective Time, each Pointer RSU that was outstanding and vested immediately prior to such time was cancelled in exchange for the right to receive the Merger Consideration (allocated between the Cash Consideration and the Stock Consideration in the same proportion as for holders of Pointer Ordinary Shares) which reflects the fair-value of the stock awards that is attributable to pre-combination service.

The total preliminary estimated acquisition consideration as shown in the table above is allocated to Pointer's tangible and intangible assets and liabilities based on their preliminary fair value as follows. Please see below for the preliminary price allocations and related pro forma adjustment:

		Estimated Fair Value		Historical Balance		Pro Forma Adjustment (Note 4)
Net assets acquired at book value as of September 30, 2019	$	24,577	$	24,577	$	-
Adjustment to reflect preliminary fair value of assets acquired and liabilities assumed:						
Property and equipment		7,500		6,109		1,391
Intangible assets (2)		32,018		895		31,123
Goodwill		73,867		39,187		34,680
Deferred tax liabilities (3)		(8,005)		-		(8,005)
Estimated allocation of consideration expected to be transferred	$	129,957	$	70,768	$	59,189

(2) Approximately $32,018 has been preliminarily allocated to amortizable intangible assets acquired. The general categories of the acquired identified intangible assets are expected to be the following:

Intangible assets	Estimated Useful Life		Estimated Fair Value
Customer Relationships	12	$	15,997
IP Trademarks	9		5,637
IP Developed Technology	4		10,384
Total		$	32,018

The fair value estimate for all identifiable intangible assets is preliminary and is based on assumptions that market participants would use in pricing an asset, based on the most advantageous market for the asset (i.e., its highest and best use). The final determination of fair value of intangible assets, as well as estimated useful lives, remains subject to change.

(3) The estimated deferred tax liabilities result from the fair value adjustments for the identifiable intangible assets using an assumed tax rate of 25%.

In addition, in preparing the unaudited pro forma combined financial statements, I.D. Systems performed a preliminary review of the accounting policies of Pointer but did not identify material differences requiring pro forma adjustments. We are continuing our review of accounting policies to determine whether any adjustments are necessary to conform the accounting policies of Pointer to those of I.D. Systems. That review could result in accounting policy conformity changes that have a material impact on our pro forma combined financial statements.

4. Pro Forma Adjustments

Adjustment to the unaudited pro forma balance sheet as of September 30, 2019:

1) To reflect the repayments of Pointer's short term ($1,335) and long-term debt ($753) at the closing of the Transactions in accordance with the Merger Agreement.

2) To reflect the elimination of accounts receivable and accounts payable between I.D. Systems and Pointer ($5,256).

3) To reflect cash received from the financing transactions for the acquisition of Pointer - Term Loan A and B ($30,000), Convertible Note Payable ($5,000) and issuance of Convertible Series A Preferred Stock (50 shares, $0.01 par value per share for approximately $50,000) and the related estimated issuance costs ($624 for Term Loans and $3,691 for Convertible Series A Preferred Stock).

   Pursuant to the Amended and Restated Certificate of Incorporation of PowerFleet (the "Charter"), the Series A Preferred Stock can be redeemed (a) at the option of PowerFleet after 3 years, at the greater of (i) 1.5 times the liquidation preference or (ii) the conversion value of the Preferred shares based on the 30 day volume-weighted average price ("VWAP") at the time of the redemption notice, the "Redemption Price"; and (b) at the option of the investor after 66 months or a deemed liquidation event, such as sales of PowerFleet. In addition, the Series A Preferred Stock can be convertible into approximately 6,832 shares of PowerFleet Common Stock based on an initial conversion price of $7.319. The Series A Preferred Stock is also entitled to a cumulative dividend at an annual rate of 7.5% of the original issue price per share plus accumulated unpaid dividends and effective 66 months after issuance, the dividend rate will increase by 100 basis points monthly until the dividend rate reaches 17.5% per annum.

   Except as required by applicable law or as otherwise specifically set forth in the Charter, the holders of Series A Preferred Stock shall not be entitled to vote on any matter presented to the stockholders of PowerFleet unless and until any holder of Series A Preferred Stock provides written notice to PowerFleet electing, on behalf of all holders of Series A Preferred Stock, to activate their voting rights and thereby render the Series A Preferred Stock voting capital stock of PowerFleet. Such voting rights shall continue until the holders of at least a majority of the outstanding shares of Series A Preferred Stock provide further written notice to PowerFleet that they elect to deactivate their voting rights. To the extent voting rights of the Series A Preferred Stock have been activated, any holder of Series A Preferred Stock shall not be entitled to cast votes for the number of shares of PowerFleet Common Stock issuable upon conversion of shares of Series A Preferred Stock held by such holder that exceeds the quotient of (i) the aggregate issue price for such shares of Series A Preferred Stock divided by (ii) the closing bid price of I.D. Systems Common Stock on the last trading day immediately prior to the consummation date of the Transactions (subject to adjustment for stock splits, stock dividends, combinations, reclassifications and similar events, as applicable).

   Based on the terms above, the Series A Preferred Stock is classified as temporary equity due to the shares (i) being redeemable at the option of the holder, and (ii) having conditions for redemption that are not solely within the control of PowerFleet. The associated embedded conversion option is not a derivative instrument since it is indexed to its own stock and there is no beneficial conversion feature based on current available information and estimate. Please see pro forma adjustment (e) and (j) to the statements of operations below for dividends adjustment.

4) To reflect acquisition accounting adjustments for the elimination of Pointer's historical equity. The preliminary estimated acquisition consideration and adjustments to Pointer's equity, acquired identified assets and goodwill are as follows:

		Amount
Total Purchase Price	$	129,957
Reversal of Pointer's Equity		
Common Stock		6,063
Additional Paid-in Capital		132,047
Accumulated Deficit		(61,582)
Accumulated Other Comprehensive Loss		(5,844)
Non-controlling Interest		84
Adjustment to reflect preliminary fair value of assets acquired and liabilities assumed: (Note 3)		
Property and equipment		1,391
Intangible assets		31,123
Goodwill		34,680
Deferred tax liabilities		(8,005)
	$	129,957

5) To reflect accrued estimated transaction cost incurred by I.D. Systems and Pointer in 2019 directly related to the Transaction. The unaudited pro forma combined balance sheet is required to include adjustments which give effect to events that are directly attributable to the Transactions regardless of whether they are expected to have a continuing impact on the combined results or are non-recurring. Therefore, acquisition-related transaction costs to be incurred by I.D. Systems and Pointer subsequent to September 30, 2019 of $117 in total are reflected as a pro forma adjustment to the unaudited pro forma combined balance sheet as of September 30, 2019 and are presented as an increase to accounts payable and accrued expenses and an increase to accumulated deficit.

6) To reflect the elimination of I.D. Systems treasury stock ($6,027), issuance of new PowerFleet Common Stock ($186) and cancellation and conversion of I.D. Systems Common Stock ($197) to PowerFleet Common Stock and cancellation of treasury stock in accordance with the Investment Agreement.

7) To reflect the $750 of bonus payable to three executives of Pointer in connection with the consummation of the Transactions. The bonus consists of the payment of cash to one executive and restricted stock units (RSUs) to two executives. The bonus is a one-time compensation to the executives for their direct contribution to consummate the acquisition and will be treated as an acquisition expense.

8) To reflect estimated depreciation and amortization adjustment of $2,975 as pro forma adjustments to the unaudited pro forma combined balance sheet as of September 30, 2019 and are presented as an increase to net fixed assets, a decrease to net other intangible assets and an increase to accumulated deficit.

Adjustment to the unaudited pro forma statement of operations:

a) To reflect the elimination of intercompany transactions that occurred in 2018. Pointer provided research and development services to I.D. Systems in the amount of $431.

b) To reflect the reversal of merger related expenses incurred by I.D. Systems (approximately $705) and Pointer (approximately $300) in 2018.

c) To reflect the reversal of interest expenses (approximately $446) for Pointer's loans repaid at the closing date (please see pro forma adjustment (1) to the balance sheet above).

d) To reflect the estimate of interest expense from Convertible Note Payable ($500) and Term Loan A and B (approximately $1,685 with weighted average interest rate at 5.62%) and also accretion of debt issuance cost using the effective interest rate over the period through March 2024 as a non-cash charge to interest expense (approximately $125 for the first year).

e) To reflect the estimate of dividends in the amount of approximately $4,980 for Convertible Series A Preferred Stock (cumulative dividend at 7.5% per annum payable in cash or in kind at the option of PowerFleet, approximately $3,750 per year and accretion ($3,691 over 3 years: $1,230 per year)).

f) To reflect the elimination of intercompany transactions that occurred during the nine months ended September 30, 2019. Pointer (i) provided research and development services to I.D. Systems in the amount of $121 and (ii) sold inventory to I.D. Systems in the amount of $8,606 with profits in the amount of $1,198 and such inventory has not sold to a third party as of September 30, 2019.

g) To reflect the reversal of merger related expenses incurred by I.D. Systems (approximately $4,528) and Pointer (approximately $3,102).

h) To reflect the reversal of interest expenses (approximately $425) for Pointer's loans repaid at the closing date (please see pro forma adjustment (1) to the balance sheet above).

i) To reflect the estimate of interest expense from Convertible Note Payable ($375) and Term Loan A and B (approximately $1,264 with weighted average interest rate at 5.62%) and also accretion of debt issuance cost using the effective interest rate over five years as a non-cash charge to interest expense (approximately $94 per quarter).

j) To reflect the estimate of dividends in the amount of approximately $3,736 for Convertible Series A Preferred Stock (cumulative dividend at 7.5% per annum payable in cash or in kind at the option of PowerFleet, approximately $938 per quarter and accretion ($3,691 over 3 years: $307 per quarter)).

k) All depreciation and amortization adjustments relate to property and equipment as well as identifiable definite-lived intangible assets as a result of the Transactions and are recorded to selling, general and administrative as they relate to the Company's general business and selling efforts. The estimated depreciation and amortization expense was computed using the straight-line method based on an estimated useful life of the equipment and identifiable definite-lived intangible assets. Due to the strong relationships that I.D. Systems and Pointer have maintained with key customers, we expect to generate revenues from them for the foreseeable future. These long-term relationships with key customers do not suggest an accelerated consumption pattern of the economic benefits of a customer relationship asset. When the factors considered do not provide a reliably determinable pattern in which the economic benefits associated with an intangible asset will be consumed, including an accelerated consumption pattern, we expect to utilize a straight-line amortization methodology in accordance with ASC 350-30-35-6.

Intangible assets	Estimated Useful Life	Estimated Fair Value	Year Ended December 31, 2018 Amortization Estimated	Nine Months Ended September 30, 2019 Amortization Estimated
Customer Relationships	12	$ 15,997	$ 1,333	$ 1,000
IP Trademarks	9	5,637	626	470
IP Developed Technology	4	10,384	2,596	1,947
Subtotal		32,018	4,555	3,417
Property and equipment		7,500	2,635	1,976
Total			7,190	5,393
Less: Historical depreciation and amortization expense			(2,571)	(2,418)
Pro forma adjustment to selling, general and administrative			$ 4,619	$ 2,975

Items not adjusted in the unaudited pro forma condensed combined statement of income

1) The impact of the issuance of the replacement awards associated with the conversion of Pointer's unvested stock-based awards to Parent's stock-based awards has been excluded based on materiality. The issuance of replacement awards for Pointer unvested awards in connection with the Transactions is considered as a modification event under ASC 718. Under ASC 718, the incremental fair value of the replacement award over the original award is recognized as an expense over the remaining requisite service period. We estimated the fair values of the replacement awards and the Pointer unvested awards and determined the incremental fair value to be immaterial.

2) There is no material income tax impact because I.D. Systems has an aggregate net operating loss carryforward of approximately $84,702, $65,359 and $3,452 for U.S. federal income tax, state income tax and foreign income tax, respectively.

3) Under ASC 805, acquisition-related transaction costs (e.g., advisory, legal and other professional fees) are not included as a component of consideration transferred but are accounted for as expenses in the periods in which such costs are incurred. Acquisition-related transaction costs incurred by I.D. Systems and Pointer include fees related to a financing commitment and agreement, legal and advisory fees. Total acquisition-related transaction costs incurred by I.D. Systems and Pointer before September 30, 2019 are $5,233 and $3,402, respectively, which have been excluded from the pro forma combined statement of operations for the year ended December 31, 2018 (See adjustment (b) above) and for the nine months ended September 30, 2019 (See adjustment (g) above). No adjustment is reflected in the proforma income statements for acquisition-related transactions costs not reflected in the historical financial statements.

5. Earnings Per Share

The calculation of basic and diluted unaudited pro forma loss per common share for the year ended December 31, 2018 and for the nine months ended September 30, 2019 as if the Transactions had occurred on January 1, 2018. The calculation of weighted average shares outstanding for basic and diluted net income (loss) per share assumes that the shares issuable relating to the Transactions were outstanding for the entire periods presented which is 29,353 shares of PowerFleet Common Stock (18,597 shares of PowerFleet Common Stock issuable to the stockholders of I.D. Systems and 10,756 shares of PowerFleet Common Stock issuable to the shareholders of Pointer based on the Merger Agreement). Diluted net loss per share equals basic net loss per share because the effect of securities convertible into common stock is anti-dilutive.