CARTRACK
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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2018

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Cartrack Holdings Limited is an investment holding company operating principally within the telematics industry
Directors	IJ Calisto (executive) JR Edmeston (executive) DJ Brown (non-executive) AT Ikalafeng (non-executive) K White (non-executive)
Registered office	Cartrack Corner Corner Jan Smuts & 7th Avenue Rosebank, Johannesburg South Africa 2196
Business address	Cartrack Corner Corner Jan Smuts & 7th Avenue Rosebank, Johannesburg South Africa 2196
Postal address	PO Box 4709 Rivonia 2128
Holding company	One August Holdings Proprietary Limited Incorporated in South Africa
Bankers	Rand Merchant Bank – a division of FirstRand Bank Limited Mercantile Bank Limited Nedbank Limited Standard Bank Limited
Auditors	Grant Thornton Johannesburg Partnership Chartered Accountants (SA) Registered Auditors A South African member firm of Grant Thornton International
Secretary	A De Villiers
Company registration number	2005/036316/06

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The reports and statements set out below comprise the consolidated annual financial statements presented to the shareholders:

Level of assurance

These consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Preparer

F Hassim CA(SA)
Group reporting accountant

Issued

24 April 2018

DIRECTORS' RESPONSIBILITIES AND APPROVAL

For the year ended 28 February 2018

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to April 2019 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's consolidated annual financial statements. The consolidated annual financial statements have been examined by the group's external auditors and their report is presented on pages 5 to 8.

The consolidated annual financial statements set out on pages 12 to 44, which have been prepared on the going concern basis, were approved by the board on 24 April 2018 and were signed on their behalf by:

IJ Calisto
(Executive)

JR Edmeston
(Executive)

Rosebank
24 April 2018

GROUP SECRETARY'S CERTIFICATION

For the year ended 28 February 2018

Certificate by group company secretary in accordance with Section 88(2) (e) of the Companies Act 71 of 2008.
I, Annamè de Villiers, in my capacity as group company secretary, confirm to the best of my knowledge and belief, that, for the year ended 28 February 2018, Cartrack Holdings Limited has filed the returns and notices required in terms of the provisions of the Act and that all such returns and notices appear to be true, correct and up to date.

A De Villiers
Company secretary

Rosebank
24 April 2018

AUDIT COMMITTEE REPORT

For the year ended 28 February 2018

1. MANDATE AND TERMS OF REFERENCE

The audit and risk committee ("ARC") operates within the boundaries of a mandate approved and reviewed annually by the board. In accordance with the requirements of the Companies Act, 2008, the members of the ARC are appointed by shareholders at the annual general meeting.

The primary responsibilities of the ARC are to ensure the integrity of the financial reporting and audit processes as well as that of the internal control system and risk management process. The complete terms of reference are available on www.cartrack.com.

2. MEMBERSHIP AND MEETINGS

Members: K White (Chair), DJ Brown, AT Ikalafeng. All members are independent, non-executive directors of the Company and collectively have adequate relevant knowledge and experience to effectively discharge their duties.

The chief executive officer and chief financial officer attend the meetings by invitation but do not have a vote. The internal and external auditors have unlimited access to the chair of the ARC and are invited to attend meetings when appropriate . The ARC meets with the external auditors at least once a year without the presence of executive management. During this period the ARC met on five occasions.

3. INDEPENDENT EXTERNAL AUDIT

The Audit Committee has reviewed sections 3, 8, 13, 15 and 22 and schedule 8 of the JSE Listing Requirements and confirms that based on the amended requirements for the JSE-accreditation of Auditors, effective 15 October 2017, it is satisfied that:

(i) the audit firm has met all the criteria stipulated in the requirements, including that the audit regulator has completed a firm-wide independent quality control (ISQC 1) inspection on the audit firm during its previous inspection cycle;

(ii) the auditors have provided to the audit committee, the required IRBA inspection decision letters, findings report and the proposed remedial action to address the findings, both at the audit firm and the individual auditor levels;

(iii) both the audit firm and the individual auditor understand their roles and have the competence, expertise, experience and skills required to discharge their specific audit and financial reporting responsibilities; and

(iv) the auditors are independent to the company.

4. INTERNAL AUDIT

The group internal audit function reports directly to the chairman of the ARC. The internal audit function is regarded as being sufficiently independent of the activities being audited. The internal audit plan is reviewed and adjusted on a continual basis to ensure effectiveness and is based on the relevant degree of inherent risk of the business.

5. ANNUAL REVIEWS

In accordance with the principles and practices of King IV, the ARC confirms that it has considered and satisfied itself that the current global chief financial officer, John R Edmeston, possesses the appropriate qualifications, expertise and experience required to effectively discharge his duties. The ARC has reviewed the Group's system of internal financial controls, risk management and expertise, resources and experience of the company's finance function and concluded that they are adequate and effective.

6. ANNUAL FINANCIAL STATEMENTS

The ARC reviewed the consolidated annual financial statements of the Cartrack group for the year ended 28 February 2018, and specifically:

- confirmed the going concern as the basis of preparation of the annual financial statements;
- ensured that the annual financial statements fairly present the financial position of the Group as at the end of the period and the results of operations and cash flows for the financial period;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- reviewed the representation letter relating to the annual financial statements which was signed by management; and
- considered any problems identified that could have a material impact on the annual financial statements.

The ARC is of the view that the annual financial statements comply with the relevant provisions of the Companies Act, JSE Listings Requirements and IFRS in all material respects and fairly presents the financial position at that date, the results of its operations and the cash flows for the year.

The ARC concluded that it had achieved its objectives for the financial year and recommended the consolidated annual financial statements for the year ended 28 February 2018 to the board for approval.

K White
Chair: audit & risk committee

Rosebank
24 April 2018

Independent Auditor's Report
To the Shareholders of
Cartrack Holdings Limited

Report on the audit of the financial statements

Opinion
We have audited the consolidated financial statements of Cartrack Holdings Limited and its subsidiaries (the group) as set out on pages 12 to 44, which comprise the consolidated statement of financial position as at 28 February 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 28 February 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment testing	
At 28 February 2018, the Group has goodwill with a carrying value of R108 million, recognised as a result of the acquisition of various subsidiaries in previous periods. In terms of IAS 36 *Impairment of Assets*, management are required to perform an impairment test on goodwill at least annually. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management, as disclosed in notes 1.4, and 4 to the annual financial statements. We have determined that this is a key audit matter due to the judgement required by management in preparing a 'value-in-use' model to satisfy the impairment test.	In considering the appropriateness of management's judgement and estimation used in the annual impairment test, we performed the following audit procedures: • Reviewed the model for compliance with IAS 36 *Impairment of Assets;* • Assessed the determination of Cash Generating Units based on our understanding of how management monitors the Group's operations and make decisions about groups of assets that generate independent cash flows; • Verified the mathematical accuracy and appropriateness of the methodology applied in the underlying model and calculations; • Checked the accuracy and relevance of the input data provided by management based on our knowledge of the business and industry; • Evaluated the cash flow projections and the process by which they were developed,

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Grant Thornton

	compared the cash flows to the latest Board approved budgets, and assessed the historical accuracy and reasonableness of the budgeting process; • Assessed the key assumptions applied by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the Group; and • Performed a sensitivity analysis of the key assumptions applied in the model and considered the potential impact of reasonably possible downside changes in these key assumptions. • We furthermore assessed the adequacy of the disclosure about these assumptions to which the outcome of the annual impairment test is most sensitive. That is, those disclosures that have the most significant effect on the determinations of the recoverable amount of goodwill.
Reasonability testing of allowance for impairment of trade receivables The allowance for impairment of trade receivables is considered to be a key matter as it requires the application of judgement and use of subjective assumptions by management, particularly on a group level where additional provision has been raised in the past for group accounts. Refer notes 8 and 31.2.a to the financial statements. Component auditors are instructed to evaluate the reasonableness of the valuation of these receivables based on the specific trade debtor's circumstances. The component auditors evaluated management assumptions in determining the allowance, including by analysing the ageing and by evaluating specific trade debtor's risks.	The audit procedures on the valuation of trade receivables are evaluated at each component level and evaluated against group expectation. The reasonability of the allowance for impairment of trade receivables has been tested as follows: • Verified the mathematical accuracy of the debtors age analysis; • Recalculated the aging of the age analysis • Samples were selected to confirm the existence of receivables at year end by tracing to subsequent receipts; • Assumptions and judgements used in calculating the allowance for impairment of trade receivables were considered for reasonableness, appropriateness and consistency when compared against the previous year's and expectations • Assessed adequacy of the allowance for impairment of trade receivables • Confirmed with the Group's legal counsel concerning litigation against receivable amounts and their assessment of success of claims. In addition to those procedures performed by the component auditors, we have evaluated, as part of our audit procedures at Group level, the reasonableness of the valuation of receivables overall, following the same approach. As part of our audit, we also evaluated the adequacy of the Group's disclosures in notes 8 and 31.2.a to the financial statements regarding the allowance for impairment of trade receivables and the change in this allowance during the year

Other information
The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements
The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Grant Thornton has been the auditor of Cartrack Holdings Limited for seven years.

Grant Thornton

GRANT THORNTON
Registered Auditors
Practice Number: 903485E

J Barradas
Registered Auditor
Chartered Accountant (SA)

24 April 2018

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

DIRECTORS' REPORT

For the year ended 28 February 2018

The directors have pleasure in submitting their report on the consolidated annual financial statements of Cartrack Holdings Limited (Cartrack) for the year ended 28 February 2018. The company annual financial statements have not been included herein as they do not contain any significant additional information that could impact user's decisions based on the results of the Group. The company annual financial statements are available on the company website: www.cartrack.com.

1. NATURE OF THE BUSINESS

Cartrack is a leading global provider of solutions for mobile asset management, asset recovery, workforce optimisation and data analytics based on a proven telematics platform. Fleet management ('Fleet'), stolen vehicle recovery ('SVR') and insurance telematics services remain its primary offerings while it continues to develop innovative, first-to-market solutions aimed at further enhancing its customers' experience. Cartrack has an extensive footprint in 24 countries across Africa, Europe, North America, Asia Pacific and the Middle East. With a base of more than 750 000 active subscribers, the group ranks among the largest telematics companies globally.

Cartrack's vision is to achieve global industry leadership in the telematics industry by ensuring that it is the technology of choice to manage both fleets and workforces. Its mission is to provide its customers and partners with real-time actionable business intelligence, based on advanced technology and reliable data.

2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

Cartrack has geared itself for growth while delivering a robust set of annual results with EPS growth of 17%. This was achieved as a result of strong subscriber and revenue growth while maintaining industry-leading operating profit and EBITDA margins of 33% (FY17: 32%) and 49% (FY17: 46%) respectively. These operating metrics are indicative of the strong performance of the annuity-based revenue model in a growth environment. The ongoing strategic decision to invest in distribution and operating capacity in pursuit of sensible growth, and the realisation of economies of scale across businesses and segments will continue to generate robust results in the future.

The group achieved subscriber growth of 25%, increasing from 600 610 to 751 380 subscribers. South Africa, Europe and Asia Pacific all contributed positively to the growth, while the Africa-Other segment showed a decrease in subscribers of 2% as a result of the challenging economic conditions across this segment. The group continues to maintain a strong order book while focusing efforts on channel and market development.

Revenue increased by 16% from R1 141 million to R1 324 million. Annuity revenue increased by 19% and represents 88% of total revenue. The increase in revenue can primarily be attributed to strong subscriber growth. Revenue was negatively impacted on consolidation by the strengthening rand. Had exchange rates remained unchanged, revenue would have increased by 18% to R1 343 million.

The group continued to invest in operational, distribution and service capacity, while also accelerating its investment in research and development. This resulted in operating expense growth of 21%. Operating profit increased by 18% from R369 million to R434 million. EBITDA increased by 25% from R522 million to R652 million largely as a result of the increased depreciation charge related to increased rental sales over the past 24 months.

EPS increased by 17% to 100.5 cents (FY17: 86.0 cents). HEPS and NEPS increased by 17% and 18% to 100.0 cents (FY17: 85.4 cents) and 100.0 cents (FY17: 84.6 cents) respectively. Return on equity of 59% (FY17: 55%) and return on assets of 33% (FY17: 35%) remain indicative of the efficient application of capital across the group.

Lucrative growth opportunities are evident across all channels to market and in each operating region as the demand for telematics data continues to increase. Opportunities to develop further vertically aligned revenue streams remain at the forefront of management's short and medium-term strategy

3. SHARE CAPITAL

There have been no changes to the authorised or issued share capital during the year under review.

4. DIVIDENDS

Dividends paid to shareholders of the group during the year under review amount to R166 042 194.

Management has re-evaluated the dividend policy, presently being a targeted cover of between 1,25 and 2,5 times HEPS. The revised dividend policy provides for a target cover of between two and four times HEPS, to be effective for FY19.

Subsequent to the financial year ended 28 February 2018, a dividend has been declared in the amount of 28 cents per share, which is payable by 9 July 2018.

DIRECTORS' REPORT (CONTINUED)

For the year ended 28 February 2018

5. DIRECTORATE

The directors in office at the date of this report are as follows:

IJ Calisto (executive)	Global chief executive officer
JR Edmeston (executive)	Global chief financial officer
DJ Brown (non-executive)	Independent chairperson
AT Ikalafeng (non-executive)	Independent
K White (non-executive)	Independent

There have been no changes to the directorate for the year under review.

6. ACQUISITIONS AND NEW OPERATIONS

During the year the group acquired the full control of Cartrack Technologies (China) Limited and PT. Cartrack Technologies Indonesia for 20,000 Singapore dollars and 46,405 US dollars respectively. The group acquired 51% interest in Cartrack New Zealand for 510 New Zealand dollars in April 2017. Refer to note 28.

Auto Club LDA was incorporated in March 2017. The group has a holding of 80% in this entity.

7. DIRECTORS' INTERESTS IN SHARES

The directors' interests in shares are set out below:

Interests in shares

Shareholders (Indirect shareholding)

	%	Indirect
One August Holdings Proprietary Limited (Director IJ Calisto (executive))	68%	203 980 424
Georgem Holdings Proprietary Limited (Director J Marais (director of associated company))	11,83%	35 500 000
	79,83%	239 480 424

Georgem Holdings Proprietary Limited where J Marais is a director, has sold 519 756 shares on 2 February 2018 to the market at a price of R19,25. The interest has decreased from 12% to 11,83%.

8. RELATED PARTY TRANSACTIONS

The details of related party transactions are set out in note 30 of the consolidated annual financial statements.

9. HOLDING COMPANY AND SHAREHOLDING

Onecell Holdings Proprietary Limited has divested its shares in Cartrack to One August Holdings Proprietary Limited and Georgem Holdings Proprietary Limited as at 1 February 2018. One August Holdings Proprietary Limited holds 68% of the company's equity.

Shareholding analysis

The following table lists the shareholders of the group:

Shareholders spread	No of shareholders	% of shareholders	Number of shares	% of issued capital
Public shareholders (<5%)	**767**	**99,74**	**60 519 576**	**20,17**
Non-public shareholders:				
One August Holdings (Pty) Ltd (68%)	1	0,13	203 980 424	68,00
Georgem Holdings (Pty) Ltd (11.83%)	1	0,13	35 500 000	11,83
	2	**0,26**	**239 480 424**	**79,83**
Share range:				
1 – 1 000	418	54,36	81 464	0,03
1 001 – 10 000	193	25,10	792 998	0,26
10 001 – 50 000	89	11,57	2 192 502	0,73
50 001 – 100 000	21	2,73	1 629 040	0,54
100 001 – 500 000	23	2,99	4 298 082	1,43
500 001 – 1000 000	9	1,17	7 278 270	2,43
1 000 001 and over	16	2,08	283 727 644	94,58
	769	**100,00**	**300 000 000**	**100,00**

10. LITIGATION STATEMENT

As at the date of this report, the directors are not aware of any existing, pending or threatened litigation proceedings which may have a material effect on the financial position of the group or any subsidiary.

11. AUDITORS

Grant Thornton Johannesburg Partnership continued in office as auditors for the company and its subsidiaries for the year ended 28 February 2018.

At the AGM, the shareholders will be requested to reappoint Grant Thornton Johannesburg Partnership as the independent external auditors of the company and its subsidiaries for the 2019 financial year.

12. SECRETARY

The company secretary is A De Villiers.

Business address:	Cartrack Corner Corner Jan Smuts and 7th Avenue Rosebank, Johannesburg South Africa 2196

The board of directors is satisfied that the group company secretary has the qualifications and experience to effectively discharge the duties.

13. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The consolidated annual financial statements have been authorised for issue by the directors on 23 April 2018. No authority is given to anyone to amend the consolidated annual financial statements after the date of issue.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2018

Figures in rand thousand	Notes	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	516 045	309 255
Goodwill	4	107 597	102 045
Deferred taxation	5	49 488	41 641
		673 130	452 941
Current assets			
Inventories	6	173 680	123 140
Loans to related parties	7	2 272	4 588
Trade and other receivables	8	154 952	151 438
Current taxation receivable		4 143	1 639
Cash and cash equivalents	9	69 573	70 078
		404 620	350 883
Total assets		1 077 750	803 824
EQUITY AND LIABILITIES			
Equity			
Share capital	10	42 488	42 488
Reserves		(53 416)	(56 656)
Retained income		601 224	461 745
Equity attributable to equity holders of parent		590 296	447 577
Non-controlling interest		10 125	14 200
		600 421	461 777
Liabilities			
Non-current liabilities			
Instalment sale obligation	11	28 635	18 123
Amounts received in advance*	13	5 253	–
Deferred taxation	5	2 316	2 066
		36 204	20 189
Current liabilities			
Trade and other payables	12	111 722	94 676
Amounts received in advance*	13	68 860	79 275
Loans from related parties	7	5 486	3 778
Provision for warranties	14	6 482	6 124
Share-based payment liability	15	–	6 030
Instalment sale obligation	11	27 637	12 461
Current taxation payable		55 911	47 209
Bank overdraft	9	165 027	72 305
		441 125	321 858
Total liabilities		477 329	342 047
Total equity and liabilities		1 077 750	803 824

* *Amounts received in advance, previously included in trade and other payables, have been disclosed separately on the face of the statement of financial position (February 2018: R74 113 097; February 2017: R79 275 220).*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 28 February 2018

Figures in rand thousand	Notes	2018	2017
Revenue	16	1 324 245	1 140 989
Cost of sales		(233 949)	(228 598)
Gross profit		1 090 296	912 391
Other income		9 091	6 796
Operating expenses	17	(665 091)	(550 356)
Operating profit		434 296	368 831
Investment revenue	18	3 641	3 962
Finance costs	19	(15 729)	(5 775)
Net non-operating foreign exchange gain	20	–	2 607
Profit before taxation		422 208	369 625
Taxation	21	(111 726)	(105 451)
Profit for the year		310 482	264 174
Other comprehensive loss:			
Items that may be reclassified to profit or loss in future periods:			
Exchange differences on translating foreign operations		(2 795)	(85 716)
Other comprehensive loss for the year net of taxation	22	(2 795)	(85 716)
Total comprehensive income for the year		307 687	178 458
Profit attributable to:			
Owners of the parent		300 146	256 895
Non-controlling interest		10 336	7 279
		310 482	264 174
Total comprehensive income attributable to:			
Owners of the parent		303 386	173 925
Non-controlling interest		4 301	4 533
		307 687	178 458
Earnings per share			
Per share information			
Basic and diluted earnings per share (cents)	34.1	101	86

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2018

Figures in rand thousand	Share capital	Foreign currency translation reserve	Treasury shares	Total reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance at 1 March 2016	42 488	38 419	(12 105)	26 314	375 306	444 108	16 387	460 495
Profit for the year	–	–	–	–	256 895	256 895	7 279	264 174
Other comprehensive income	–	(82 970)	–	(82 970)	–	(82 970)	(2 746)	(85 716)
Total comprehensive income for the year	–	(82 970)	–	(82 970)	256 895	173 925	4 533	178 458
Dividends	–	–	–	–	(164 321)	(164 321)	(5 446)	(169 767)
Increase in holding of subsidiary – Cartrack North East Proprietary Limited	–	–	–	–	(6 135)	(6 135)	(865)	(7 000)
Reduction due to capital distribution in Cartrack Polska.SP.ZO.O	–	–	–	–	–	–	(409)	(409)
Total contributions by and distributions to owners of company recognised directly in equity	–	–	–	–	(170 456)	(170 456)	(6 720)	(177 176)
Balance at 28 February 2017	42 488	(44 551)	(12 105)	(56 656)	461 745	447 577	14 200	461 777
Profit for the year	–	–	–	–	300 146	300 146	10 336	310 482
Other comprehensive income/(loss)	–	3 240	–	3 240	–	3 240	(6 035)	(2 795)
Total comprehensive income for the year	–	3 240	–	3 240	300 146	303 386	4 301	307 687
Dividends	–	–	–	–	(158 345)	(158 345)	(7 696)	(166 041)
Increase in holding of subsidiaries[1]	–	–	–	–	(2 322)	(2 322)	1 496	(826)
Acquisition of subsidiary of NCI portion – Cartrack New Zealand Limited	–	–	–	–	–	–	(2 176)	(2 176)
Total contributions by and distributions to owners of company recognised directly in equity	–	–	–	–	(160 667)	(160 667)	(8 376)	(169 043)
Balance at 28 February 2018	42 488	(41 311)	(12 105)	(53 416)	601 224	590 296	10 125	600 421
Notes	10							

[1] *Cartrack Technologies Asia Pte. Limited acquired full control of Cartrack Technologies (China) Limited and PT. Cartrack Technologies Indonesia. Refer to note 28.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2018

Figures in rand thousand	Notes	2018	2017
Cash flows from operating activities			
Cash generated from operations	23	589 073	473 685
Interest income		3 641	3 962
Finance costs		(11 819)	(3 865)
Taxation paid	24	(113 082)	(87 131)
Net cash from operating activities		467 813	386 651
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(420 067)	(266 542)
Sale of property, plant and equipment		3 432	4 155
Acquisition of subsidiaries, net of cash acquired		(2 176)	–
Net cash from investing activities		(418 811)	(262 387)
Cash flows from financing activities			
Increase in loans from related parties	26	2 011	2 300
Increase in loans to related parties		2 354	(2 964)
Net finance lease receipts	26	21 779	14 281
Dividends paid	25	(166 041)	(169 767)
Reduction due to capital distribution in Cartrack Polska SP.ZO.O		–	(409)
Increase in holding of subsidiaries	28	(826)	(7 000)
Net cash from financing activities		(140 723)	(163 559)
Total cash movement for the year		(91 721)	(39 295)
Cash at the beginning of the period		(2 227)	44 994
Effect of exchange rate movement on cash balances		(1 506)	(7 926)
Total cash at the end of the year	9	(95 454)	(2 227)

ACCOUNTING POLICIES

For the year ended 28 February 2018

1. PRESENTATION OF GROUP FINANCIAL STATEMENTS

Reporting entity

Cartrack Holdings Limited is a company domiciled in the Republic of South Africa. These consolidated annual financial statements for the year ended 28 February 2018 comprise the company and its subsidiaries (collectively the "group" and individually "group companies"). The group is primarily involved in the design, development and installation of telematics technology, data collection and analysis and the delivery of fleet and mobile asset management solutions delivered as Software-as-a-Service (SaaS) and the tracking and recovery of vehicles.

Statement of compliance

The consolidated annual financial statements are prepared in compliance with JSE Listings Requirements, IFRS and Interpretations of those standards, as issued by the International Accounting Standards Board (IASB), the financial reporting pronouncements as issued by the Financial Reporting Standards Council (FRSC) that are relevant to its operations and have been effective for the annual reporting period ending 28 February 2018, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the South African Companies Act 71 of 2008, as amended. The annual financial statements were approved for issue by the board of directors on 23 April 2018 and will be tabled at the annual general meeting of shareholders, on 17 July 2018.

These accounting policies are consistent with the previous period.

Basis of measurement

The consolidated annual financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These consolidated annual financial statements are presented in South African rand (ZAR), which is the company's functional currency. All financial information presented has been rounded off to the nearest thousand ZAR, unless otherwise indicated.

Going concern

The consolidated annual financial statements are prepared on the going-concern basis as the directors believe that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements reflect the financial results of the group. All financial results are consolidated with similar items on a line-by-line basis.

Inter-company transactions, balances and unrealised gains and losses between entities are eliminated on consolidation. To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss of a non-current asset, that loss is charged to statement of profit and loss and other comprehensive income.

Foreign operations

On consolidation, differences arising from the translation of the net investment in a foreign operation are recognised as other comprehensive income and are included in the foreign currency translation reserve. Differences arising from the translation of loans not designated as part of a net investment are recognised as gains/(losses) in the statement of comprehensive income, but do not form part of operating profit; differences arising from the translation of trade receivables and trade payables are recognised as gains/(losses) within operating profit.

On disposal of all or part of the ownership interest in the foreign operation, the proportionate share of the related cumulative gains and losses previously recognised in the foreign currency translation reserve through the statement of profit and loss and comprehensive income are included in determining the profit or loss on disposal of that operation recognised in profit or loss as part of the gain or loss on the disposal.

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results of subsidiaries are consolidated into the group's results from acquisition date until loss of control.

1.1 Consolidation (continued)

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the group company at exchange rates at the dates of the transactions.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rate at the reporting date.

Non-controlling interest

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as an equity transaction.

1.2 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities at amortised cost

The classification is dependent on the purpose for which the financial instrument is acquired and the substance of the contractual arrangement. Management determines the classification of its financial assets and liabilities at the time of the initial recognition and re-evaluates such designation at least at each reporting date.

Initial recognition and subsequent measurement

Financial instruments are recognised on the transaction date when the group becomes a party to the contractual provisions of the instruments and are derecognised when these contractual obligations are discharged, cancelled or expired.

Financial instruments are initially recognised and measured at their fair value.

Loans and receivables comprise of loans, trade receivables, cash and cash equivalents and other receivables and are subsequently stated at amortised cost using the effective interest rate method, less accumulated impairment losses.

Financial liabilities consist of trade and other payables and borrowings. These are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are charged to profit or loss and are included in the allowance against trade and other receivables. When a subsequent event causes the impairment loss to decrease, the impairment loss is reversed in profit or loss. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 28 February 2018

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

Property, plant and equipment is subsequently carried at historical cost less accumulated depreciation and any impairment losses.

Capital rental units are units installed in customers' vehicles and the associated hardware is provided as part of a fixed term contract. The hardware and customer acquisition cost are capitalised over the duration of the contract which is usually 36 months. The group depreciates capital rental units on a straight-line basis over the term of the customer contract. The hardware, consumable charges and installation charges are depreciated in cost of sales. The acquisition costs comprising commission costs, motor vehicle costs and technician salaries are depreciated as part of operating expenses. If a contract with a customer is cancelled before the expiry of its contract term, the future unamortised cost is recognised immediately in profit and loss.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	20 – 50 Years
Capital rental units	Straight line	3 years
Computer software	Straight line	3 years
Furniture and fixtures	Straight line	5 Years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	3 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	5 years
Plant and equipment	Straight line	5 Years
Security equipment	Straight line	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The carrying amount of property, plant and equipment will be derecognised on disposal or when no future economic benefits are expected from its use. Profit and losses on disposal of any items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognised in profit and loss.

1.4 Goodwill

Goodwill is measured at cost less any accumulated impairment losses. Impairment losses recognised as an expense in relation to goodwill are not subsequently reversed.

Goodwill is tested annually for impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination giving rise to goodwill. Each unit or group of units to which the goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

On disposal of the relevant cash-generating unit or subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

1.5 Impairment of non-financial assets

The group's non-financial assets, other than deferred taxation assets, are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment.

The impairment loss charged to profit or loss is the excess of the carrying amount over the recoverable amount.

Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash inflows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs.

With the exception of goodwill, a previously recognised impairment loss will be reversed insofar as estimates change as a result of an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

1.6 Taxation

Taxation expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the taxation arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or as equity; or
- a business combination.

In such cases, current and deferred taxes are charged or credited to other comprehensive income.

Dividend withholding taxation is currently payable on dividends distributed to equity holders of the group at a rate as determined by each country's jurisdiction. This taxation is not attributable to the company, but is collected by the company and paid to the taxation authorities on behalf of the shareholder.

On receipt of a dividend by a company from an investment held in a taxation jurisdiction outside that of the company, any dividend withholding taxation payable is recognised as part of the current taxation.

Income taxation assets and liabilities

Income taxation for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Income taxation liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the taxation rates (and taxation laws) that have been enacted or substantively enacted by the end of the reporting period. The amount of current taxation payable or receivable is the best estimate of the taxation amount expected to be paid or received that reflects uncertainty relating to income taxes.

Deferred taxation assets and liabilities

Deferred taxation is provided by using the liability method, on all temporary differences between the carrying amount of assets and liabilities for accounting purposes and the amounts used for taxation purposes.

The provision for deferred taxation is calculated using enacted or substantively enacted taxation rates at the reporting date that are expected to apply when the asset is realised or liability settled. A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxation asset can be realised.

The provision of deferred taxation assets and liabilities reflects the taxation consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities. Deferred taxation assets and liabilities are offset when the related income taxes are levied by the same taxation authority, there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.

Unrecognised deferred taxation assets are reassessed at each reporting date and recognised to the extent that becomes probable that future taxable profits will be available against which they can be used.

1.7 Leases

Leases where the company assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as a finance lease liability as part of debt.

The capitalised amount is depreciated over the asset's useful life to the expected residual value. Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are charged to profit or loss over the lease term on a straight-line basis.

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Manufacturing costs include an allocated portion of production overheads which are directly attributable to the cost of manufacturing such inventory. The costs attributable to any inefficiencies in the production process are charged to the statement of profit and loss and other comprehensive income as incurred.

Cost is determined on a weighted average cost basis. The cost of finished goods includes the cost of manufacturing.

Management consider the condition of inventories on an annual basis to determine whether an allowance for obsolete stock is required. Amounts are determined based on the net realisable value of potentially obsolete stock.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 28 February 2018

1.9 Employee benefits

Short-term employee benefits

Remuneration of employees is charged to profit or loss. Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short-term employee benefit obligations are measured on an undiscounted basis and are charged to profit or loss as the related service is provided. An accrual is recognised for accumulated leave, incentive bonuses and other employee benefits when the group has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

1.10 Provisions and contingencies

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The group offers stolen vehicle warranties of up to R150 000 in the event of the non-recovery of a vehicle, subject to various terms and conditions. The provision for future warranty claims is based on the average recovery rate, claims histories and probability of theft.

Contingent assets and contingent liabilities are not recognised, but are disclosed.

1.11 Revenue

Revenue is measured at the fair value of consideration received or receivable for the sale of goods and services by the group in the ordinary course of its business activities. Revenue includes amounts earned from the sale of hardware, subscription revenue for vehicle tracking services provided to customers, subscription revenue for fleet management services provided to customers and revenue from the installation of vehicle tracking and fleet management solutions. Revenue is shown net of discounts, value added taxes (both locally and internationally) and after inter-company sales within the group have been eliminated.

The group offers certain arrangements whereby the customer can purchase a combination of the product and services offered by Cartrack, where multiple element revenue arrangements exist, the amount of revenue allocated to each element is based on the fair value of each element. The fair value of each element is determined based on the current market prices of each of the elements when sold separately.

Invoicing for various products and services when sold separately or as part of a multiple revenue arrangement, occurs based on specific contractual terms and conditions.

Hardware and installations

Revenue from the sale of hardware and installation is recognised when:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the amount of revenue can be measured reliably;
- the installation is complete and tested successfully.

Subscription revenue

Subscription-based revenue for vehicle tracking and fleet management and ancillary services is recognised as and when the services are delivered. Amounts invoiced in advance are deferred and recognised in those periods in which the relevant service is delivered. Where hardware is provided as part of a service contract the risk and rewards of ownership do not transfer and service revenue from the rental unit is recognised over the period of the service and is included in subscription revenue.

Interest income

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividend income

Dividends are recognised in profit or loss when the company's right to receive payment has been established.

1.12 Earnings per share and headline earnings per share

Earnings per share

The group presents basic, diluted, headline and normalised earnings per share data for its ordinary shares.

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Headline earnings per share

The calculation of headline earnings per share is based on the net profit attributable to equity holders of the parent, after excluding certain remeasurements in terms of SAICA circular 2-2015, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required for JSE listed companies as defined by the South African Institute of Chartered Accountants. An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in the notes to the consolidated annual financial statements.

Normalised earnings per share

The presentation of normalised earnings per share is not an IFRS or JSE requirement. Management presents this measure as a supplementary performance measure. Normalised earnings represents headline earnings plus/(less) any other unusual nonrecurring and non-operating items not already taken into account in headline earnings. An itemised reconciliation of the adjustments to headline earnings is provided in the notes to the consolidated annual financial statements.

1.13 Segment reporting

The group is organised into geographical business units that engage in business activities from which they earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. The group has five reportable operating segments, each segment providing essentially the same or similar products and services to a homogeneous target market, and for which discrete financial information is available. Segment performance is evaluated regularly by the group's global CFO (deputy CEO) and global CEO to make decisions about resources to be allocated to the segment and to assess its performance.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment.

1.14 Share based payments (cash settled scheme)

Executive members of management and certain senior employees occupying key positions are incentivised through the Cartrack executive share incentive scheme managed through a Trust (the Trust). The Trust creates notional units as a mechanism to determine the quantum of each beneficiary's rights, units being under-pinned by an equal in number of shares acquired by the Trust. Units are allocated to qualifying beneficiaries at no cost and subject to specific vesting criteria. Shares acquired by the Trust never vest in the beneficiaries. At the end of the relevant vesting period, and subject to the vesting criteria having being met, the Trustees, at their discretion, dispose of the relevant shares and distribute the proceeds to the beneficiaries in accordance with the provisions of the Trust Deed.

The costs of the Trust are expensed as incurred and the value of the notional units are recognised as an expense pro rata to the vesting period.

1.15 Significant judgements and sources of estimation uncertainty

The group makes judgements, estimates and assumptions concerning the future when preparing the annual financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgements are disclosed in the relevant notes.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 28 February 2018

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 March 2017:

- Disclosure initiative – amendments to IAS 7

The amendment to IAS 7 requires additional disclosure. This additional disclosure is in note 26.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 March 2018 or later periods:

IFRS 15: Revenue from Contracts with Customers
In June 2014, the IASB issued IFRS 15: Revenue from Contracts with Customers (IFRS 15). The standard is aimed at improving the financial reporting of revenue and improving the comparability of the top line in financial statements globally. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

The company plans to adopt the new standard for the 2019 financial year, using the modified retrospective method on the standard's effective date. During 2017 financial year the company performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2018.

The following areas will be impacted:

- Hardware revenue and subscription revenue
- Accounting for costs in fulfilling a contract
- Presentation of contract assets and liabilities which may require some reclassification

The group has not yet determined with reasonable certainty the monetary impact of this standard. However, the standard will most likely results in the consolidation of revenue streams and aligns them to the estimated life of contracts with customers. Consequently, the acquisition costs related to both cash and rental agreements will be capitalised and depreciated over the estimated life of contracts with customers.

The effective date is 1 January 2018.

IFRS 9: Financial Instruments
In July 2014, the IASB issued the completed version of IFRS 9: Financial Instruments (IFRS 9). The statement addresses the classification and measurement of financial assets and financial liabilities. It also determines the impairment requirements based on an expected credit loss model that replaces IAS 39 incurred loss model. The new hedging model provides for more economic hedging strategies meeting the requirements for hedge accounting. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and financial liabilities and aims to reduce complexity.

The effective date of this standard is 1 March 2018.

The group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard.

It is unlikely that this amendment will have a material impact on the consolidated financial statements.

IFRS 16: Leases
In January 2016, the IASB issued IFRS 16: Leases (IFRS 16). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The group has performed a preliminary assessment of IFRS 16 in the 2018 financial year. The standard will not have a material impact on the consolidated financial statements, however, additional disclosure will be required.

The effective date of this standard is 1 March 2018.

The group intends to apply the modified retrospective approach with the practical expedients as from 1 March 2018.

Other standards
- Annual Improvements 2014-2016 Cycle
- IFRS 2: Classification and Measurement of Share-based Payment Transactions
- IFRIC 22: Foreign Currency Transactions and Advance Consideration
- IFRIC 23: Uncertainty over Income Tax Treatments

These standards that are not yet effective and unlikely to have a material impact on the consolidated financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2018

Figures in rand thousands	2018 Cost	2018 Accumulated depreciation	2018 Carrying value	2017 Cost	2017 Accumulated depreciation	2017 Carrying value
3. PROPERTY, PLANT AND EQUIPMENT						
Buildings	6 592	(2 305)	4 287	5 468	(1 234)	4 234
Capital rental units	761 803	(334 430)	427 373	470 210	(212 133)	258 077
Computer software	5 939	(1 419)	4 520	3 003	(960)	2 043
Furniture and fixtures	7 314	(4 381)	2 933	6 326	(3 614)	2 712
IT equipment	35 865	(22 413)	13 452	24 305	(16 618)	7 687
Leasehold improvements	5 333	(4 208)	1 125	4 659	(4 356)	303
Motor vehicles	91 964	(31 103)	60 861	58 535	(25 626)	32 909
Office equipment	3 667	(3 169)	498	3 277	(3 045)	232
Plant and machinery	2 166	(1 469)	697	2 044	(1 291)	753
Security equipment	805	(506)	299	707	(402)	305
	921 448	(405 403)	516 045	578 534	(269 279)	309 255

Reconciliation of property, plant and equipment – 2018

	Opening balance	Additions	Acquisition subsidiary	Disposals	Transfers and reclassification	Translation adjustments	Depreciation	Total
Buildings	4 234	821	–	–	–	380	(1 148)	4 287
Capital rental units	258 077	358 692	88	–	–	5 089	(194 573)	427 373
Computer software	2 043	2 696	–	–	–	153	(372)	4 520
Furniture and fixtures	2 712	1 409	–	(61)	–	(38)	(1 089)	2 933
IT equipment	7 687	13 309	22	(181)	–	(984)	(6 401)	13 452
Leasehold improvements	303	1 086	–	–	–	(126)	(138)	1 125
Motor vehicles	32 909	41 433	227	(1 900)	–	319	(12 127)	60 861
Office equipment	232	361	–	–	–	257	(352)	498
Plant and machinery	753	164	–	–	–	(20)	(200)	697
Security equipment	305	96	–	–	–	2	(104)	299
	309 255	420 067	337	(2 142)	–	5 032	(216 504)	516 045

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Disposals	Transfers and re-classification	Translation adjustments	Depreciation	Total
Buildings	4 292	1 987	–	–	(1 516)	(529)	4 234
Capital rental units	166 094	236 772	(330)	–	(7 106)	(137 353)	258 077
Computer software	784	1 552	–	–	(16)	(277)	2 043
Furniture and fixtures	3 525	471	(22)	–	(275)	(987)	2 712
IT equipment	8 488	4 038	(22)	–	(532)	(4 285)	7 687
Leasehold improvements	–	311	–	–	3	(11)	303
Motor vehicles	22 666	20 879	(2 170)	–	(1 072)	(7 394)	32 909
Office equipment	715	179	–	–	(369)	(293)	232
Plant and machinery	890	98	–	(16)	(19)	(200)	753
Security equipment	80	255	–	16	–	(46)	305
	207 534	266 542	(2 544)	–	(10 902)	(151 375)	309 255

When capital rental units are fully depreciated, the cost and accumulated depreciation elements are eliminated from the respective categories disclosed in the summary of property, plant and equipment. The cost of the fully depreciated capital rental units amounted to: February 2018: R71 653 549; February 2017: R138 003 722.

Profit on disposal of property, plant and equipment amounts to R1 289 788; February 2017: 1 610 598.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2018

Figures in rand thousands		2018	2017
3.	**PROPERTY, PLANT AND EQUIPMENT** (continued)		
	Assets subject to instalment sale agreement (net carrying amount)		
	The carrying value of assets subject to finance lease agreements (refer note 11) is as follows:		
	Motor vehicles	58 031	27 241

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

4. GOODWILL

Goodwill is allocated to the following cash generating units (CGUs): South Africa, Africa-Other, Europe, Asia-Pacific and Middle East.

	South Africa	Africa-Other	Europe	Asia-Pacific and Middle East	Total
Balance at 1 March 2016	1 656	96 182	55 682	2 491	156 011
Translation adjustments		(42 214)	(11 284)	(468)	(53 966)
Balance at 28 February 2017	1 656	53 968	44 398	2 023	102 045
Translation adjustments		2 012	(313)	1 427	3 126
Additions				2 426	2 426
Balance at 28 February 2018	1 656	55 980	44 085	5 876	107 597

Impairment testing

The group performs its annual impairment test at the end of each financial year.

The group considers the relationship between its market capitalisation and its net book value, among other factors, when performing the annual test of impairment. At 28 February 2018, the market capitalisation of the group exceeded the value of equity by R5 385 025 228 indicating that Goodwill was unimpaired at a group level.

The recoverable amount of the cash-generating units is determined using a discounted cash flow technique, which requires the use of assumptions. Each of the cash flow projections are based on financial budgets and forecasts covering a five-year period, which have been approved by senior management. The cash flow projections include specific estimates for five years and a terminal growth rate thereafter.

The key assumptions used for the in value in use calculations and sensitivity to changes in assumptions is as follows:

	Region	The average rates
Compound annual growth rate		
This is the average annual compound growth rate in the subscriber base that is derived from the forecast acquisition of new subscribers less cancellations (churn) from year 1 (the budget period) through to year 5. The growth rate applied for the acquisition of new subscribers is considered to be the main driver of revenue, profitability and hence free cash flow. CGUs are at different maturity levels in their business cycles and hence will reflect considerably different growth rates; the various geographical markets the CGUs operate within also have differences in their economies which have been taken into consideration. The growth rate determined by management is based on historical data from both external and internal sources and is consistent with reported global telematics growth forecasts for the medium to long term and with the assumptions that a market participant would make.	South Africa Africa-Other Europe Asia-Pacific and Middle East	2018: 15%; 2017: 10% 2018: 10%; 2017: 16% 2018: 24%; 2017: 26% 2018: 29%; 2017: 31%
Terminal growth rate		
The estimated rate of growth after the five-year forecast period. This rate is informed primarily by external forecasts about economic activity by region. Changes in these rates are reflective of changes in market views on the economic growth in those regions.	South Africa Africa-Other Europe Asia-Pacific and Middle East	2018: 3%; 2017: 3% 2018: 4%; 2017: 6% 2018: 2.5%; 2017: 2% 2018: 4%; 2017: 3%

4. GOODWILL (continued)

	Region	The average rates
Discount rate The rate reflects the specific risks relating to the country and industry in which the entity operates. These rates were determined using externally available information. Changes in these rates are reflective of changes in market views on changes in the relative risk profiles of the countries and industry per regions.	South Africa Africa-Other Europe Asia-Pacific and Middle East	2018: 10%; 2017: 20% 2018: 27%; 2017: 36% 2018: 10%; 2017: 13% 2018: 7%; 2017: 6%
Forecast exchange rate Cash flows have been discounted using forecast exchange rates based on externally available information where available. Forecast exchange rates were interpolated based on 15 years of historical data.	Mozambique metical Euro Tanzanian shilling Polish zloty	2018: 0,186; 2017: 0,225 2018: 15,945; 2017: 15,858 2018: 0,006; 2017: 0,006 2018: 3,754; 2017: 3,637

	Value in use 2018	Value in use 2017
Region		
South Africa	7 597	6 620
Africa-Other	119 633	114 168
Europe	162 644	146 723
Asia-Pacific and Middle East	118 089	45 602
Total	407 963	313 113
Goodwill	(107 597)	(102 045)
Value in use in excess of goodwill	300 366	211 068

The group has considered a sensitivity analysis by applying:

- a 10% basis point adjustment to all percentage factors; and
- a 10% change in all non-percentage factors.

In all instances goodwill remained unimpaired.

Figures in rand thousand	2018	2017
5. DEFERRED TAXATION		
The deferred taxation assets and the deferred taxation liability have not been offset.		
The reconciliation is shown below:		
Deferred taxation liability	(2 316)	(2 066)
Deferred taxation asset	49 488	41 641
Total net deferred taxation asset	47 172	39 575
Reconciliation of deferred taxation asset/(liability)		
At beginning of year	39 575	33 477
Decrease in income received in advance	(959)	(4 424)
Increase/(decrease) in tangible fixed assets	(6 390)	(3 706)
(Decrease)/increase in allowances for doubtful debts	(664)	1 690
(Decrease)/increase in accruals	4 290	9 952
Unutilised assessed losses	5 215	1 280
Assets held under finance leases	6 105	1 306
	47 172	39 575

Potential deferred taxation assets

The group has not recognised potential deferred taxation assets relating to assessed losses in start-up subsidiaries that have not yet met the recognition criteria. These potential deferred taxation assets will be recognised and utilised in future periods as and when they meet the recognition criteria.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2018

	Figures in rand thousands	2018	2017
6.	**INVENTORIES**		
	Finished goods	61 597	37 647
	Components	78 061	68 970
	Work in progress	20 927	16 155
	Consumables	13 326	4 782
		173 911	127 554
	Allowance for obsolete stock	(231)	(4 414)
		173 680	123 140

During the year R2 611 241 (2017: R3 598 000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

The allowance for obsolete stock is determined based on an assessment by management of the condition and salability of inventory at the reporting date. Such an allowance is normally required only when a significant change in technology or physical damage renders inventory unfit for purpose. During the year the allowance was utilised to write off obsolete stock identified in the prior year. During the current year there was no material change to the technology resulting in a low, yet appropriate, allowance for obsolete stock at the reporting date.

The allowance was utilised in the current year to write off obsolete stock. Management has made estimates of selling prices and direct costs to sell on certain inventory items.

	Figures in rand thousands	2018	2017
7.	**LOANS TO/(FROM) RELATED PARTIES**		
	Related parties		
	AH Nyimbo	(996)	(1 002)
	Pro-Fit Fitment Centre Proprietary Limited	2 063	1 624
	Cartrack Education Fund (NPO)	200	200
	Cartrack New Zealand Limited	–	2 764
	J De Wet	(3 043)	(2 776)
	P Lim	(1 443)	
	Onecell Proprietary Limited	9	–
	Onecell Proprietary Limited	(4)	–
		(3 214)	810
	Current assets	2 272	4 588
	Current liabilities	(5 486)	(3 778)
		(3 214)	810
	These loans are unsecured, bear no interest and have no fixed terms of repayment. The fair value of these financial instruments approximate the carrying amount.		
8.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	151 959	157 284
	Allowance for impairment of trade receivables	(30 382)	(33 898)
		121 577	123 386
	Prepayments	20 233	16 131
	Deposits	2 912	2 033
	Sundry debtors	8 984	5 846
	Value added taxation receivable	1 246	4 042
		154 952	151 438

Loans and receivables

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (based on prevailing and historical country specific information) are considered indicators that the trade receivable is impaired.

The allowance for doubtful debt recognised is measured as the difference between the carrying amount and the aggregated expected cash flows that the entity expects to recover. The effects of time value of money are not considered to be material for trade receivables. Therefore, these instruments are not discounted as their face values approximate their amortised cost.

The determination of the allowance for doubtful debt is specific to every jurisdiction and requires significant judgement. Management considers internal and external variable collection costs, refundable sales and other taxes as well as the value realisable through the sale of debt to third-party collection agencies in determining the allowance for doubtful debt.

Credit quality of trade and other receivables

Information on credit quality of trade and other receivables is on note 31.2.a.

Figures in rand thousands	2018	2017
8. TRADE AND OTHER RECEIVABLES (continued)		
Trade receivables not provided for		
The ageing of amounts not provided for is as follows:		
Not past due	86 801	73 036
1 month past due	10 240	17 746
2 months past due	10 335	14 563
3 months or more past due	14 201	18 041
	121 577	123 386
Reconciliation of allowance for impairment of trade and other receivables		
Opening balance	(33 898)	(19 509)
Increase in allowance for impairment	(36 043)	(45 728)
Amounts utilised	39 559	31 339
	(30 382)	(33 898)
9. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	473	173
Bank balances	68 660	59 163
Short-term deposits	440	10 742
Bank overdrafts	(165 027)	(72 305)
	(95 454)	(2 227)
Current assets	69 573	70 078
Current liabilities	(165 027)	(72 305)
	(95 454)	(2 227)
Information on cash flow management is included in note 31.2.a.		
10. SHARE CAPITAL		
Authorised		
1 000 000 000 ordinary shares of no par value	1 000 000	1 000 000
Reconciliation of number of shares issued:		
Reported as at beginning of the year	300 000	300 000
700 000 000 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting, on 17 July 2018.		
Issued		
300 000 000 ordinary shares of no par value	42 488	42 488
The group holds 1 234 000 treasury shares. The equivalent notional units are allocated to beneficiaries of the executive share incentive scheme.		
11. INSTALMENT SALE OBLIGATION		
Minimum lease payments due		
– within one year	31 511	13 443
– in second to fifth year inclusive	33 077	20 006
	64 588	33 449
less: future finance charges	(8 316)	(2 865)
Present value of minimum lease payments	56 272	30 584
Non-current liabilities	28 635	18 123
Current liabilities	27 637	12 461
	56 272	30 584

It is group policy to lease certain motor vehicles under instalment sale agreement. The average lease term is three years and the leases bear interest at prime-linked interest rates. The group's obligations under instalment sale are secured by the lessor's charge over the leased assets.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2018

Figures in rand thousands	2018	2017
12. TRADE AND OTHER PAYABLES		
Trade payables	39 775	46 406
Accrued expenses	40 584	29 551
Sundry creditors	10 823	7 393
Value added taxation payable	20 540	11 326
	111 722	94 676
Information on risk management is included in note 31.2.b.		
13. AMOUNTS RECEIVED IN ADVANCE		
Opening balance	79 275	85 487
Revenue deferred in current period	112 661	119 797
Revenue recognised in current period	(118 118)	(107 743)
Translation adjustments	295	(18 266)
	74 113	79 275
Short term portion	68 860	79 275
Long term portion	5 253	–
	74 113	79 275

	Opening balance	Raised during the year	Utilised during the year	Total
14. PROVISIONS FOR WARRANTIES				
Reconciliation of provisions for warranties – 2018				
Provisions for warranties	6 124	9 231	(8 873)	6 482
Reconciliation of provisions for warranties – 2017				
Provisions for warranties	5 500	6 113	(5 489)	6 124

The warranty provision represents management's best estimate of the group's liability in the event of non-recovery of vehicles subject to the limited recovery warranty. The provision for warrantee payouts is determined based on historical loss data observed over at least five years. The provision is management's best estimate of the amount that will be paid out in the following financial year.
The provision was determined based on the following key assumptions:

	Number of vehicles subject to warranty	Historical claims rate	Average pay-out per vehicle
– 2018			
Warranty provision	152930	0,0003	136
– 2017			
Warranty provision	117267	0,0004	131

15. SHARE-BASED PAYMENTS (CASH SETTLED SCHEME)

1 234 000 Treasury shares were acquired in FY16 for allocation in the executive share incentive scheme. The share-based payment liability is R– (2017: R6 029 499). The vesting criteria for the share scheme were not met at the vesting date. This was primarily as a result of the significant appreciation in the rand resulting in lower non-rand denominated consolidated profit in the vesting year compared to the forecast profit that informed the vesting criteria. The share-based payment liability was therefore released to the income statement for the year ended 28 February 2018. In the prior year, an expense of R2 019 000 was recognised in the income statement. The board of directors have proposed a new long-term incentive scheme and have resolved, pending JSE and shareholder approval, to continue to hold the treasury shares for that purpose.

Figures in rand thousands	2018	2017
16. REVENUE		
Sale of hardware	138 639	144 008
Subscription revenue	1 165 532	980 017
Sundry sales	20 074	16 964
	1 324 245	1 140 989
17. OPERATING EXPENSES		
Depreciation	106 970	71 794
Employee costs	340 429	270 312
Operating lease rentals	30 676	25 504
Motor vehicle expenses	52 548	34 995
Net operating foreign exchange loss	1 974	1 635
Other operating expenses*	78 021	111 696
Research and development*	54 473	34 420
	665 091	550 356
* *Expense items have been reallocated to more accurately represent the nature of their cost.*		
18. INVESTMENT REVENUE		
Interest income – cash balances	3 641	3 962
19. FINANCE COSTS		
Finance leases	3 910	1 910
Overdraft	11 819	3 865
	15 729	5 775

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2018

Figures in rand thousands	2018	2017
20. NET NON-OPERATING FOREIGN EXCHANGE GAIN		
Net non-operating foreign exchange gain	–	2 607
	–	2 607
In 2017 net non-operating exchange gain comprises: R2 607 500 gain due to capital distribution in Cartrack Polska.SP.ZO.O.		
21. TAXATION		
Major components of the taxation expense		
Current taxation expense		
Income taxation – current period	126 142	111 340
Income taxation – prior year	(6 862)	209
	119 280	111 549
Deferred taxation income		
Deferred taxation – current period	(7 982)	(4 289)
Deferred taxation – prior year	428	(1 809)
	(7 554)	(6 098)
	111 726	105 451
Reconciliation of the taxation expense		
Reconciliation between accounting profit and taxation expense:		
Accounting profit	422 208	369 625
Taxation at the applicable taxation rate of 28% (2017: 28%)	118 218	103 495
Taxation effect of adjustments on taxable income		
Utilisation of previously unrecognised taxation losses	(4 856)	(1 539)
Foreign taxation differential	(2 760)	(2 392)
Non-taxable income	(8 734)	(1 329)
Non-deductible expenses	10 017	614
Current year losses for which no deferred taxation asset is recognised (refer note 5)	6 275	4 584
Prior year deferred taxation adjustment	428	1 809
Prior year income taxation adjustment	(6 862)	209
	111 726	105 451

The income taxation rate for the subsidiaries in South Africa is 28% (2017: 28%) and the foreign owned subsidiaries are taxed at the taxation rate applicable in their countries.

The group operates in many countries and is subject to taxes in numerous jurisdictions. Judgement is required in determining the provision for taxes. Amounts provided are accrued based on management's interpretation of country taxation laws and likelihood of settlement. Actual liabilities could differ from the amount provided.

	Foreign currency translation reserve	Non-controlling interest	Net
22. OTHER COMPREHENSIVE INCOME			
Components of other comprehensive income – 2018			
Exchange differences on translation of foreign operations	3 240	(6 035)	(2 795)
Components of other comprehensive income – 2017			
Exchange differences on translation of foreign operations	(82 970)	(2 746)	(85 716)

Figures in rand thousands	Note	2018	2017
23. CASH GENERATED FROM OPERATIONS			
Profit before taxation		422 208	369 625
Adjustments for:			
Depreciation	3	216 504	151 375
Gains on disposal of property, plant and equipment		(1 290)	(1 610)
Net operating foreign exchange gain	17	1 974	1 635
Investment income		(3 641)	(3 962)
Finance costs		15 729	5 775
Changes in working capital:			
Inventories		(50 540)	(34 822)
Trade and other receivables		(3 514)	(22 783)
Trade and other payables*		17 046	14 153
Amounts received in advance (short term and long term)*		(5 162)	6 213
Share based payment liability		(6 030)	2 020
Provision for warranties		358	624
Translation effect of foreign operations		(14 569)	(14 558)
		589 073	473 685

* *Amounts received in advance, previously included in trade and other payables, has been disclosed separately R5 612 000 (2017: R6 213 000). This presentation fairly represents the cashflow effects of the group.*

	2018	2017
24. TAXATION PAID		
Balance at beginning of the year	(45 570)	(21 152)
Current taxation for the year recognised in profit or loss	(119 280)	(111 549)
Balance at end of the year	51 768	45 570
	(113 082)	(87 131)
The balances shown above are the net of current taxation receivable and payable.		
25. DIVIDENDS PAID		
Dividends	(166 041)	(169 767)

Management has re-evaluated the dividend policy, presently being a targeted cover of between 1,25 and 2,5 times HEPS. The revised dividend policy provides for a target cover of between two and four times HEPS, to be effective for FY19.

	1 March 2017	Net cash flow	Foreign exchange movement	Total
26. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES				
Changes in liabilities arising from financing activities				
Liabilities				
Loans from related parties	3 778	2 011	(303)	5 486
Instalment sale obligation	30 584	21 779	3 910	56 273

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2018

27. MATERIAL NON-CONTROLLING INTEREST

The following table summarises the information relating to the group's subsidiary that has material non-controlling interest (NCI), before any intra-group eliminations.

Figures in rand thousands	2018	2017
	Cartrack Limitada	
NCI percentage	**50%**	**50%**
Principal place of business	Mozambique	Mozambique
Revenue	58 670	56 861
Profit for the year after tax	21 309	13 934
Other comprehensive income	(6 035)	(2 792)
Total comprehensive income	15 274	11 142
Profit attributable to NCI	10 655	6 967
Other comprehensive income attributable to NCI	(3 018)	(1 396)
Total comprehensive income attributable to NCI	7 637	5 571
Non-current assets	8 757	7 314
Current assets	36 377	28 835
Non-current liabilities	–	–
Current liabilities	(22 169)	(21 055)
	22 965	15 094
Net assets attributable to NCI	11 483	7 547
Cash flows from operating activities	17 495	15 865
Cash flows from investing activities	(1 724)	(630)
Cash flows from financing activities	(12 960)	(9 060)
	2 811	6 175
Dividends paid to NCI	(7 173)	(4 249)

28. ACQUISITION OF ADDITIONAL INTEREST

Acquisitions occurring during the year ended 28 February 2018

Cartrack New Zealand Limited

In April 2017, the group acquired 51% interest in Cartrack New Zealand Limited for a cash consideration of 510 New Zealand dollars (NZD) from Johan De Wet. Assets and liabilities with fair values of 149 715 NZD and 655 715 NZD were acquired. The group acquired this company in order to achieve economies of scale, standardisation, integration and operational simplification in order to stimulate future growth.

Cartrack Technologies (China) Limited

In July 2017, the group acquired the full minority interest in Cartrack Technologies (China) Limited for a cash consideration of 20 000 Singapore dollars (R191 644) from YC Lee. The group acquired this company in order to achieve economies of scale, standardisation, integration and operational simplification in order to stimulate future growth.

PT. Cartrack Technologies Indonesia

In November 2017, the group acquired the full minority interest in PT. Cartrack Technologies Indonesia for a cash consideration of 46,405 US dollars (R634 588) from minority shareholder. The group acquired this company in order to achieve economies of scale, standardisation, integration and operational simplification in order to stimulate future growth.

Acquisitions occurring during the year ended 28 February 2017

Cartrack North East (Pty) Ltd

In July 2016, the group acquired the full minority interest of 24,5% in Cartrack North East (Pty) Ltd for a cash consideration of R7 million from the Phillip Oosthuysen Trust. The new shareholding in Cartrack North East (Pty) Ltd is 100%. The group acquired this company in order to achieve economies of scale standardisation, integration and operational simplification in order to stimulate future growth.

29. INTERESTS IN SUBSIDIARIES

The following table lists the entities which are controlled by the group.

Name of company	Held by	Country of incorporation	% holding 2018	% holding 2017
Cartrack Proprietary Limited**	Cartrack Holdings Limited	South Africa	100,00	100,00
Cartrack Tanzania Limited	Cartrack Holdings Limited	Tanzania	60,00	60,00
Retriever Limited	Cartrack Holdings Limited	Kenya	85,00	85,00
Retriever Rwanda Limited***	Cartrack Holdings Limited	Rwanda	–	60,00
Cartrack Engineering Technologies Limited	Cartrack Holdings Limited	Nigeria	99,99	99,99
Cartrack Namibia Proprietary Limited	Cartrack Holdings Limited	Namibia	100,00	100,00
Cartrack Technologies Proprietary Limited	Cartrack Holdings Limited	South Africa	100,00	100,00
Cartrack Technologies Asia** Pte. Limited	Cartrack Holdings Limited	Singapore	100,00	100,00
Cartrack Manufacturing Proprietary Limited	Cartrack Holdings Limited	South Africa	100,00	100,00
Cartrack Management Services Proprietary Limited	Cartrack Holdings Limited	South Africa	100,00	100,00
PT. Cartrack Technologies Indonesia	Cartrack Technologies Asia Pte. Limited	Indonesia	100,00	65,00
Cartrack Investments UK Limited	Cartrack Technologies Asia Pte. Limited	United Kingdom	100,00	100,00
Cartrack Technologies (China) Limited	Cartrack Technologies Asia Pte. Limited	China	100,00	90,00
Cartrack Malaysia SDN.BHD	Cartrack Technologies Asia Pte. Limited	Malaysia	100,00	100,00
Cartrack Technologies LLC	Cartrack Technologies Asia Pte. Limited	United Arab Emirates	100,00	100,00
Cartrack Technologies PHL.INC	Cartrack Technologies Asia Pte. Limited	Philippines	51,00	51,00
Cartrack Technologies South East Asia Pte. Limited	Cartrack Technologies Asia Pte. Limited	Singapore	100,00	100,00
Cartrack INC.**	Cartrack Ireland Limited	United States of America	100,00	100,00
Cartrack Ireland Limited**	Cartrack Technologies Asia Pte. Limited	Republic of Ireland	100,00	100,00
Cartrack Technologies (Thailand) Company Limited	Cartrack Technologies Asia Pte. Limited	Thailand	100,00	100,00
Cartrack New Zealand Limited	Cartrack Technologies Asia Pte. Limited	New Zealand	51,00	–
Cartrack Limitada	Cartrack Proprietary Limited	Mozambique	50,00	50,00
Cartrack Polska.SP.ZO.O**	Cartrack Ireland Limited	Poland	90,91	90,91
Cartrack Fleet Management Proprietary Limited	Cartrack Proprietary Limited	South Africa	74,00	74,00
Cartrack North East Proprietary Limited	Cartrack Proprietary Limited	South Africa	100,00	100,00
Combined Telematics Services Proprietary Limited	Cartrack Proprietary Limited	South Africa	49,00	49,00
Plexique Proprietary Limited	Cartrack Proprietary Limited	South Africa	100,00	100,00
Zonke Bonke Telecoms Proprietary Limited	Cartrack Proprietary Limited	South Africa	100,00	100,00
Cartrack Europe SGPS, S.A.	Cartrack Investments UK Limited	Portugal	100,00	100,00
Cartrack Capital SGPS, S.A.	Cartrack Investments UK Limited	Portugal	100,00	100,00
Cartrack Portugal S.A.*	Cartrack Europe SGPS, S.A	Portugal	100,00	100,00
Cartrack Espana, S.L	Cartrack Capital SGPS, S.A	Spain	100,00	100,00
Auto Club LDA****	Cartrack Technologies LLC	Mozambique	80,00	–

* *Cartrack – Sistema de Controlo e Identificacoa de Veiculos, S.A has changed its name to Cartrack Portugal S.A.*

** *The group had a restructuring exercise to improve operational efficiencies. The transactions were executed as dividend in specie with no cash flows.*

*** *Retriever Rwanda Limited has deregistered in May 2017.*

**** *Auto Club LDA is a start up operation.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2018

29. INTERESTS IN SUBSIDIARIES (continued)

Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The group also considers the following facts and circumstances in assessing whether it has power over an investee:

(a) Contractual arrangements.
(b) Rights arising from contractual arrangements.
(c) Group's voting rights and potential voting rights.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate changes to the elements of control.

30. RELATED PARTIES

Relationships

Ultimate holding company	Madeira Calisto Family Holdings Proprietary Limited
Holding company	One August Holdings Proprietary Limited
Related parties	Onecell Community Phones Proprietary Limited
	Onecell Community Services Proprietary Limited
	Onecell Data Solutions Proprietary Limited
	Onecell Namibia Proprietary Limited
	Onecell Holdings Proprietary Limited
	Purple Rain Properties No. 444 Proprietary Limited
	Onecell Proprietary Limited
	Cartrack Education Fund (NPO)
	A.H. Nyimbo (shareholder) (Retriever Rwanda Limited and Retriever Limited)
	J Marais (shareholder) (Cartrack Holdings Limited)
	P Lim (shareholder) (Cartrack Technologies PHL. INC)
	SM Machel Jr. (shareholder) (Cartrack Limitada)
	Pro-Fit Fitment Centre Proprietary Limited
	J De Wet (shareholder) (Cartrack New Zealand Limited)
	Brick Capitol
	Georgem Proprietary Limited
	JMPG Marcelino (Shareholder) (Auto Club LDA)
	Cartrack Mozambique LDA
Subsidiary companies	Cartrack Proprietary Limited
	Retriever Limited
	Cartrack Tanzania Limited
	Retriever Rwanda Limited
	Cartrack Engineering Technologies Limited
	Cartrack Namibia Proprietary Limited
	Cartrack Technologies Proprietary Limited
	Cartrack Technologies Asia Pte. Limited
	Cartrack Management Services Proprietary Limited
	Cartrack Manufacturing Proprietary Limited
	Cartrack North East Proprietary Limited
	Cartrack Limitada
	Cartrack Polska.SP.ZO.O
	Cartrack Fleet Management Proprietary Limited
	Zonke Bonke Telecoms Proprietary Limited
	Plexique Proprietary Limited
	Combined Telematics Services Proprietary Limited
	Cartrack Investments UK Limited
	Cartrack Malaysia SDN.BHD
	Cartrack Technologies PHL.INC
	Cartrack Technologies South East Asia Pte. Limited
	Cartrack Technologies (China) Limited

30. RELATED PARTIES (continued)

Relationships

Subsidiary companies	Cartrack Europe SGPS, S.A. Cartrack Capital SGPS, S.A. Cartrack Espana, S.L. Cartrack Portugal S.A. (previously Cartrack - Sistema de Controlo e Identificacao de Veiculos, S.A.) PT. Cartrack Technologies Indonesia Cartrack Technologies (Thailand) Company Ltd Cartrack Technologies LLC Cartrack INC. Cartrack Ireland Limited Cartrack New Zealand Limited Auto Club LDA
Directors	IJ Calisto JR Edmeston DJ Brown AT Ikalafeng K White
Prescribed officers	B Debski A Ittman M Grundhlingh J Marais J Matias E Ong C Sanderson R Schubert M Van Reenen

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2018

Figures in rand thousands	2018	2017
30. RELATED PARTIES (continued)		
Related party balances		
Loan accounts – owing (to)/by related parties		
AH Nyimbo	(996)	(1 002)
Pro-Fit Fitment Centre Proprietary Limited	2 063	1 623
Cartrack Education Fund (NPO)	200	200
Cartrack New Zealand Limited	–	2 765
J De Wet	(3 043)	(2 776)
P.Lim	(1 443)	
Onecell Proprietary Limited	9	–
Onecell Proprietary Limited	(4)	–
	(3 214)	810
Amounts included in trade receivable/(trade payable) regarding related parties		
Onecell Proprietary Limited	1323	2 110
Pro-Fit Fitment Centre Proprietary Limited	4919	4 890
Onecell Holdings Proprietary Limited	3	5
Pro-Fit Fitment Centre Proprietary Limited	(889)	(46)
Onecell Proprietary Limited	(105)	(80)
Onecell Community Services Proprietary Limited	(676)	(369)
Purple Rain Properties No. 444 Proprietary Limited	(890)	(336)
Onecell Holdings Proprietary Limited	(30)	(320)
Brick Capitol	(8)	–
Cartrack Mozambique LDA	1 655	–
	5 302	5 854
Related party transactions		
Sales to related parties		
Onecell Holdings Proprietary Limited	–	(3)
Onecell Proprietary Limited	(6 191)	(11 098)
Pro-Fit Fitment Centre Proprietary Limited	(1 463)	(2 159)
Cartrack Mozambique LDA	(1 655)	–
	(9 309)	(13 260)
Purchases from related parties		
Onecell Holdings Proprietary Limited	433	1 233
Onecell Proprietary Limited	395	356
Onecell Community Phones Proprietary Limited	2 263	1 800
Pro-Fit Fitment Centre Proprietary Limited	6 322	4 526
	9413	7 915
Rent paid to related parties		
Purple Rain Properties No. 444 Proprietary Limited	6 598	3 827
Brick Capitol	2 022	–
	8 620	3 827

31. RISK MANAGEMENT

The board of directors has overall responsibility for the establishment in oversight of the group's risk management framework. The board of directors has established the risk management committee which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risk faced by the group, to set appropriate risk limits, implement controls to enforce limits to monitor risk and adherence to limits.

The audit committee is assisted in its oversight role by internal audit. Internal audit reviews risk and management controls and procedures, the results of which are reported to the audit committee.

31.1 Capital risk management

The group's policy is to maintain a strong capital base, so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors return of the capital, as well as the level of dividends to shareholders.

The capital structure of the group consists of debt, which includes the borrowings disclosed in notes 7 and 11, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

31.2 Financial risk management

The group has exposure to the following risks arising from financial instruments: credit risk, liquidity risk and market risk.

31.2.a Credit risk

Credit risk is the risk of financial loss to the group if a customer fails to meet its contractual obligations, and arises principally from the group's receivables from customer, cash deposits and cash equivalents.

Credit risk is managed by each subsidiary subject to the group's established policy and procedure.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

There are no securities held for trade receivables.

Trade receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the country in which the customer operates. Details of concentration of revenue are included in note 38.

The maximum exposure to credit risk for trade and other receivables by geographic regions are as follows:

Figures in rand thousands	2018	2017
Currencies		
Rand	69 974	70 219
Singapore dollar	13 521	20 158
Mozambique metical	19 034	16 950
Euro	13 209	13 564
Nigerian naira	1 766	1 945
Kenyan shillings	4 666	5 302
Tanzanian shillings	9 611	7 798
Polish zloty	6 143	2 712
US dollar	463	2 874
Other	16 565	9 916
Total	154 952	151 438

The ageing of trade and other receivables as well as detail on allowances raised and unprovided defaults are included in note 8.

Cash and cash equivalents

The group held cash and cash equivalents of R70 million at 28 February 2018 (2017: R70 million). The cash is held with major banks and financial institutions which are rated and regulated in each country. None of the bank's holding deposits show financial strain.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2018

31. RISK MANAGEMENT (continued)

31.2.b Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances.

	Less than 1 year	Between 2 and 5 years
At 28 February 2018		
Instalment sale obligation	27 637	28 635
Trade and other payables	91 182	–
Loans from related parties	5 486	–
Bank overdraft	165 027	–
Provision for warranties	6 482	–
Amounts received in advance	68 860	5 253

	Less than 1 year	Between 1 and 5 years
At 28 February 2017		
Instalment sale obligation	12 461	18 123
Trade and other payables	83 350	–
Loans from related parties	3 778	–
Bank overdraft	72 305	–
Provision for warranties	6 124	–
Amounts received in advance	73 211	6 064

31.2.c Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates. This will affect the group's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, borrowings and net investments in foreign operations are denominated and the respective functional currencies of group companies. The functional currencies of group companies are primarily the ZAR, US dollar (USD), euro (EUR), Mozambican metical (MZN), the Singapore dollar (SGD) and Polish zloty (PLN).

The group does not apply hedge accounting.

31. RISK MANAGEMENT (continued)

31.2.c *Market risk (continued)*

Exposure to significant currency risk

The summarised quantitative data about the group's exposure to currency risk as reported to the management of the group is as follows:

In thousands of	USD	EURO	28 February 2018 MZN	SGD	PLN
28 February 2018					
Trade receivables	1 609	925	100 365	1 906	1 788
Trade payables	–	(1 588)	(117 482)	(1 773)	(4 417)
Loans to related parties	–	–	–	–	–
Loans from related parties	(227)	–	–	–	–
	1 382	(663)	(17 117)	133	(2 640)

In thousands of	USD	EURO	28 February 2017 MZN	SGD	PLN
Trade receivables	337	702	93 432	1 623	745
Trade payables	–	(606)	(519)	(896)	(391)
Loans to related parties	–	–	–	300	–
Loans from related parties	–	–	–	(299)	–
	337	96	92 913	728	354

Sensitivity analysis

A reasonably possible strengthening/weakening of the rand against the Polish zloty (PLN), euro (EUR), Singapore dollar (SGD) and Mozambican metical (MZN), at the 28 February 2018 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant and ignores any impact on sales and purchases. A factor change of 10% has been applied to the exchange rates.

	Exchange rate movement	Profit or (loss) after tax Strengthening of ZAR	Weakening of ZAR
PLN	10%	(350)	350
EUR	10%	(1 400)	1 400
SGD	10%	(2 279)	2 279
MZN	10%	(2 208)	2 208
USD	10%	(667)	667
		(6 904)	6 904

31.2.d *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group's exposure to interest rate risk relates primarily to the group's debt obligation with variable interest rates.

Short-term deposits held at banking institution carry interest rates at prevailing market conditions.

Non-financial instruments were entered into to mitigate the risk of interest rates.

Interest rate sensitivity

The following table illustrates the effects on group's earnings and equity, all other factors remaining constant. A factor of 1% has been applied to the interest rates:

Interest rate sensitivity	
Effect of profit before tax (1% increase)	(1 977)
Effect of profit before tax (1% decrease)	1 977

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2018

32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy.

28 February 2018

R'000	Notes	Carrying amount Loans and receivables	Non-financial instruments	Total
Financial assets				
Loans to related parties	7	2 272	–	2 272
Trade and other receivables	8	133 473	21 479	154 952
Cash and cash equivalents	9	69 573	–	69 573
		205 318	21 479	226 797
Financial liabilities				
Loans from related parties	7	5 486	–	5 486
Instalment sale obligation	11	56 272	–	56 272
Trade and other payables	12	91 182	20 540	111 722
Bank overdraft	9	165 027	–	165 027
Amounts received in advance		74 113	–	74 113
		392 080	20 540	412 620

28 February 2017

R'000	Notes	Carrying amount Loans and receivables	Non-financial instruments	Total
Financial assets				
Loans to related parties	7	4 588	–	4 588
Trade and other receivables	8	131 265	20 173	151 438
Cash and cash equivalents	9	70 078	–	70 078
		205 931	20 173	226 104
Financial liabilities				
Loans from related parties	7	3 778	–	3 778
Finance lease obligation	11	30 584	–	30 584
Trade and other payables	12	83 350	11 326	94 676
Bank overdraft	9	72 305	–	72 305
Amounts received in advance		79 275	–	79 275
		269 292	11 326	280 618

For the 2018 and 2017 years the loans to and from related parties, trade and other receivables and trade and other payables are short term in nature. The fair value of these financial instruments approximates the carrying amount as disclosed above. Instalment lease agreements are variable rate instruments which mature over a period of 36 months. The fair value of these financial instruments approximates the carrying amount as disclosed above (refer to note 11).

33. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

	Emoluments	Bonuses	Other benefits	Directors' fees	Total
2018					
Director's name					
IJ Calisto (executive)	3 128	180	21	–	3 329
JR Edmeston (executive)	2 116	1 660	118	–	3 894
DJ Brown (non-executive)	–	–	–	1 163	1 163
AT Ikalafeng (non-executive)	–	–	–	607	607
K White (non-executive)	–	–	–	597	597
	5 244	1 840	139	2 367	9 590

	Emoluments	Bonuses	Other benefits	Total
Prescribed officers				
B Debski	1 606	124	203	1 933
M Grundlingh	1 126	224		1 350
A Ittman	1 846	154	107	2 107
J Marais	1 752	156	168	2 076
J Matias	1 446	–	–	1 446
E Ong	1 374	115	190	1 679
C Sanderson	1 189	233	86	1 508
RJ Schubert	1 774	157	109	2 040
M Van Reenen	1 272	408	91	1 771
	13 385	1 571	954	15 910

	Emoluments	Bonuses	Other benefits	Directors' fees	Total
2017					
Director's name					
IJ Calisto (executive)	2 923	170	40	–	3 133
JR Edmeston (executive)	1 990	1 458	122	–	3 570
DJ Brown (non-executive)	–	–	–	1 014	1 014
AT Ikalafeng (non-executive)	–	–	–	572	572
K White (non-executive)	–	–	–	563	563
	4 913	1 628	162	2 149	8 852

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2018

	Emoluments	Bonuses	Other benefits	Total
33. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS (continued)				
Prescribed officers				
B Debski	1 144	229	–	1 373
J Marais	1 646	147	137	1 930
J Matias	1 494	–	–	1 494
E Ong	888	148	200	1 236
C Sanderson	1 143	378	86	1 607
RJ Schubert	1 398	117	89	1 604
M Van Reenen	800	50	43	893
	8 513	1 069	555	10 137

Directors and prescribed officers are considered key management and their emoluments are paid for through subsidiary companies of the group.

Figures in rand thousands	2018	2017
34. BASIC EARNINGS PER SHARE		
34.1 Basic earnings per share		
The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue.		
Basic earnings per share		
Basic earnings per share (cents)	101	86
Weighted average number of ordinary shares (basic)		
Issued at the beginning of the year	300 000	300 000
Effect of treasury shares held	(1 234)	(1 234)
	298 766	298 766
Basic earnings		
Profit attributable to ordinary shareholders	300 146	256 895
34.2 Headline earnings per share		
The calculation of headline earnings per share has been based on the following profit attributable to ordinary shareholders computed in terms of note 1.12 and the weighted average number of ordinary shares in issue as determined above in basic earnings per share section.		
Headline earnings per share (cents)	100	85
Reconciliation between basic earnings and headline earnings		
Basic earnings	300 146	256 895
Adjusted for:		
Gain on disposal of assets net of tax	(929)	(1 610)
	299 217	255 285
34.3 Diluted earnings per share		
There are no dilutive instruments and therefore diluted earnings per share is the same as basic earnings per share.		
34.4 Normalised earnings per share		
The calculation of normalised earnings per share has been based on the headline earnings profit computed in terms of note 34.2 attributable to ordinary shareholders and the weighted average number of ordinary shares in issue as determined above in the basic earnings per share section.		
Normalised earnings per share (cents)	100	85
Reconciliation between headline earnings and normalised earnings		
Headline earnings	299 217	255 285
Net non-operating foreign exchange gain	–	(2 607)
	299 217	252 678

Figures in rand thousands	2018	2017

35. COMMITMENTS

Operating leases

	2018	2017
Minimum lease payments due		
– within one year	19 124	18 586
– in second to fifth year inclusive	13 056	29 115
	32 180	47 701

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of three to five years. No contingent rent is payable.

Mercantile Bank Limited has provided a facility of R70 million to Cartrack Proprietary Limited. At 28 February 2018 that facility was fully utilised.

Mercantile Bank Limited has provided a facility of R80 million (2017: R80 million) to Cartrack Manufacturing Proprietary Limited. Cartrack Proprietary Limited has provided limited suretyship in favour of Mercantile Bank Limited for this facility. At the end of the year, the amount was fully utilised (2017: R72 million).

Nedbank Limited has provided a facility of R5 million(2017: R5 million) to Plexique Proprietary Limited. Cartrack Proprietary Limited has provided a limited guarantee for the facility in favour of Nedbank Limited. At the end of the year, the amount utilised was R2 million (2017: R2,5 million).

Cartrack Investments UK Limited has provided Cartrack Espana, S.L with a loan in the amount of euro 1.4 million (2017: euro 1,4 million) (the Loan). Cartrack Technologies Asia Pte. Limited has provided Cartrack Investments UK Limited with a guarantee for repayment of the loan.

The group has signed subordination agreements with all insolvent subsidiaries.

At 28 February 2018, Cartrack Manufacturing Proprietary Limited has no outstanding forward exchange contracts. Cartrack Manufacturing Proprietary Limited had forward exchange contracts in February 2017 of R2,7 million which expired on 3 April 2017.

Figures in rand	2018	2017
Guarantees		
Accelerate Property Fund Limited	–	76 500
FPG Holdings Proprietary Limited	250 000	250 000
Janco Property Investments CC	32 729	32 729
SA Post Office Limited	30 000	30 000
Vodacom Service Provider Company	–	450 000

36. EVENTS AFTER THE REPORTING PERIOD

Cartrack Technologies Asia Pte. Limited has incorporated a new entity in Australia in March 2018 with share capital of 1 000 AUD, with the objective to reserve the Cartrack company name in the country. It has a 100% shareholding in Cartrack Australia Proprietary Limited. The entity is not yet operational.

37. GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

38. SEGMENT REPORTING

The group is organised into geographical business units and has five reportable segments. The group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is evaluated based on revenue and profit or loss and is measured consistently with consolidated financial statements.

Figures in rand thousand	South Africa	Africa-Other	Europe	Asia-Pacific and Middle East	USA	Total
Segment report – 28 February 2018						
Revenue	983 690	104 643	116 263	118 257	1 392	1 324 245
Cost of sales	(187 107)	(13 531)	(13 619)	(19 174)	(518)	(233 949)
Cost of sales – depreciation	(82 311)	(849)	(16 122)	(11 073)	(41)	(110 396)
Cost of sales – other	(104 796)	(12 682)	2 503	(8 101)	(477)	(123 553)
Gross profit	796 583	91 112	102 644	99 083	874	1 090 296
Other income	5 747	206	1 894	1 244	–	9 091
Net operating foreign exchange (loss)/gain	(3 605)	293	834	504	–	(1 974)
Operating expenses*	(422 570)	(59 803)	(86 428)	(85 530)	(8 786)	(663 117)
Operating expense – depreciation	(64 884)	(2 014)	(29 461)	(9 565)	(184)	(106 108)
Operating expenses – other	(357 686)	(57 789)	(56 967)	(75 965)	(8 602)	(557 009)
Operating profit	376 155	31 808	18 944	15 301	(7 912)	434 296
Financing cost	(11 627)	(686)	(1 161)	(2 255)	–	(15 729)
Financing revenue	270	3 354	17	–	–	3 641
Profit before taxation	364 798	34 476	17 800	13 046	(7 912)	422 208
Total tangible assets	625 891	82 745	150 491	101 617	9 409	970 153
Total liabilities	(346 091)	(37 812)	(52 089)	(39 482)	(1 855)	(477 329)
Goodwill						107 597
Equity						600 421

Figures in rand thousand	South Africa	Africa-Other	Europe	Asia-Pacific and Middle East	USA	Total
Segment report – 28 February 2017						
Revenue	861 455	108 610	102 745	68 167	12	1 140 989
Cost of sales	(182 112)	(15 288)	(18 152)	(13 046)	–	(228 598)
Gross profit	679 343	93 322	84 593	55 121	12	912 391
Other income	2 846	516	2 827	607	–	6 796
Net operating foreign exchange (loss)/gain	(4 003)	603	1 689	76	–	(1 635)
Operating expenses*	(364 913)	(54 697)	(69 510)	(55 341)	(4 260)	(548 721)
Operating profit	313 273	39 744	19 599	463	(4 248)	368 831
Financing cost	(5 462)	(67)	(230)	(16)	–	(5 775)
Financing revenue	1 804	2 157	–	1	–	3 962
Non-operating foreign exchange gain	2 607	–	–	–	–	2 607
Profit before taxation	312 222	41 834	19 369	448	(4 248)	369 625
Total tangible assets	435 808	75 485	88 998	97 255	4 233	701 779
Total liabilities	(231 325)	(44 922)	(38 274)	(26 288)	(1 238)	(342 047)
Goodwill						102 045
Equity						461 777

* *Net operating foreign exchange gain/(loss) is disclosed as part of operating expenses in note 17.*

SUPPLEMENTARY INFORMATION

Figures in rand thousand	South Africa	Africa-Other	Europe	Asia-Pacific and Middle East	USA	Total 2018	Total 2017
Constant currency segment report[1]							
Revenue	983 690	111 361	118 756	127 260	2 247	1 343 314	1 140 989
Cost of sales	(189 072)	(14 905)	(14 185)	(21 381)	(562)	(240 105)	(228 598)
Gross profit	794 618	96 456	104 571	105 879	1 685	1 103 209	912 391
Other income	5 748	231	1 928	1 312	–	9 219	6 796
Net operating foreign exchange gain/(loss)	(3 605)	296	834	508	–	(1 967)	(1 635)
Operating expenses	(422 570)	(63 557)	(88 032)	(91 074)	(10 469)	(675 702)	(548 721)
Operating profit	374 191	33 426	19 301	16 625	(8 784)	434 759	368 831
Financing cost	(11 627)	(707)	(1 170)	(2 365)	–	(15 869)	(5 775)
Financing revenue	269	3 480	–	17	–	3 766	3 962
Net non-operating foreign exchange gain	–	–	–	–	–	–	2 607
Net profit before tax	362 833	36 199	18 131	14 277	(8 784)	422 656	369 625

[1] *This pro forma information is the responsibility of the directors of Cartrack.*

The purpose of this pro forma information is to provide insight into the impact of foreign exchange movements on the statement of comprehensive income and related earnings information, and is for illustrative purposes only. Due to its nature, it may not fairly present Cartrack's financial position, changes in equity, and results of operations or cash flows.

The impact is computed as a combination of the following two calculations:

- *Components included in cost of sales are largely procured in US dollars. The impact of currency fluctuations on cost of sales for the period to 28 February 2018 was recomputed by applying the average exchange rates applicable to the corresponding 28 February 2017 cost of sales, being those rates applicable at the dates of stock procurement. On this basis, the cost of sales for period to 28 February 2018 would have decreased by 5%, and*
- *All other actual 28 February 2018 line items were recalculated at the average exchange rates applied for the period ended 28 February 2017.*