

Pointer Telocation Ltd
Form 20-F/A
October 30, 2013

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

FORM 20-F/A
Amendment No. 1

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR
(g) OF THE SECURITIES EXCHANGE ACT OF 1934

Or

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

For the fiscal year ended December 31, 2012

Or

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

Or

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

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission File number: 001-13128

POINTER TELOCATION LTD.
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's

ISRAEL
(Jurisdiction of incorporation

name into English)

or organization)

14 Hamelacha Street,
Rosh Haayin 48091, Israel
(Address of principal executive offices)

Zvi Fried, Chief Financial Officer
Telephone: + 972-3-572-3111, Facsimile: + 972-3-572-3100
14 Hamelacha Street,
Rosh Haayin 48091, Israel
(Name, telephone, e-mail and/or facsimile
number and address of company contact person)

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| Ordinary Shares, NIS 3.00 nominal value per share | NASDAQ Capital Market |

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

5,555,558 Ordinary Shares, NIS 3.00 nominal value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

£ Yes £ No N/A

Explanatory Note

Pointer Telocation Ltd. (“Pointer”) is filing this Amendment No. 1 on Form 20-F/A (the “Form 20-F/A”) to amend its annual report on Form 20-F for the fiscal year ended December 31, 2012 (the “2012 Form 20-F”) as originally filed with the Securities and Exchange Commission on March 19, 2013. The financial statements of Pointer Do Brasil Comercial S.A., were inadvertently omitted from the 2012 Form 20-F. This amendment includes those financial statements on pages B-1 through B-14. This amendment does not contain any changes to the Consolidated Financial Statements of Pointer and its consolidated subsidiaries, as previously filed, in the 2012 Form 20-F. Other than as expressly set forth above, this Form 20-F/A does not, and does not purport to, revise, update, amend or restate the information presented in any Item of the 2012 Form 20-F or reflect any events that have occurred after the filing of the 2012 Form 20-F.

ITEM 18.

FINANCIAL STATEMENTS

The Financial Statements required by this item are hereby supplemented by the financial statements of Pointer do Brasil Comercial S.A. found at the end of this Annual Report, beginning on page B-1.

ITEM 19.

EXHIBITS

12.1 Certification by Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

12.2 Certification by Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

13.1 Certification by Chief Executive Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

13.2 Certification by the Chief Financial Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

14.3 Consent of Baker Tilly Brasil Certified Public Accountants (Brazil).

SIGNATURE

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Amendment No. 1 to the annual report on its behalf.

POINTER TELOCATION LIMITED

By: /s/ Yossi Ben Shalom
Yossi Ben Shalom
Chairman of the Board of Directors

October 30, 2013

POINTER DO BRASIL COMERCIAL S.A.

FINANCIAL STATEMENTS

AS OF 31ST. DECEMBER 2012

EXPRESSED IN U.S. DOLLARS

INDEPENDENT AUDITORS' REPORT

To the Shareholders
Pointer do Brasil Comercial S.A.

1. We have audited the accompanying balance sheets of POINTER DO BRASIL COMERCIAL S.A. ("the Company") as of 31st. December 2012 and 2011, and the related statements of income, of changes in shareholders' equity accounts and of cash flows for each of the two years in the periods ended 31st December 2012 and 2011, accompanied by explanatory notes, expressed in US Dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provide a reasonable basis for our opinion.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the company as of 31st. December 2012 and 2011 and the results of its operations, the changes in shareholders' equity accounts and its cash flows for each of the two years in the periods ended 31st December 2012 and 2011 in conformity with accounting principles generally accepted in the United States of America.

São Paulo, Brazil, 8th. February 2013.

RICARDO JULIO RODIL
ACCOUNTANT - CRC-1SP111444/O-1

BAKER TILLY BRASIL AUDITORES INDEPENDENTES S/S
CRC-2SP016754/O-1

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POINTER DO BRASIL COMERCIAL S.A.

BALANCE SHEETS

In thousands of US Dollars in

| | Note | 31st. December | |
|--|------|----------------|--------------|
| | | 2012 | 2011 |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 682 | 336 |
| Trade receivables (net of allowance for doubtful accounts of \$ 282 and \$ 211 in Dec 31st 2012 and 2011 respectively) | 3 | 1,497 | 491 |
| Other accounts receivable and prepaid expenses | 4 | 218 | 258 |
| Inventories | | 911 | 785 |
| Total current assets | | 3,308 | 1,870 |
| NON-CURRENT ASSETS | | | |
| Property and equipment, net | 5 | 2,682 | 2,251 |
| TOTAL ASSETS | | 5,990 | 4,121 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Loans from banks | 7 | 170 | 271 |
| Loans from shareholders | 8 | 774 | - |
| Trade payables | 9 | 1,463 | 1,474 |
| Other accounts payable and accrued expenses | 10 | 1,192 | 786 |
| | | 3,599 | 2,531 |
| NONCURRENT LIABILITIES | | | |
| Loans from banks | 7 | 276 | 301 |
| Loans from shareholders | 8 | 711 | - |
| Other long-term liabilities | | - | 12 |
| | | 987 | 313 |
| EQUITY | | | |
| Share capital – paid in | 11 | 7,267 | 7,267 |
| Accumulated other comprehensive income | | 251 | 367 |
| Accumulated deficit | | (6,114) | (6,357) |
| | | 1,404 | 1,277 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | | 5,990 | 4,121 |

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

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POINTER DO BRASIL COMERCIAL S.A..

STATEMENTS OF OPERATIONS

In thousands of U.S. dollars

| | Note | 2012 | 2011 | 2010 (Unaudited) |
|--------------------------------------|------|------------|-----------------|---------------------|
| Revenues – Services Rendered | | 7,623 | 3,802 | 311 |
| Cost of Services Rendered | | (4,810) | (3,833) | (405) |
| Gross profit (loss) | | 2,813 | (31) | (94) |
| OPERATING EXPENSES: | | | | |
| Selling and marketing | | (458) | (994) | (685) |
| General and administrative | | (1,557) | (2,065) | (1,174) |
| Operating profit (loss) | | 798 | (3,090) | (1,953) |
| Financial expenses, net | | (231) | (55) | (42) |
| Income (loss) before taxes on income | | 567 | (3,145) | (1,995) |
| Taxes on income | 12 | (324) | - | - |
| INCOME (LOSS) FOR THE YEAR | | 243 | (3,145) | (1,995) |

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

POINTER DO BRASIL COMERCIAL S.A.

STATEMENTS OF CHANGES IN EQUITY

In thousands of U.S. dollars

| | Share capital | Accumulated other comprehensive income | Retained earnings | Total |
|---|------------------|---|----------------------|----------|
| Balance as of January 1, 2010 (unaudited) | 1,378 | (110) | (1,217) | 51 |
| Issuance of shares | 2,952 | - | - | 2,952 |
| Foreign currency translation adjustments | - | (40) | - | (40) |
| Net loss | - | - | (1,995) | (1,995) |
| Balance as of January 1, 2011 | 4,330 | (150) | (3,212) | 968 |
| Issuance of shares | 2,937 | - | - | 2,937 |
| Foreign currency translation adjustments | - | 517 | - | 517 |
| Net loss | - | - | (3,145) | (3,145) |
| Balance as of December 31, 2011 (unaudited) | 7,267 | 367 | (6,357) | 1,277 |
| Issuance of shares | - | - | - | - |
| Foreign currency translation adjustments | - | (116) | - | (116) |
| Net income | - | - | 243 | 243 |
| Balance as of December 31, 2012 | 7,267 | 251 | (6,114) | 1,404 |

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

POINTER DO BRASIL COMERCIAL S.A.

STATEMENTS OF CASH FLOWS

In thousands of U.S. dollars

| | 2012 | 2011 | 2010 (unaudited) |
|--|------------|------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | 243 | (3,145) | (1,995) |
| Adjustments required to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 653 | 332 | 122 |
| Increase in trade receivables, net | (1,093) | (432) | (112) |
| Decrease (increase) in other accounts receivable and prepaid expenses | 19 | (102) | (215) |
| Increase in inventories | (199) | (609) | (248) |
| Increase in trade payables | 115 | 1,324 | 287 |
| Increase in other accounts payable and accrued expenses | 491 | 733 | 94 |
| Decrease (increase) in other long term liabilities | (12) | (25) | 37 |
| Net cash provided by (used in) operating activities | 217 | (1,924) | (2,030) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | (1,297) | (2,068) | (803) |
| Net cash used in investing activities | (1,297) | (2,068) | (803) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Receipt of long-term loans from banks | 1,956 | 472 | 210 |
| Repayment of long-term loans from banks | (486) | (45) | (36) |
| Proceeds from issuance of shares | - | 3,609 | 2,866 |
| Net cash provided by financing activities | 1,470 | 4,036 | 3,040 |
| Effect of exchange rate changes on cash and cash equivalents | (44) | (41) | 17 |
| Increase in cash and cash equivalents | 346 | 3 | 223 |
| Cash and cash equivalents at the beginning of the year | 336 | 333 | 110 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 682 | 336 | 333 |
| Cash paid during the year for: | | | |
| Interest | 92 | 21 | 10 |

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

POINTER DO BRASIL COMERCIAL S.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts presented in thousands of US Dollars)

1. GENERAL

Pointer do Brasil Commercial S.A. ("the Company") was incorporated in Sao Paulo and commenced operations in August 2008. The Company acts as an operator by bundling its products together with a range of services, predominantly in fleet management software licensing services.

2. SIGNIFICANT ACCOUNTING PRACTICES

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States, using the following significant accounting policies:

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. Actual results could differ from those estimates.

b. Financial statements in U.S. Dollars:

The Company's revenues are generated in Brazilian Reals. In addition, a substantial portion of the Company's costs is incurred in the same currency. Management believes that the Brazilian Real is the primary currency of the economic environment in which the Company operates. Thus, the functional currency of the Company is the Brazilian Real. The reporting currency is the US Dollar. Therefore, 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 of cumulative foreign currency translation adjustments (comprehensive income) in shareholders' equity accounts.

c. Cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of about three years as from the investment date. Even having a maturity in the future the Company presents such investments as Current Assets since it is expected to be used to face the current liabilities.

d. Inventories:

Inventories are stated at the lower of cost or market value. Cost is determined using the "moving average" cost method.

e. Allowance for doubtful accounts

The Company accrues allowances for doubtful accounts for estimated losses that may result from the inability of our customers to make required payments. These allowances are based on customer payment practices and history, inquiries and other financial information. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Bad debt expense, net of recoveries, for fiscal year 2012 was approximately \$71

f. Property and equipment:

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

%

| | |
|--------------------------------|-------|
| Computers and software | 20-33 |
| Office furniture and equipment | 20 |
| Motor vehicles | 20 |
| Installed products | 20 |
| Leasehold improvements | 20 |

The Company periodically assesses the recoverability of the carrying amount of property and equipment, and provides for any possible impairment loss, based upon the difference between the carrying amount and fair value of such assets. As of 31st. December 2012, no impairment losses have been identified.

g. Revenue recognition:

The Company generates revenues from the provision of services, subscriber fees and sales of products, activation and mainly in respect of fleet management software licensing services.

Service revenues including subscriber fees and activations are recognized as services are performed, over the term of the agreement.

Deferred revenue includes amounts received from customers but not yet recognized as revenues.

In accordance with ASC 605-25, "Multiple-Element Arrangements" (formerly EITF 00-21, "Revenue Arrangements with Multiple Deliverables"), revenue from certain arrangements may include multiple elements within a single contract. The Company's accounting policy complies with the requirements set forth in ASC 605-25, relating to the separation of multiple deliverables into individual accounting units with determinable fair values. The Company considers the sale of products and subscriber fees to be separate units of accounting.

Revenues generated from technical support services; activations and deactivations and their related costs are recognized when such services are rendered.

Generally, the Company does not grant rights of return. The Company follows ASC 605-15-25 "sales of product when right of return exists" (formerly FAS 48, "Revenue Recognition When Right of Return Exists"). Based on the Company's experience, no provision for returns was recorded.

h. Deferred income taxes:

The Company accounts for income taxes and uncertain tax positions in accordance with ASC 740, "Income Taxes". Deferred tax assets and liabilities are provided using the balance sheet liability method. Under this method, deferred taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities, and are measured using the enacted tax rate and laws that will be in effect when the difference is expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to amounts that are more likely than not to be realized.

The effect on deferred taxes of a change in tax rates is recognized in income in the period enacted.

ASC 740-10 (formerly FIN 48 "Accounting for Uncertainty in Income Taxes" - an Interpretation of FASB Statement No. 109), clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements and prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures.

As of 31st. December 2012, the Company did not record any liability for uncertain tax positions. The Company's policy is to recognize, if any, tax related interest as interest expenses and penalties as general and administrative expenses. For the year ended 31st. December 2012, the Company did not have any interest and penalties associated with tax positions.

3. **TRADE RECEIVABLES**

| | 31st. December, | |
|--|-----------------|------------|
| | 2012 | 2011 |
| Accounts receivable from Customers | 1,661 | 702 |
| Accounts receivable from Shareholders (Pointer Telocation Ltd., note 6 a) | 118 | - |
| Allowance for doubtful accounts | (282) | (211) |
| Total trade receivables | 1,497 | 491 |

4. **OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES**

| | 31ST. DECEMBER | |
|---|----------------|------------|
| | 2012 | 2011 |
| Prepaid expenses | 171 | 162 |
| Taxes receivable | 40 | 11 |
| Advances to suppliers | 4 | 85 |
| Employees | 3 | - |
| Total of Other Accounts Receivables and Prepaid Expenses | 218 | 258 |

5.

FIXED ASSETS

| | Acquisition cost | 31st. December 2012 | | 2011 | Annual depreciation rate % |
|--------------------------------|---------------------|-----------------------------|-------|-------|----------------------------------|
| | | Accumulated depreciation | Net | Net | |
| Computers and SW | 750 | (290) | 460 | 545 | 20-33 |
| Office furniture and equipment | 45 | (22) | 23 | 31 | 20 |
| Motor vehicles | 39 | (22) | 17 | 27 | 20 |
| Installed products | 2,818 | (636) | 2,182 | 1,648 | 20 |
| | 3,652 | (970) | 2,682 | 2,251 | |

Changes in Acquisition Cost in the Fiscal Year of 2012.

| | 2011 | | 31st. December 2012 | | |
|--------------------------------|---------------------|-------------------------------|------------------------|-----------------------|-------------------|
| | Acquisition Cost | Foreign Exchange Effect | New Acquisitions | Sales & Write-Offs | Ending Balance |
| Computers and SW | 705 | (56) | 101 | 0 | 750 |
| Office furniture and equipment | 46 | (4) | 3 | 0 | 45 |
| Motor vehicles | 43 | (4) | 0 | 0 | 39 |
| Installed products | 1,858 | (149) | 1,328 | (219) | 2,818 |
| | 2,652 | (213) | 1,432 | (219) | 3,652 |

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6.

INTERCOMPAY TRANSACTIONS

a.Accounts Receivable

| | 31st. December | |
|--|----------------|------|
| | 2012 | 2011 |
| Pointer Telocation Ltd. (note 3) | 118 | - |
| Total Intercompany Accounts Receivable | 118 | - |

b.Trade Payables

| | 31st. December | |
|-------------------------------------|----------------|------|
| | 2012 | 2011 |
| Pointer Telocation Ltd. (note 9) | 7 | 7 |
| Total Intercompany Accounts Payable | 7 | 7 |

c.Interest Paid

| | 31st. December | |
|---|----------------|------|
| | 2012 | 2011 |
| Pointer Telocation Ltd. | 17 | - |
| Total of Paid Interests on Intercompany Loans | 17 | - |

7.

CURRENT MATURITIES OF LONG-TERM AND LONG-TERM LOANS FROM BANKS

| | Interest rate | | December 31, | |
|---------------------------|-----------------|------|--------------|--------|
| | 2012 | 2011 | 2012 | 2011 |
| | % (Nominal APR) | | | |
| Bradesco | 17 | % 17 | % 12 | 41 |
| HSBC | 16 | % 16 | % 57 | 120 |
| Santander | 12 | % 21 | % 377 | 411 |
| | | | 446 | 572 |
| Less - current maturities | | | (170) | (271) |
| Long-term | | | 276 | 301 |

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8. LONG-TERM LOANS FROM BANKS AND SHAREHOLDERS

| | Interest rate | | December 31, | |
|---------------------------|-----------------|------|--------------|------|
| | 2012 | 2011 | 2012 | 2011 |
| | % (Nominal APR) | | | |
| Pointer Telocation Ltd. | 14 | % - | 316 | - |
| Bracco do Brasil Ltda. | 6 | % - | 1,169 | - |
| | | | 1,485 | - |
| Less - current maturities | | | (774) | - |
| Long-term | | | 711 | - |

9. TRADE PAYABLES

| | 31st. December | |
|------------------------------------|----------------|-------|
| | 2012 | 2011 |
| M1 & M2 System | 1,060 | 1,010 |
| Pointer Telocation Ltd. (note 6 b) | 7 | 7 |
| Others | 396 | 457 |
| Total other current liabilities | 1,463 | 1,474 |

10. OTHER CURRENT LIABILITIES

| | 31st. December | |
|--|----------------|------|
| | 2012 | 2011 |
| Payroll accruals | 200 | 387 |
| Deferred revenue | 578 | 22 |
| Tax liability | 240 | - |
| Installation, commission expenses and other accrued expenses | 174 | 377 |
| Total other current liabilities | 1,192 | 786 |

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11. SHAREHOLDER'S EQUITY

a. Ordinary shares:

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. Issued and outstanding share capital as at 31 December 2012:

| Shareholder | Shares Subscribed | Thousands of US\$ equivalents | | |
|--|----------------------|-------------------------------|--------------------|-------------------|
| | | Subscribed | Paid-In Capital | Unpaid Capital |
| Bracco do Brasil Empreendimentos e Participações Ltda. | 7.680.000 | 4,094 | 3,774 | 320 |
| Pointer Telocation Ltd. | 7.320.000 | 3,902 | 3,493 | 409 |
| Total | 15.000.000 | 7,996 | 7,267 | 729 |

12. INCOME TAXES

Corporate income taxes are calculated on taxable profits in accordance with the Brazilian income tax legislation at the rate of 25% (income tax) and 9% (social contribution). Carryforward tax losses are allowed to be offset against taxable income in future periods and are not subjected to prescriptive terms, but are restricted to 30% of taxable income of each year.

Taxes and social charges are subject to the review of the Brazilian authorities for final assessment.

The Company continues to be in a loss making position, but for the fiscal year of 2012, and therefore Management believes that the provision for a significant portion of the deferred tax assets is required. As a result, the Company has accrued for impairment an amount equivalent to \$1,634 outstanding at the end of the period.

Income Tax Benefit

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 Company's deferred tax liabilities and assets are as follows, in thousands of US Dollars:

| | December 31, | | 2010 |
|---|--------------|----------|-------------|
| | 2012 | 2011 | (Unaudited) |
| Deferred tax assets: | | | |
| NOLs at the tax rate | 1,538 | 1,401 | 884 |
| Other temporary differences | 96 | 53 | - |
| Gross deferred tax asset before valuation allowance | 1,634 | 1,454 | 884 |
| Valuation allowance | (1,634) | (1,454) | (884) |
| Net deferred tax assets | - | - | - |

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

| | December 31, | | 2010 |
|---|--------------|----------|-------------|
| | 2012 | 2011 | (Unaudited) |
| Income (loss) before taxes, as reported in the consolidated statements of operations | 567 | (3,145) | (1,995) |
| Statutory tax rate | 34 % | 34 % | 34 % |
| Nominal tax expense on the above amount at the Brazilian statutory tax rate | 193 | (1,069) | (678) |
| Nondeductible temporal expenses and other | 550 | - | - |
| Operating carryforward losses for which a valuation allowance was provided in prior years (see above) | (419) | 1,069 | 678 |
| | 324 | - | - |

Carryforward tax losses and deductions:

Carryforward tax losses of the Company totaled approximately US\$ 4,524 as of 31st. December 2012. The carryforward tax losses have no expiration date.