



AUDITED  
CONSOLIDATED  
AND COMPANY  
ANNUAL FINANCIAL  
STATEMENTS

**2020**

# GENERAL INFORMATION

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Cartrack Holdings Limited is an investment holding company operating principally within the telematics industry
<b>Directors</b>	IJ Calisto (executive) M Grundlingh (executive) DJ Brown (non-executive) AT Ikalafeng (non-executive) K White (non-executive) S Rapeti (non-executive)
<b>Registered office</b>	Cartrack Corner Corner Jan Smuts & 7th Avenue Rosebank, Johannesburg, South Africa, 2196
<b>Business address</b>	Cartrack Corner Corner Jan Smuts & 7th Avenue Rosebank, Johannesburg, South Africa, 2196
<b>Postal address</b>	PO Box 4709, Rivonia, 2128
<b>Holding company</b>	Karoo (Pte) Limited Incorporated in Singapore
<b>Bankers</b>	Rand Merchant Bank – a division of FirstRand Bank Limited Mercantile Bank Limited Nedbank Limited The Standard Bank of South Africa Limited
<b>Auditors</b>	Deloitte & Touche
<b>Secretary</b>	A de Villiers
<b>Company registration number</b>	2005/036316/06

# INDEX

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

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS	
Statement of directors' responsibility	2
Certificate of the Company Secretary	2
Directors' report	3
Audit and risk committee report	6
Remuneration and nominations committee report	8
Independent auditor's report	11
Consolidated statement of financial position	14
Consolidated statement of profit and loss	15
Consolidated statement of comprehensive income	16
Consolidated statement of changes in equity	17
Consolidated statement of cash flows	18
Accounting policies	19
Notes to the annual financial statements	29
COMPANY ANNUAL FINANCIAL STATEMENTS	
Company Annual Financial Statements	57

---

## Level of assurance

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

## Preparer

**F Hassim CA(SA)**

*Head: Consolidations and Reporting*

## Issued

13 May 2020

# STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 29 February 2020

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the preparation, integrity and fair presentation of the annual financial statements of Cartrack Holdings Limited ("the Company") and its subsidiaries ("the group"). The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, IFRS Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS, SAICA Financial Reporting guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and in accordance with the requirements of the Companies Act No. 71 of 2008 ("the Companies Act"), and include amounts based on judgements and estimates made by management.

The directors consider that, having applied IFRS in preparing the financial statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS that they consider applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of the operations and cash flows for the year, and the financial position of the group and Company at year-end, in accordance with IFRS and the Companies Act.

The directors are also responsible for the systems of internal control established by the group and place considerable importance on maintaining a strong control environment. The standards of internal control include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure reasonable, but not absolute, assurance as to the reliability of the annual financial statements, adequate safeguarding, verification and maintenance of assets, as well as prevention and detection of material misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the Company or the group will not remain a going concern for the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the group and the Company.

The group's external auditors are Deloitte & Touche ("Deloitte") and their unmodified report is presented on pages 11 to 13. The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board of Directors. The Board of Directors believe that all representations made to the independent external auditors during their audit are valid and appropriate.

Deloitte was reappointed as auditors at the annual general meeting ("AGM") on 30 July 2019 in accordance with section 90 of the Companies Act.

The annual financial statements set out on pages 14 to 75 were approved by the Board of Directors on 13 May 2020 and are signed on its behalf by:



**IJ Calisto**  
*Group Chief Executive Officer*

Rosebank  
13 May 2020



**M Grundlingh**  
*Group Chief Financial Officer*

# CERTIFICATE OF THE COMPANY SECRETARY

for the year ended 29 February 2020

In terms of the Companies Act, I certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Properties Commission, for the financial year ended 29 February 2020, all such returns as are required of a public company in terms of section 88 of the Companies Act and that all such returns appear to be true, correct and up to date.



**A de Villiers**  
*Company Secretary*

Rosebank  
13 May 2020

# DIRECTORS' REPORT

for the year ended 29 February 2020

The directors have pleasure in submitting their report on the consolidated and separate annual financial statements of Cartrack Holdings Limited (Cartrack) for the year ended 29 February 2020. The group and Company annual financial statements are available on the Company website: [www.cartrack.com](http://www.cartrack.com).

## Group profile

Cartrack is a leading global Software-as-a-Service provider of mobility solutions for small, medium and large fleets and an insurance analytics, security and safety provider for both businesses and consumers. Data analytics remain Cartrack's primary offering while growing its artificial intelligence and value-added services to deliver a tangible return on investment to its subscribers. Cartrack is also renowned for its agility and speed in developing innovative, first-to-market solutions that are aimed at further enhancing customer experience.

Cartrack's impressive organic growth since being launched in 2004 has resulted in an extensive footprint in 23 countries across Africa, Europe, North America, Asia Pacific, and the Middle East. With an active subscriber base now in excess of 1.1 million, the Group ranks among the largest of its peer companies globally.

Cartrack is a vertically integrated service-centric organisation owning all its unique intellectual property and business processes ranging from in-house design, device and software development, mobile-technical-workshops and sales. Hence, Cartrack is in full control of delivering a superior service while also protecting its industry-leading margins and clean balance sheet.

## Group performance

Cartrack delivered a strong performance across its key growth metrics, with subscription revenue growing by 24%, from R1 521 million to R1 888 million. Subscription revenue now represents 97% (FY19: 90%) of total revenue and may increase further with continued growth and scale. The number of total subscribers increased by 17% from 960 798 to 1 126 515.

Cash generation from operating activities is up 94% to R914 million, reinforcing the group's cash-generative business model.

Cartrack's margin expansion is in line with management's expectations and strategy. The group delivered EBITDA margin of 50% (FY19: 45%) and an operating profit margin of 33% (FY19: 30%).

Operating profit increased by 28% to R642 million from R500 million at FY19, with a basic EPS of 148,3 cents (FY19: 116,4 cents).

The decision for ongoing investment in pursuit of focused growth, coupled with the realisation of economies of scale across business segments, will continue to generate robust results in the future.

The Capital Allocation Committee maintains a focus on ensuring a meaningful return on capital invested for its shareholders.

It is anticipated that demand for mobility solutions and actionable data will continue to increase and growth opportunities across all operating regions and distribution channels will continue to emerge. In addition, Cartrack continues to invest in data analytics and behavioural science to ensure that its customers reap the full benefits of the Cartrack platform and data-driven solutions.

## Accounting practices

The annual financial statements of the group and Company for the year ended 29 February 2020, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, IFRS Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS, SAICA Financial Reporting guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act No. 71 of 2008 and the JSE Listings Requirements.

# DIRECTORS' REPORT (continued)

## Share Capital

There were no changes in the Company's authorised and issued number of ordinary shares during the year under review.

Detailed below is the shareholder spread at the year-end:

Shareholder spread	No of shareholders	Number of shares	% of issued capital
Public shareholders (<5%)	1 452	40 526 477	13,52
Public shareholders (≥5%):			
Goldman, Sachs & Co.	1	19 780 580	6,59
Non-public shareholders:			
Karoo (Pte) Limited	1	203 328 943	67,78
Georgem Holdings (Pty) Limited	1	35 500 000	11,83
IJ Calisto	1	864 000	0,28
		300 000 000	100

## Dividends

Dividends declared during the current year are set out in note 36 of the consolidated financial statements.

Dividends paid during the year under review amount to R104,7 million (FY19: R148,5 million).

Subsequent to the financial year ended 29 February 2020, a dividend has been declared in the amount of 54 cents per share, which is payable on 8 June 2020.

## Directorate

The Board of Directors of the Company ("the Board") comprises:

### Independent Non-executive directors

DJ Brown (Chairperson)  
AT Ikalafeng  
K White  
S Rapeti

### Executive directors

IJ Calisto (Global Chief Executive Officer)  
M Grundlingh (Global Chief Financial Officer)

Details of directors' remuneration are set out in notes 32 of the consolidated annual financial statements and 17 of the Company annual financial statements.

## Directors' interests

The directors' interest in shares at the year-end is set out below. There have been no changes between year-end and date of approval of the financial statements.

Shareholder	Director	% shares	No. of shares
Karoo (Pte) Limited	IJ Calisto (associate) (indirect beneficiary)	67,78	203 328 943
Georgem Holdings (Pty) Limited	J Marais (associate) (indirect beneficiary)	11,83	35 500 000
IJ Calisto	IJ Calisto (direct holding)	0,28	864 000

On 7 October 2019, Karoo (Pte) Limited acquired 28 943 ordinary shares at R13,44 per share as a result of a mandatory offer to shareholders announced on 22 August 2019. The results of the offer were announced on the Stock Exchange News Service ("SENS") on 7 October 2019.

On 21 November 2019, Karoo (Pte) Limited transferred 1 200 000 ordinary shares to IJ Calisto in an off-market transaction at R13,44 per share, to discharge part of an outstanding loan between the parties. Repayment of the loan may be made in cash or by way of transfer of Cartrack ordinary shares at R13,44 per share at the election of IJ Calisto. The number of remaining ordinary shares subject to this option is 203 300 000. On the same day IJ Calisto proceeded with an off-market disposal of 1 200 000 ordinary shares at a price of 25,75 per share. Prior permission for these trades was obtained and it was announced on SENS on 21 November 2019.

## Service contracts

Neither the non-executive directors nor the executive directors have fixed-term employment contracts.

## Borrowing powers

In terms of the Memorandum of Incorporation of the Company, the borrowing powers of the Company are unlimited. The details of borrowings appear in note 15 and 16 of the consolidated annual financial statements.

## Going concern

The Board has reviewed the Company and group cash flow forecast for the 12 months ending 31 May 2021. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the Board is satisfied that the Company and group have access to adequate resources to continue in operational existence for the foreseeable future and are going concerns. The Board has continued to adopt the going concern basis in preparing the financial statements.

# DIRECTORS' REPORT (continued)

## Subsequent events

### COVID-19

COVID-19 is considered to be a non-adjusting post balance sheet event as none of the countries in which the group operates were in a 'lockdown' state at the year-end. As a result, the possible impacts of COVID-19 have not resulted in an adjustment to the carrying values of the group's assets being recognised at the year end, but consideration has been given by the directors to going concern and the subsequent event disclosure in their preparation of the consolidated financial statements for the year ended 29 February 2020.

The global spread of the COVID-19 pandemic, which originated in late 2019 and was declared a pandemic by the World Health Organization in March 2020, has negatively impacted the global economy, disrupted supply chains and created significant volatility in global financial markets. Cartrack's global operations are subject to risks associated with actions taken by governmental authorities to impose changes in laws or regulations to restrict certain business operations and trade as well as domestic and regional travel.

Although Cartrack operates as an essential service in South Africa, Singapore and certain other countries, the pandemic could result in extended work stoppages and has already resulted in restrictions at different levels in the countries in which the group operates. These restrictions have led to a 35% decline in new contracts since the lockdowns were implemented. Whilst cash collections were unaffected in March, a decline of 9% in collections was evident in April, predominantly as a result of accommodating corporate customers to ease their current cash flow difficulties and the inability to contact small and medium enterprises due to closure under the COVID-19 regulations. Conversely, there has been no significant increase in subscriber cancellations during this period with subscriber numbers being 1 141 154 as at the end of April.

These events, together with a number of evolving factors, including the duration and spread of the pandemic, the severity of the impact of the pandemic on economic activity and the changing actions of governmental authorities across the globe, will impact the group's FY21 results in keeping with that of many global organisations. Whilst difficult to quantify, the disruptions caused by COVID-19 will impact Q1 and Q2 FY21 new subscriber growth resulting in flat subscription revenues for the first half of FY21.

Cartrack is actively monitoring these ongoing and potential impacts of COVID-19 in order to mitigate and minimise the impact on its business.

The group operates as a key "must have" service to its customers, driving efficiency through a digital transformation platform. Its vertically integrated business model is well positioned to weather the COVID-19 storm with an unleveraged balance sheet and 97% of current revenues being recurring in nature. Cartrack generates strong cash flows and operates with industry leading margins, giving it a level of operating safety and has access to an unutilised R600 million term facility provided by RMB, of which R50 million is committed and R550 million is currently uncommitted. The debtor collection cycle is tightly managed and the group remains highly liquid.

The group has sufficient inventory on hand to last for 6 months at budgeted volumes (pre COVID-19 budget) and, at present, supply chains are not affected. In addition to this, Cartrack is prudently balancing its costs with the actions such as a temporary freeze on headcount.

As the situation remains fluid (due to evolving changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the economic effects arising from the COVID-19 outbreak and the effect on the results of the company for the full year of 2021 remains uncertain. The directors still consider it to be appropriate to prepare the financial statements on a going concern basis.

### External interest

The Company received an expression of interest from a foreign investor, proposing a transaction that could ultimately result in the restructure of the Company such that shareholders would hold shares, pursuant to a scheme of arrangement, in a Singapore entity which would hold a primary listing on a major global stock exchange with a secondary listing on the JSE. The Board constituted an independent sub-committee to assess and consider the terms of the proposal. Any proposed restructure of the Company would be subject to various conditions precedent including regulatory approvals (both locally and abroad) and approval by Cartrack shareholders to the extent required.

A cautionary announcement was published in this regard on SENS on 2 March 2020 and renewed on 15 April 2020.

### Dividends

Dividends of 54 cents per share was declared on 13 May 2020 and will be paid on 8 June 2020.

## Changes to the Board committees

There were no changes to the Board committees in the financial year.

## 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.

## Auditors

With effect from 30 July 2019 Deloitte & Touche were reappointed as statutory auditors in terms of Section 90 of the Companies Act as proposed by the Audit and Risk Committee.

## Company Secretary

The company secretary is A de Villiers.

The Board is satisfied that the group company secretary has the qualifications and experience to effectively discharge the duties set out in the Companies Act.

## Date of authorisation for the issue of the financial statements

The consolidated and separate annual financial statements have been authorised for issue by the directors on 13 May 2020. No authority is given to anyone to amend the consolidated and separate annual financial statements after the date of issue.

# REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 29 February 2020

This report of the Audit and Risk Committee of Cartrack Holdings Limited ("the ARC") for the year ended 29 February 2020 has been prepared in compliance with section 94(7)(f) of the Companies Act and was approved by the Board.

## Terms of reference

The ARC operates within the boundaries of a mandate approved and reviewed annually by the Board. In accordance with the requirements of the Companies Act 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](http://www.cartrack.com).

## Membership and meetings

Members of the ARC are formally nominated by the Board or re-election by shareholders. The members satisfy the requirements to serve as members of an audit committee in accordance with section 94 of the Companies Act to ensure that the ARC has adequate knowledge and experience to discharge its duties.

The ARC comprise the independent non-executive directors listed below. Their appointments were approved at the annual general meeting held on 30 July 2019.

- » K White (Chairperson)
- » DJ Brown
- » S Rapeti

The qualifications and experience of the ARC members can be viewed on Cartrack's website — [www.cartrack.co.za/investor-relations](http://www.cartrack.co.za/investor-relations)

Members of the executive team, including the Group Chief Executive Officer and Group Chief Financial Officer, other members of senior management as required, external and internal auditors, attend committee meetings by invitation but have no voting rights.

The Chairperson of the ARC reports to the Board on the activities and recommendations of the committee.

Six meetings were held during the year under review. Attendance by the members at the meetings will be set out in detail in the Integrated annual report, expected to be published on or about 29 May 2020.

## Financial reporting

The ARC reviewed the interim and annual group financial statements and annual Company financial statements, culminating in a recommendation to the Board to adopt them. The review of the results included ensuring compliance with IFRS and the acceptability of the Company's accounting policies. This includes the appropriate disclosures in the annual financial statements in accordance with IFRS as issued by the International Accounting Standards Board, IFRIC interpretations applicable to companies reporting under IFRS, SAICA Financial Reporting guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the FRSC and the requirements of the Companies Act and the JSE Listings Requirements.

The ARC reviewed the processes in place for the reporting of concerns and complaints relating to reporting and accounting

practices, internal audit, contents of the group's and Company's financial statements, internal financial controls and any related matters. The ARC confirms that there were no complaints of substance during the year under review.

In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the ARC confirms that the Company has established appropriate financial reporting procedures and that these procedures are operating effectively.

## Independence of the external auditor

The ARC has reviewed sections 3.84 (g) and 22.15 (h) of the JSE Listing Requirements and confirms 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 ARC 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;
- (iv) the auditors are independent to the Company and group; and
- (v) Deloitte has been the group's auditors for two years and the designated external audit partner has been responsible for the audit for two years.

The committee satisfied itself on the qualification and experience of the external auditor. The chair of the committee has regularly interacted with the external auditors during the audit process and is satisfied with the quality and level of the work performed by them.

The ARC has met with the external auditors without management present, to discuss the results of their audit and the overall quality of the Company's financial reporting. The ARC also discussed the expertise, resources and experience of the Company's finance function with the external auditors. No matters of concern were raised during those meetings.

The committee has nominated for re-appointment Deloitte as external auditors and S Carter as the designated external auditor, who in the opinion of the committee are independent of the Company.

The ARC has agreed to the audit fee for the 2020 financial year. Auditors' remuneration is disclosed in note 20 to the consolidated annual financial statements and note 10 to the Company annual financial statements. The ARC is of the view that this remuneration is appropriate.

A formal policy governs the process for considering the provision of non-audit services by the external auditors, and the provision letters for such services are approved by the ARC in advance, ensuring that the ARC retains effective control over the process. The ARC has considered the nature and extent of any non-audit services conducted during the year and is satisfied that no breach in procedure occurred.



# REPORT OF THE AUDIT AND RISK COMMITTEE (continued)

## Combined assurance

There is an enterprise-wide system of internal control and risk management in all key operations to manage and mitigate risks. The combined assurance approach is integrated with the risk management process to assess assurance activities across the various lines of defense.

While the ARC is satisfied with the level of assurance provision for significant group risks, the combined assurance approach will be enhanced during the 2021 FY.

In terms of coordinating assurance activities, the ARC reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant risks facing the business.

## Internal audit

On 26 April 2019, the Board, upon recommendation by executive management, decided to outsource the internal audit function to PwC.

The ARC considered the effectiveness of the internal audit function and monitored adherence to the annual internal audit plan. The ARC has reviewed the performance and expertise of the internal audit function and considered it to be appropriate.

The internal audit plan for the year under review was approved by the ARC. All internal audit reports were reviewed and discussed at committee meetings and, where appropriate, recommendations were made to the Board.

Internally, management has reviewed the internal controls over financial reporting, including disclosure controls and procedures, and presented their findings to the ARC. Based on this review, while various control deficiencies have been identified which will receive specific attention in the next financial year, nothing has come to the attention of the ARC to indicate any material weakness in internal controls over financial reporting.

## Risk management

The Board takes overall responsibility for risk management with a process implemented for managing risk while delegating authority to the ARC.

Risk is managed at an operational level with operations maintaining their own risk registers which are in turn consolidated at group level to compile a heat map of top of mind risks. Risk registers are used at an operational level to manage the business. The Executive Committee is responsible for ensuring that the operations management considers and implements the appropriate risk responses. The Executive Committee ensures that risk management is performed on a continual basis and risk reports are presented to the committee on a regular basis.

The ARC reviews the risk management processes within the Company and reports back to the Board. The Board reviews the group's top of mind risk reports to ensure risks are being managed within a tolerable level and that sufficient attention is being paid to addressing areas where the risk is considered unacceptable.

## Current year key areas of focus

As part of the ARC's responsibilities, technology security, IT application controls, the enhancement of infrastructure, business continuity and data privacy matters applicable to the group received particular attention in order to ensure that all material risks were appropriately addressed. Certain control deficiencies in the IT application space were noted that require enhancement and are being prioritised. Continued focus will be given by the ARC to the enhancement of the control environment across the group which continues to receive the attention of group management. The ARC identified the assessment of goodwill for impairment, the useful life estimates applied to capitalised telematics devices and capitalised commission assets, and the provisioning for expected credit losses on trade receivables as financial reporting risks.

The committee reviewed the key audit matters, accounting for capitalised telematics devices and impairment risk relating to the group's goodwill, contained in the independent auditor's report and is comfortable that these are aligned with their assessment.

## Future areas of focus

The ARC will continue to review relevant submissions and reports issued by assurance providers – both internal and external – to monitor the Company's control environment and will engage with relevant persons (both internal and external) as required, in order to effectively discharge its responsibilities. Management will continue to review relevant reports and position papers prepared by management relating to accounting standard changes to ensure that all material risks are addressed.

## Expertise and experience of Financial Director and finance function

The ARC reviewed the performance and expertise of M Grundlingh, who served as the group Chief Financial Officer during the year under review, and confirmed his suitability to hold office as group Chief Financial Officer in terms of the JSE Listings Requirements (section 3.84(g)). The ARC also considered and has satisfied itself with the appropriateness of the expertise and experience of the finance function and adequacy of resources employed to appropriately fulfil this function.

## Going concern status

The ARC has considered the going concern status of the Company and the group on the basis of review of the annual financial statements and the information available to it and recommended such going concern status for adoption by the Board. The Board statement on the going concern status of the group and Company is contained on page 5 in the statement of directors' responsibility.

## Discharge of responsibilities

The committee is satisfied that during the financial year under review it has conducted its affairs and discharged its legal and other responsibilities as outlined in its charter, the Companies Act, the JSE Listings Requirements and King IV. The Board concurred with this assessment.



**K White**  
*Chairperson of the Committee*

13 May 2020

# REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE

for the year ended 29 February 2020

This report of the Remuneration and Nominations Committee's remuneration activities for the 2020 FY has been prepared in accordance with the requirements of the King IV Report on Corporate Governance ("King IV"), and the mandate given by the Board.

## Background Statement

For the year ended 29 February 2020, the members of the Committee were:

- » AT Ikalafeng (Chairperson – Remuneration matters)
- » DJ Brown (Chairperson – Nominations matters)
- » K White

Five meetings were held.

All members are independent, non-executive directors of the Company and collectively have adequate relevant knowledge and experience to effectively discharge their duties. To ensure appropriate consideration of the Remuneration and Nominations matters, the position of chairman has been split accordingly. The Group Chief Executive Officer and Group Chief Financial Officer attend the meetings by invitation but do not have a vote. Executive directors, managers and the Company Secretary are not present during committee discussions relating to their own compensation.

The Remuneration Committee ("Committee") is mandated by the Board to ensure that the Company remunerates fairly, responsibly and transparently to ensure the achievement of strategic objectives and creation of value in the short- medium- and long term. In preparing this report, the committee has considered the relevant principles of King IV and the JSE Listings Requirements.

Among other items, the Committee's Terms of Reference include:

- » considering and recommending the group's remuneration policy for executive directors, non-executive directors and senior management;
- » reviewing the outcomes of the implementation of the remuneration policy;
- » determining the criteria against which the performance, functions and responsibilities of executive directors and senior management are measured;
- » regularly reviewing incentive schemes to ensure continued contribution to shareholder value;
- » ensure that the disclosure of directors' remuneration is accurate, complete and transparent;
- » advising on senior executive and executive director appointments; and
- » reviewing succession planning at an executive and senior management level.

Non-executive directors' fees are approved by shareholders at the annual general meeting in accordance with Section 66 of the Act.

In accordance with the King IV recommended practices and the JSE Listings Requirements, section 3.84(j), the Company obtained shareholder approval for its Remuneration Policy by way of a non-binding vote on 30 July 2019, achieving a 99,76% vote in favour of the Remuneration Policy. Feedback received from shareholders following the annual general meeting was addressed.

Any proposed changes will be tabled to the Board as and when required.

## Voting at the 2020 annual general meeting

In terms of the requirements laid out in King IV and the JSE Listings Requirements, section 3.84(j), shareholders will be required to vote on a non-binding advisory resolution on the Remuneration Policy and Implementation Report at the next annual general meeting.

All shareholders are encouraged to provide feedback and contributions regarding their position on the various voting requirements.

In the event that more than 25% of shareholders exercise their voting rights against the approval of one or both of the Remuneration Policy and Remuneration Implementation Report, the Board will engage with the shareholders to address all legitimate objections and concerns.

## Current year key areas of focus

Areas of focus during the current year were:

- » consideration of appropriate short and long-term incentives to align performance and strategy;
- » reviewing the remuneration of the executive and non-executive directors;
- » reviewing succession planning with regard to key executive and senior management roles;
- » consideration of additional skills required as the group expands; and
- » reviewing salary increase levels for all employees.

## Remuneration Policy

### Principles of executive remuneration

Cartrack's reward philosophy aims to attract, motivate and retain high-calibre, high-performing and independent minded people with above-average industry ability and leadership potential to effectively achieve operational and strategic objectives. Compensation packages are structured to be uncomplicated and transparent and aligned to the best interest of all stakeholders. The Company rewards exceptional performance to encourage delivery on performance goals.

# REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE (continued)

## Service contracts

- » Executive and senior management have notice periods of 3 months.
- » Standard terms include restraint of trade provisions, protection of intellectual property and confidentiality undertakings that survive termination of the employment relationship.
- » Sign-on bonuses and guaranteed severance payments are not offered and separation agreements, when appropriate, are negotiated with the individual concerned with prior approval being obtained in terms of company governance structures.

## Elements of executive remuneration

Executive remuneration comprises the following four principal elements:

- » Basic salary and allowances;
- » Annual incentive bonuses;
- » Performance incentives; and
- » Retirement and other benefits.

The Committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive remuneration and between those aspects of the package linked to short-term financial performance and those linked to longer-term shareholder value creation. The policy related to each component of remuneration is summarised below.

### Basic salary

The basic salary of each executive is subject to annual review and is set to be reasonable and competitive with reference to external market practice in similar companies, which are comparable in terms of size, market sector, business complexity, and international scope. Company performance, individual performance and changes in responsibilities are taken into account when determining annual basic salaries.

### Annual incentive bonus

All executives are eligible to receive a performance-related annual bonus. The bonus is non-contractual and not pensionable. The Committee reviews bonuses at year-end and determines the level of bonus based on performance criteria set at the start of the performance period.

## Implementation Report

### Directors' fees

Fees paid to the non-executive and executive directors of the Company and to Prescribed Officers for the year ended 29 February 2020, are depicted below:

	Director's fee R'000	Audit and Risk Committee R'000	Nominations and Remuneration Committee R'000	Social and Ethics Committee R'000	2020 Total R'000	2019 Total R'000
Non-executive						
DJ Brown	792	192	79	123	1 186	1 129
AT Ikalafeng	353	–	124	–	477	546
S Rapeti	353	192	–	–	545	260
K White	353	227	79	–	659	627
	1 851	611	282	123	2 867	2 562

All non-executive directors fees shown, exclude VAT.

The criteria include targets relating to subscription revenue growth, operating profit, adjusted EBITDA targets, cash generated by operations and certain discretionary elements, aimed at fostering the correct behaviours within the group, while encouraging long-term shareholder value creation and the successful achievement of the strategic objectives of the group.

The short-term incentive program is available to executive directors, senior executives and selected employees. Cash bonuses to senior executives and executive directors are approved by the Committee.

### Long and short-term incentive plans

The Board has decided to unwind the Cartrack Executive Incentive Trust in accordance with the provisions of the Trust Deed, as the purpose of the Trust is no longer relevant following termination of the Cartrack Executive Incentive Scheme in 2018. The Board continues to explore appropriate mechanisms to incentivise and retain senior management.

### Eligibility

Any senior employee with significant managerial or other responsibility, including any director holding salaried employment or office in the group, would be eligible to participate in an incentive scheme operated by the group.

### Non-executive directors

Fees payable to non-executive directors are proposed by the executive directors, taking into account the reasonability and affordability of any increases and whether it is supported by the Company performance, the workload and responsibilities of the Board and the economic climate. Fees are reviewed by the committee on an annual basis with reference to published remuneration trends and best practice guidance for JSE listed companies, and are paid as follows:

#### Non-executive chairman

The chairman is paid an all-inclusive fee for Board responsibilities and attendance fees to attend meetings of Board committees. Additional fees are paid for chairing Board committees.

#### Other non-executive directors

The non-executive directors are paid a basic fee for board attendance and attendance fees for meetings of board committees. The chairmen of the board committees are paid additional fees to reflect these additional responsibilities.

# REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE (continued)

Executive committee <sup>^</sup>	Salary and allowances R'000	Other benefits R'000	Retirement fund R'000	Performances bonuses R'000	2020 Total R'000	2019 Total R'000
IJ Calisto <sup>1</sup>	3 410	–	147	284	3 841	3 487
M Grundlingh <sup>1</sup>	2 285	–	157	1 064	3 506	2 423
B Debski	1 845	18	–	146	2 009	1 817
J Marais	1 964	198	17	174	2 353	2 237
J Matias	1 565	–	–	–	1 565	1 515
E Ong	1 543	232	155	129	2 059	1 838
RJ Schubert	2 451	343	46	1 714	4 554	2 300
H Low	1 872	117	101	143	2 233	–
JR Edmeston <sup>2</sup>	–	–	–	–	–	1 380
	<b>16 935</b>	<b>908</b>	<b>623</b>	<b>3 654</b>	<b>22 120</b>	<b>16 997</b>

## Notes

<sup>1</sup> Executive Directors.

<sup>2</sup> Resigned as a member of the Board and as an executive committee member with effect from 1 September 2018.

<sup>^</sup> Include prescribed officers

The benefits and amounts disclosed above include the total remuneration and benefits received or receivable from Cartrack as well as any Cartrack associates, joint ventures and entities that provide management or advisory services to Cartrack.

No fees have been paid or accrued to third parties in lieu of directors' fees.

### Non-executive directors' fees for FY21

Non-executive directors' fees for the financial year 2021, to be proposed to shareholders at the AGM on 3 July 2020 are as follows:

	R'000
<b>Director's fee</b>	367
Chairman (in addition to director's fee)	
» Board	824
» Audit and Risk	236
» Nominations and Remuneration	129
» Social and Ethics	128
<b>Committee fees (in addition to director's fee)</b>	
» Audit and Risk	200
» Nominations and Remuneration	82
» Social and Ethics	–

The aforementioned directors' fee amounts exclude Value Added Tax. The Board Chairman does not receive an additional directors' fee for Board attendance.

The Committee is satisfied that it has achieved its key objectives for the financial year under review.

Signed on behalf of the Remuneration Committee.



**AT Ikalafeng**

Chairperson of the Remuneration Committee

13 May 2020

# INDEPENDENT AUDITOR'S REPORT

To the shareholders of Cartrack Holdings Limited

## Report on the audited consolidated and separate financial statements

### Opinion

We have audited the consolidated and separate financial statements of Cartrack Holdings Limited (the Group and Company) set out on pages 14 to 75 which comprise the consolidated and separate statement of financial position as at 29 February 2020, the consolidated and separate statement of profit or loss, the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 29 February 2020, and its consolidated and separate financial performance and its consolidated and separate 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 and separate Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. 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. We have determined the matters described below to be the key audit matters.

No key audit matters were identified with regard to the separate financial statements.

#### Key Audit Matter

##### The accounting for capitalised telematics devices

Capitalised telematics devices relate to telematics hardware and costs incurred in installing telematics devices in customers' vehicles when a subscription contract is concluded with a customer. These costs are capitalised to property, plant and equipment in terms of IAS 16: *Property, plant and equipment* ("IAS 16").

##### Accounting for capitalised telematics devices

The determination of the hardware and installation costs to be capitalised is the subject of a monthly calculation undertaken by the directors using information from the revenue system and costs recorded in the accounting system.

##### Determination of the useful life of capitalised devices

A detailed assessment is undertaken by the directors on a basis consistent with the prior year utilising a database of customer information from the revenue system to determine the estimated life of a customer contract. The historic customer data is analysed by the directors using a known statistical technique.

The extent of the audit procedures involved in assessing the hardware and installation costs capitalised and the underlying estimates involved in these calculations as well as the determination of the estimated useful life of the capitalised telematics devices results in the accounting for capitalised telematics devices being considered a Key Audit Matter.

#### How the matter was addressed in the audit

##### Accounting for capitalised telematics devices

Our audit procedures to address the capitalisation of hardware and installation costs to capitalised telematics devices includes:

- » Assessing the design and implementation of relevant controls over the various manual calculations undertaken to determine the extent of costs to be capitalised.
- » The performance of various substantive tests of detail and substantive analytical procedures to ensure that the hardware costs capitalised relate only to devices installed as a result of customer contracts activated during the year. This involved the performance of various substantive tests of detail on the underlying revenue system to ensure the completeness and accuracy of the information utilised for the purposes of the various calculations.
- » Substantive tests of detail were performed to ensure that the nature of the installation costs capitalised relate solely to technician payroll costs, direct costs of operating fitment vehicles and consumables incurred in fitting devices as these are the only costs which are incurred to get the device in a working order to deliver the service to the customer.
- » Substantive analytical procedures were performed to assess the accuracy of the directors' estimates used in the underlying calculations which determine the extent of installation-related costs to be capitalised which are based on the number of activated customer contracts as a percentage of the total fitment activity undertaken during the year.

Whilst certain control deficiencies were identified with regard to the controls over the manual calculations which were addressed through the performance of various substantive tests of detail and substantive analytical procedures, we consider the accounting for capitalised telematics devices and disclosure of the accounting policy and balances pertaining to capitalised telematics devices as part of property, plant and equipment contained in notes 2.2(e) and 5 of the consolidated financial statements to be materially appropriate in terms of the requirements of IAS 16.

# INDEPENDENT AUDITOR'S REPORT (continued)

## Key Audit Matter

## How the matter was addressed in the audit

### *Determination of the useful life of capitalised telematics units*

The comprehensive database of customer contract information enables the directors to perform a statistical assessment of the average life of a customer contract.

With the assistance of our internal actuarial specialists we assessed the appropriateness of the statistical model used by the directors and re-performed an independent recalculation of the expected lifetime estimate of 60 months using the historical customer contract subscription data which was compared to the directors calculated value.

We performed substantive tests of detail to assess the completeness and accuracy of the historical customer data used in the statistical model.

The audit procedures performed resulted in us considering that the useful life estimate applied in the determination of the depreciation charge on capitalised telematics devices to be within an acceptable range.

We consider the disclosure of the estimates applied in the determination for the useful lives of capitalised telematics devices in notes 2.1(i) and 2.2(e) of the consolidated financial statements to be reasonable.

## Impairment risk relating to the group's goodwill

Goodwill has a carrying value of R132 million at the year end. The directors are required to assess the valuation of goodwill in accordance with IFRS.

The process followed by the directors to assess goodwill for impairment requires the use of judgement in the various estimates as detailed in notes 2.2(g) and 8 to the consolidated financial statements.

The key areas where the directors' apply more significant estimates are in the determination of the forecast cash flows of the underlying cash generating units ("CGU") and the discount rates used in the value-in-use calculations used in the assessment of the valuation and recoverability of goodwill.

In light of the use of more significant estimates as noted above, we consider the valuation of goodwill a Key Audit Matter.

Our audit procedures focused on the valuation of the key estimates used in the directors' determination of the value-in-use calculations. We involved our internal valuation specialists in the audit procedures undertaken with respect to all of the key estimates. These procedures included:

- » Assessing the design and implementation of relevant controls around the directors' calculations;
- » Testing the mathematical accuracy of the value-in-use calculations;
- » Assessing the reasonableness of the forecast cash flows against historic performance, approved budgets, peer companies benchmarking and industry data which also involved the performance of sensitivity analyses with regard to key estimates;
- » We have considered market valuations for a set of comparable companies and the average multiples for those companies are in all cases higher than the implied multiples observed from our value-in-use calculations;
- » Evaluating the weighted average cost of capital rate used in the value-in-use calculations; and
- » Evaluating the relevant disclosure in the consolidated financial statements.

Based on the audit procedures performed, the carrying value of goodwill is considered to be appropriate. As indicated in note 8, there is considered to be limited headroom with regard to Cartrack Spain when sensitivity analysis is performed.

We consider the disclosure of the accounting policy and estimates used with regard to goodwill in notes 2.2(g) and 8 of the consolidated financial statements to be reasonable.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "Audited Consolidated and Company Annual Financial Statements for the year ended 29 February 2020", which includes the Directors' Report, the Audit and Risk Committee Report and Certificate of the Company Secretary, as required by the Companies Act of South Africa, the Report of the Remuneration and Nominations Committee, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate 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 and separate 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 that we 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 and separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

## INDEPENDENT AUDITOR'S REPORT (continued)

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

### **Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate 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 and separate 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 and Company'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 and the Company'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 and separate 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 and / or the Company to cease to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

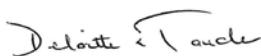
We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Committee 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 Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated and separate 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 04 December 2015, we report that Deloitte & Touche has been the auditor of Cartrack Holdings Limited for two years.



#### **Deloitte & Touche**

Registered Auditor  
Per: Sebastian Benedikt Field Carter  
Partner  
13 May 2020

#### **Address:**

5 Magwa Crescent,  
Waterfall City,  
Waterfall  
(Private Bag x6, Gallo Manor, 2052)

National Executive: \*LL Bam Chief Executive Officer \*TMM Jordan Deputy Chief Executive Officer; Clients & Industries  
\*MJ Jarvis Chief Operating Officer \*AF Mackie Audit & Assurance \*N Sing Risk Advisory DP Ndlovu Tax & Legal \*MR Verster Consulting  
\*JK Mazzocco People & Purpose MG Dicks Risk Independence & Legal \*KL Hodson Financial Advisory \*B Nyembe Responsible Business & Public Policy \*TJ Brown Chairman of the Board

A full list of partners and directors is available on request

*\*Partner and Registered Auditor*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

Figures in Rand thousands	Notes	2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	8	131 503	122 098
Intangible assets	7	40 739	13 636
Property, plant and equipment	5	854 506	705 974
Capitalised commission assets	6	144 549	108 547
Deferred tax assets	9	106 482	98 055
<b>Total non-current assets</b>		<b>1 277 779</b>	<b>1 048 310</b>
<b>Current assets</b>			
Inventories	10	151 616	206 026
Trade and other receivables	11	251 747	215 589
Loans to related parties	12	11 013	213
Taxation		6 511	7 054
Cash and cash equivalents	13	145 787	51 906
<b>Total current assets</b>		<b>566 674</b>	<b>480 788</b>
<b>Total assets</b>		<b>1 844 453</b>	<b>1 529 098</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	42 488	42 488
Treasury shares		(12 105)	(12 105)
Foreign currency translation reserve		16 124	(15 462)
Retained earnings		1 153 683	806 306
Equity attributable to equity holders of parent		1 200 190	821 227
Non-controlling interest		24 185	16 391
<b>Total equity</b>		<b>1 224 375</b>	<b>837 618</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loans	15	17 815	218 765
Capitalised lease liabilities	16	54 148	69 256
Amounts received in advance	17	55 817	–
Deferred tax liabilities	9	85 392	33 197
<b>Total non-current liabilities</b>		<b>213 172</b>	<b>321 218</b>
<b>Current liabilities</b>			
Term loans	15	5 154	20 525
Trade and other payables	18	170 928	155 530
Loans from related parties	12	8 362	7 716
Capitalised lease liabilities	16	44 849	47 656
Taxation		22 969	42 132
Provision for warranties		1 679	2 564
Amounts received in advance	17	152 965	80 377
Bank overdraft	13	–	13 762
<b>Total current liabilities</b>		<b>406 906</b>	<b>370 262</b>
<b>Total liabilities</b>		<b>620 078</b>	<b>691 480</b>
<b>Total equity and liabilities</b>		<b>1 844 453</b>	<b>1 529 098</b>



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 29 February 2020

Figures in Rand thousands	Notes	2020	2019
Revenue	19	1 941 893	1 692 708
Cost of sales		(574 770)	(484 700)
<b>Gross profit</b>		<b>1 367 123</b>	<b>1 208 008</b>
Other income		1 867	6 279
Expected credit losses on financial assets		(54 872)	(45 171)
Operating expenses*		(672 395)	(669 197)
Sales and marketing		(177 870)	(177 351)
Administration and other charges		(494 525)	(491 846)
<b>Operating profit</b>	20	<b>641 723</b>	<b>499 919</b>
Finance income	21	2 592	2 749
Finance costs	22	(16 831)	(31 438)
<b>Profit before taxation</b>		<b>627 484</b>	<b>471 230</b>
Taxation	23	(171 062)	(110 182)
<b>Profit for the year</b>		<b>456 422</b>	<b>361 048</b>
<b>Profit attributable to:</b>			
Owners of the parent		442 982	347 806
Non-controlling interest		13 440	13 242
		<b>456 422</b>	<b>361 048</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)	33.1	<b>148,3</b>	116,4

\* Refer to note 2 regarding comparative disclosure.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2020

Figures in Rand thousands	2020	2019
Profit for the year	456 422	361 048
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be reclassified to profit or loss in future periods:</b>		
Exchange differences on translating foreign operations	35 052	29 928
<b>Other comprehensive income for the year</b>	<b>35 052</b>	<b>29 928</b>
<b>Total comprehensive income for the year net of income tax</b>	<b>491 474</b>	<b>390 976</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	474 568	373 655
Non-controlling interest	16 906	17 321
	<b>491 474</b>	<b>390 976</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

Figures in Rand thousands	Share capital	Foreign currency translation reserve	Treasury shares	Retained earnings	Total attributable to equity holders of the group	Non-controlling interest	Total equity
<b>Balance as at 1 March 2018</b>	42 488	(41 311)	(12 105)	595 997	585 069	10 088	595 157
Profit for the year	–	–	–	347 806	347 806	13 242	361 048
Other comprehensive income	–	25 849	–	–	25 849	4 079	29 928
<b>Total comprehensive income for the year</b>	–	25 849	–	347 806	373 655	17 321	390 976
Dividends	–	–	–	(137 497)	(137 497)	(11 018)	(148 515)
<b>Balance at 28 February 2019</b>	42 488	(15 462)	(12 105)	806 306	821 227	16 391	837 618
Profit for the year	–	–	–	442 982	442 982	13 440	456 422
Other comprehensive income	–	31 586	–	–	31 586	3 466	35 052
<b>Total comprehensive income for the year</b>	–	31 586	–	442 982	474 568	16 906	491 474
Dividends	–	–	–	(95 605)	(95 605)	(9 112)	(104 717)
<b>Balance at 29 February 2020</b>	42 488	16 124	(12 105)	1 153 683	1 200 190	24 185	1 224 375

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

Figures in Rand thousands	Notes	2020	2019 restated*
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	1 065 355	635 754
Finance income received	21	2 592	2 749
Finance costs paid		(9 323)	(23 350)
Taxation paid	25	(144 504)	(142 895)
<b>Net cash generated from operating activities</b>		<b>914 120</b>	<b>472 258</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(388 723)	(422 061)
Proceeds on disposal of property, plant and equipment		6 532	4 423
Investment in intangible assets		(34 245)	(13 636)
Advances of loans to related parties		(11 000)	–
Repayment of loans to related parties		–	2 059
<b>Net cash utilised by investing activities</b>		<b>(427 436)</b>	<b>(429 215)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans from related parties		–	2 230
Repayment of term loans		(217 815)	–
Proceeds from term loans obtained		–	239 290
Payments of capitalised lease liabilities		(58 417)	(9 599)
Dividends paid	26	(104 717)	(148 515)
<b>Net cash (utilised by)/generated financing activities</b>		<b>(380 949)</b>	<b>83 406</b>
Total cash movements for year		<b>105 735</b>	<b>126 449</b>
Cash and cash equivalents as at the beginning of the year	13	<b>38 144</b>	<b>(95 454)</b>
Translation differences on cash and cash equivalents		<b>1 908</b>	<b>7 149</b>
<b>Total cash and cash equivalents at the end of the year</b>	<b>13</b>	<b>145 787</b>	<b>38 144</b>

\* Refer to note 2 for further information regarding the restatement.

# ACCOUNTING POLICIES

for the year ended 29 February 2020

## 1. Presentation of consolidated 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 29 February 2020 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 29 February 2020, 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 consolidated annual financial statements were approved for issue by the board of directors on 13 May 2020 and will be tabled at the annual general meeting of shareholders on 3 July 2020.

### Basis of measurement

The consolidated annual financial statements have been prepared on the historical cost basis with the exception of certain financial instruments which have been fair valued.

### Functional and presentation currency

These consolidated annual financial statements are presented in South African rand (ZAR), which is the company’s functional currency and the group’s presentation currency.

All financial information presented has been rounded off to the nearest thousand ZAR, unless otherwise indicated.

## 2. Comparative disclosure

### Presentation of sales and marketing and administration and other charges

The split between the “Sales and marketing” and “Administration and other charges” elements of operating expenses is considered to be relevant information to the users of the financial statements. Accordingly, this information which was previously disclosed in the operating profit note has been represented on the face of the statement of profit or loss.

### Change in accounting policy in the consolidated statement of cash flows

As part of an annual review of the group’s accounting policies, the directors have assessed the treatment of capitalised commission costs in the statement of cash flows. As disclosed in Note 2(f), the group has capitalised incremental sales commissions arising from activated contracts with customers. This contract asset is amortised over the useful life of customer contracts in accordance with IFRS 15. Based on our assessment, the application of IFRS could result in the associated cash flow being recognised as either an investing cash flow, as the cost is capitalised as a non-current asset and will result in the future generation of income, or as an operating cash flow as the nature of the cost is a commission paid to suppliers and employees which is recognised in cost of sales in the income statement, and relates to the principle revenue producing activities. The cash flows arising from the payment of capitalised commissions were recognised as investing cash flows in the 2019 annual financial statements. Based on our review of various global capital markets, the predominant treatment is to classify such cash flows as operating cash flows. As this will improve comparability with peer companies, and is therefore more relevant to users of the financial statements, we have elected to voluntarily change the accounting policy. There is no impact on profits, earnings per share, headline earnings per share and financial position of the group. The impact on the affected line items in the statement of cash flows is disclosed below:

Figures in Rand thousands	Restated 2019	Restatement*	As reported in 2019
<b>Cash flows from operating activities</b>			
Cash generated from operations	635 754	(71 454)	707 208
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(422 061)	71 454	(493 515)

\*Reallocation of capitalised commission assets under IFRS 15 from cash flows from investing activities to cash flows from operating activities

# ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

## 2.1 Significant judgements and estimates

The group makes judgements, estimates and assumptions concerning the future when preparing the consolidated annual financial statements. Actual results may differ from these judgements, estimates and assumptions. There are not considered to be any significant judgements which need to be made in applying the group's accounting policies or IFRS.

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 accounting estimates that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are noted below:

### Estimates

#### *i. Useful life estimates of capitalised telematics devices and capitalised commission assets*

The group completes a detailed assessment annually on the expected life cycle of customer contracts across the group. The continued growth in the customer base over the past few years has provided a more comprehensive database of information and more certainty to support the assessment of the average useful life of contracts with customers. On the basis of the statistical assessment, there has been no change to the estimated average useful life of 60 months of a customer contract in the current year. Contracts which terminate prior to 60 months result in accelerated depreciation of the underlying capitalised telematic devices and capitalised commission assets being recognised immediately in profit or loss.

#### *ii. Impairment of financial assets*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days since invoicing for the various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future conditions.

#### *iii. Goodwill*

The group tests goodwill for impairment on an annual basis. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are performed internally by the group and require the use of various estimates and assumptions regarding discount rates and the future financial performance of the cash-generating units.

## 2.2 Accounting policies

### a) 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.

#### *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.

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

#### *Non-controlling interest*

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of financial position, respectively.

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

### b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer (CEO), who makes strategic decisions.

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

Sales between segments are carried out at cost plus a margin.

## ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

### 2.2 Accounting policies (continued)

#### c) Foreign currency translation

##### *i. Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in South African Rand ("ZAR"), which is the group's presentation currency.

##### *ii. Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Foreign exchange gains/(losses) are classified as net foreign exchange gains and losses in operating expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

##### *iii. Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each income statement presented are translated at average exchange rates;
- (iii) All resulting exchange differences are recognised in other comprehensive income; and
- (iv) Equity items are measured at historical cost at the time of recording, translated at the rate on the date of the recording and are not retranslated to closing rates at reporting dates.

On consolidation, exchange differences arising from the translation of net investments in foreign operations are recognised in other comprehensive income. When a foreign operation is fully disposed of or sold (i.e., control is lost), exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. A repayment/capitalisation of a net investment loan therefore does not result in any exchange differences being transferred from equity to the income statement unless it is part of a transaction resulting in a loss of control.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences are recognised in other comprehensive income.

#### d) Financial instruments

##### *i. Classification and subsequent measurement*

###### **Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through profit or loss or fair value through OCI. Financial assets and financial liabilities are initially measured at fair value.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through OCI and fair value through profit or loss (FVTPL). Amortised cost and FVTPL are relevant to the group.

The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

## ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

### 2.2 Accounting policies (continued)

#### d) Financial instruments (continued)

##### i. Classification and subsequent measurement (continued)

###### Financial assets— Business model assessment

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- » the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- » how the performance of the portfolio is evaluated and reported to the group's management;
- » the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- » how managers of the business are compensated— e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- » the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

###### Financial assets— Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers:

- » contingent events that would change the amount or timing of cash flows;
- » terms that may adjust the contractual coupon rate, including variable-rate features;
- » prepayment and extension features; and
- » terms that limit the group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

###### Financial assets – Subsequent measurement and gains and losses

###### Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The group classified its financial assets into the loans and receivables at amortised cost.

###### Impairment of financial assets

IFRS 9 requires the group to recognise an allowance for ECL for all debt instruments not held at FVTPL.

The group applies the simplified approach to trade receivables which requires ECLs to be recognised from initial recognition. The provision rates are based on days since invoicing for grouping that have similar loss patterns. The provision matrix is initially based on the group's historical observed default rates and is then adjusted with forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

Impairment losses are recognised on an ECL basis and are disclosed separately on the face of the statement of profit or loss.

###### Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) a shorter period, to the amortised cost of a financial liability.



# ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

## 2.2 Accounting policies (continued)

### d) Financial instruments (continued)

#### ii. Derecognition

##### Financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

##### Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### iii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### e) Property, plant and equipment

#### i. Recognition and measurement

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

Capitalised telematics devices (previously referred to as capital rental units) are units installed in customers' vehicles as part of a subscription contract. The hardware and directly related installation costs are capitalised and depreciated over the expected useful life of the average contract. If a contract with a customer is cancelled prior to the end of its useful life, the unamortised cost is recognised immediately in profit and loss.

Where customer contracts are expected to be in existence for periods significantly shorter than the average useful life of 60 months, these are depreciated over a reduced useful life.

#### ii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

## ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

### 2.2 Accounting policies (continued)

#### e) Property, plant and equipment (continued)

##### ii. Depreciation (continued)

The useful lives applied to the various categories of property, plant and equipment including right of use assets are as follows:

Category	Depreciation method	Average useful life
Buildings	Straight line	20 – 50 Years
Capitalised telematics devices	Straight line	5 years
Furniture and fixtures	Straight line	5 Years
Right of use assets – IT equipment	Straight line	3 years
Leasehold improvements	Straight line	3 years or lease term
Right of use assets – motor vehicles	Straight line	4 years
Office equipment	Straight line	5 years
Plant and equipment	Straight line	5 Years
Right of use assets – property	Straight line	Lease term or useful life whichever is shorter
Security equipment	Straight line	5 Years

The residual value, useful life and depreciation method applicable to each asset category 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.

#### f) Capitalised commission assets

##### i. Recognition and measurement

Sales commissions costs which are directly related to a customer contract are capitalised to capitalised commission assets and are measured at cost less accumulated amortisation.

##### ii. Depreciation

The capitalised commission assets are amortised over the expected useful life of the average contract which is 60 months. If a contract with a customer is cancelled prior to the end of its useful life, the unamortised cost is recognised immediately in profit and loss.

The useful lives of items of capitalised commission assets have been assessed as follows:

Item	Amortisation method	Average useful life
Capitalised commission assets	Straight line	5 Years

#### g) 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.

# ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

## 2.2 Accounting policies (continued)

### h) Intangible assets

#### *Research and development costs*

Product development costs that are directly attributable to the design, testing and development of identifiable hardware and software, controlled by the group, are recognised as intangible assets when the following criteria are met:

- » It is technically feasible to complete the software or product so that it will be available for use or sale;
- » Management intends to complete the software or product and use or sell it;
- » There is an ability to use or sell the software or product;
- » It can be demonstrated how the software or product will generate future probable future economic benefits;
- » Adequate technical, financial and other resources to complete the development and use or sell the software or product are available; and
- » The expenditure attributable to the software or product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the intangible assets include software costs and the costs of personnel whose sole responsibility is their involvement in the group's research and development function.

Other development expenditures that do not meet the recognition criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period if the criteria are subsequently met.

Costs incurred in enhancing current telematics hardware and software are expensed when incurred.

The capitalised development costs are amortised over their estimated useful life which is considered to be three years due to the life cycle of telematics hardware and software applications.

#### *Acquired computer software*

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring the software into use. The acquired computer software licence is amortised over the expected useful life which is generally three to five years.

### i) 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.

### j) Taxation

#### *Taxation expense*

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 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.

## ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

### 2.2 Accounting policies (continued)

#### j) Taxation (continued)

##### *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.

#### k) Leases

At inception of a contract the group assesses whether contracts contain a lease. A contract contains a lease if control of the use of an asset is obtained in exchange for a consideration.

Should control of the asset be obtained, the group recognises a right-of-use-asset and a lease liability at the commencement date of the contract. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date. The right-of-use asset is subsequently depreciated over the lease term.

The lease liability is measured at the present value of lease payments discounted using an incremental borrowing rate.

The group has elected not to recognise right of use assets and liabilities for short term leases less than twelve months or low value assets which is in accordance with the accounting standard.

The customer does not control the telematics hardware as the use of the units is predetermined to meet the tracking and recovery services provided by the group and the customer does not have the right to operate the asset nor have they designed the asset. Accordingly, the subscription contract arrangement with the customer is not considered to meet the definition of a lease.

#### l) 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.

Cost is determined on a weighted average cost basis.

Management consider the condition and usability of inventories on an annual basis to determine whether an allowance for obsolete inventory is required.

#### m) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables do not include any significant financing element and as a result are measured initially at the transaction price and are subsequently measured at amortised cost less expected credit losses.

#### n) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows include cash on hand, deposit held on call with banks and bank overdrafts, all of which are available for use by the group and have a maturity of less than three months. Bank overdrafts are included within current liabilities on the statement of financial position.

#### o) 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.

# ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

## 2.2 Accounting policies (continued)

### p) 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 known claims at year end and takes into account the historic claims to payment ratio.

### q) Revenue

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring a good or service.

IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the revenue recognition model to contracts with customers. The standard also specifies the accounting for costs directly related to obtaining a customer contract.

The group principally generates revenue from providing Fleet, SVR and insurance telematics services. The group's telematics services provide intelligence mobility solutions which include the tracking and recovery of stolen vehicles delivered as SaaS. The underlying revenue arises from the telematics contract arrangements with its customers.

#### *Hardware sales*

Hardware revenue was recognised when control of the telematics unit was transferred to the customer which occurred upon installation on the customer's vehicle.

#### *Installation revenues*

Installation revenue was recognised when the unit was successfully installed, which occurred at the same time that control of the hardware was transferred to the customer, which occurred upon installation on the customer's vehicle. Customers were invoiced when the units were installed and payment terms were generally 30 days.

#### *Subscription revenues*

Revenues arising from the telematics service are recognised as the service is provided over the contractual term. Customers are invoiced monthly in advance and invoices are payable on presentation.

Prior to a change in its standard subscription contract in May 2019, control of the telematics unit was transferred to the customer pursuant to certain contracts hereinafter referred to as the "standard option" (previously the "cash option"). For standard option contracts the group identified three performance obligations: hardware sales; installation thereof and telematics services. Revenue was allocated to each performance obligation based upon the relative standalone selling price. Prior to May 2019 the group also provided a minimum term option (previously "rental option") where control of the telematics unit was not transferred to the customer.

For minimum term option (previously "rental option") contracts entered into prior to May 2019, and for all contracts entered into following the change in the standard option contract in May 2019 control of the telematics unit is not transferred to the customer. The group considers such arrangements to contain a single performance obligation. Contracts are typically for a 36-month term and then renewable on a monthly basis thereafter on the same pricing terms. The contracts are cancellable upon the payment of a cancellation fee and in the event of cancellation the group retrieves the telematics unit for use on another contract. Any non-refundable amounts received at the inception of the contract are recognised over the expected term of the customer relationship.

The group has assessed whether its subscription contract arrangements contain a significant financing component and it was determined that the contracts do not have a significant financing component because the difference between the timing of when the cash is received and the services are transferred to the customer is not to provide the customer with a benefit of financing.

#### *Miscellaneous rental and contract fees*

The group sometimes makes miscellaneous rental charges to customers in order to repair units, make administrative changes to contractual terms or contract cancellation. Such charges are recognised and invoiced when they arise and payment terms are generally 30 days.

#### *Dealership fitments*

The group installs units into dealership vehicles free of charge, but ownership of the telematics devices remains with the group. Such units are recognised as inventory under the category of "in-vehicle inventory" in anticipation of a future subscription contract. In some cases installed units are removed from dealership vehicles and returned to inventory.

When the dealership sells the motor vehicle to a customer, a customer may sign a subscription contract. Subscription revenue will then be recognised as the service is provided. If the customer does not sign a subscription contract the cost of the unit will be recognised immediately in cost of sales.

Since control of the units is not transferred to the customer and the customer does not have the ability to determine how and for what purpose the unit is used, the group has concluded that its contracts do not contain a lease arrangement.

### r) Interest income

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

# ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

## 2.2 Accounting policies (continued)

### s) Interest expense

Interest is recognised in profit or loss when incurred.

### f) Earnings per share and headline earnings per share

#### *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 treasury 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 1/2019, 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 financial statements.

#### *Diluted earnings per share*

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

### u) Treasury shares

Treasury shares held by the group are recognised at cost and included as a deduction from equity. These shares are treated as a deduction from the weighted average number of shares. Distributions received on treasury shares are eliminated on consolidation.

## 3. New standards and interpretations

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the group's financial statements which could be relevant to the group are disclosed below. The group intends to adopt these new and amended standards and interpretations, when they become effective. These standards, amended standards and interpretations are not expected to have a material impact on the consolidated financial statements in future reporting periods, due to the nature of the group's business.

Details of amendment	Annual periods beginning on after
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Amendments to the Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IAS 1: Classification of Liabilities as Current or Noncurrent	1 January 2022

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

## 4. Segment reporting

The group is organised into geographical business units and has five reportable segments. The operating segments are based on geographical locations. The Chief Operating Decision Maker (CODM) monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment assets and liabilities are not split between long term and current as this segment information is not reviewed on such basis by CODM.

The group's manufacturing entity manufactures products and distributes them to each of the operating segments. Support entities in South Africa and Asia are responsible for development of our hardware and software platforms and provide technical support and distribution support to each of the operating segments. All intergroup transactions are eliminated in the "Eliminations" and "Inter-segment revenue" columns and the margin generated by the support entities, net of any unrealised profit, is allocated to the geographic region where the external revenue is recorded by support entities. Franchise fees charged between South Africa and Africa-Other which are included in inter-segment revenue are done on a basis which takes into account the extent of services undertaken by each of the parties.

Segment results were fundamentally evaluated in the current and prior year based on subscription revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) as the profit or loss measures.

The segment's revenue, depreciation and EBITDA information provided to the group CEO, for the reportable segments for the year ended 29 February 2020 is as follows:

Figures in Rand thousands	Subscription revenue	Hardware and other revenue before eliminations	Eliminations	Inter-segment revenue	Hardware and other revenue after eliminations and inter-segment	Total revenue	Depreciation and amortisation	EBITDA
<b>2020</b>								
<i>Geographical business units</i>								
South Africa	1 383 980	335 692	(294 723)	(7 484)	33 485	1 417 465	243 989	770 256
Africa-Other	106 977	1 513	–	7 484	8 997	115 974	6 152	42 165
Europe	168 314	14 092	(9 140)	–	4 952	173 266	40 193	87 079
Asia-Pacific and Middle East	224 715	67 262	(60 642)	–	6 620	231 335	35 839	74 401
USA	3 731	2 631	(2 509)	–	122	3 853	851	(5 154)
<b>Total</b>	<b>1 887 717</b>	<b>421 190</b>	<b>(367 014)</b>	<b>–</b>	<b>54 176</b>	<b>1 941 893</b>	<b>327 024</b>	<b>968 747</b>
<b>2019</b>								
<i>Geographical business units</i>								
South Africa	1 116 829	623 382	(486 604)	(7 861)	128 917	1 245 746	201 988	626 164
Africa-Other	97 605	10 171	–	7 861	18 032	115 637	3 372	41 650
Europe	142 204	11 463	(6 075)	–	5 388	147 592	33 488	60 418
Asia-Pacific and Middle East	159 997	42 896	(23 150)	–	19 746	179 743	22 088	38 404
USA	3 905	6 493	(6 408)	–	85	3 990	575	(5 206)
<b>Total</b>	<b>1 520 540</b>	<b>694 405</b>	<b>(522 237)</b>	<b>–</b>	<b>172 168</b>	<b>1 692 708</b>	<b>261 511</b>	<b>761 430</b>

There are no customers which contribute in excess of 10% of group revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 4. Segment reporting (continued)

### Reconciliation of EBITDA to profit before taxation

Figures in Rand thousands	2020	2019
<b>EBITDA</b>	<b>968 747</b>	761 430
Amortisation of capitalised commission assets	(31 262)	(22 996)
Depreciation of property, plant and equipment and amortisation of intangible assets	(295 762)	(238 515)
<b>Operating profit</b>	<b>641 723</b>	499 919
Finance income	2 592	2 749
Finance costs	(16 831)	(31 438)
<b>Profit before taxation</b>	<b>627 484</b>	471 230

### Total assets by segment

Figures in Rand thousands	2020	2019
<b>Total assets</b>		
South Africa	1 145 039	975 638
Africa-Other	196 156	162 373
Europe	275 290	217 623
Asia-Pacific and Middle East	217 764	165 256
USA	10 204	8 208
<b>Total</b>	<b>1 844 453</b>	1 529 098

### Total non current assets by segment

Figures in Rand thousands	2020	2019
South Africa	820 658	681 799
Africa -Other	96 263	88 522
Europe	221 840	182 478
Asia Pacific and Middle East	133 824	90 377
USA	5 194	5 134
	<b>1 277 779</b>	1 048 310

### Capital expenditure\*

Figures in Rand thousands	2020	2019
South Africa	308 936	360 935
Africa-Other	9 427	8 360
Europe	50 974	32 448
Asia-Pacific and Middle East	53 455	33 110
USA	176	844
<b>Total</b>	<b>422 968</b>	435 697

\* Capital expenditure includes additions of property, plant and equipment and intangible assets.

### Total liabilities by segment

Figures in Rand thousands	2020	2019
<b>Total liabilities</b>		
South Africa	405 238	493 751
Africa-Other	56 088	46 923
Europe	90 547	87 286
Asia-Pacific and Middle East	68 025	63 364
USA	180	156
<b>Total</b>	<b>620 078</b>	691 480



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 5. Property, plant and equipment

Figures in Rand thousands	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<b>Owned assets</b>						
Buildings	2 115	–	2 115	1 962	–	1 962
Capitalised telematics devices	1 485 475	(776 594)	708 881	1 091 014	(541 032)	549 982
Computer software	–	–	–	8 542	(3 720)	4 822
Furniture and fixtures	11 609	(7 493)	4 116	9 864	(5 855)	4 009
Leasehold improvements	20 249	(14 893)	5 356	15 430	(10 355)	5 075
Office equipment	5 900	(4 633)	1 267	4 926	(4 063)	863
Plant and machinery	3 820	(3 107)	713	2 783	(2 481)	302
Security equipment	1 744	(909)	835	1 235	(654)	581
<b>Right-of-use assets</b>						
IT equipment	63 793	(35 741)	28 052	58 770	(29 491)	29 279
Motor vehicles	124 893	(65 055)	59 838	116 693	(45 733)	70 960
Property	66 130	(22 797)	43 333	53 365	(15 226)	38 139
<b>Total</b>	<b>1 785 728</b>	<b>(931 222)</b>	<b>854 506</b>	<b>1 364 584</b>	<b>(658 610)</b>	<b>705 974</b>

### Reconciliation of the carrying value of property, plant and equipment - 2020

Figures in Rand thousands	Opening balance	Additions	Disposals	Reclassifications	Translation adjustments	De-preciation	Closing balance
<b>Owned assets</b>							
Buildings	1 962	–	–	–	153	–	2 115
Capitalised telematics devices	549 982	369 156	–	–	16 554	(226 811)	708 881
Computer software*	4 822	–	–	(4 822)	–	–	–
Furniture and fixtures	4 009	1 594	(210)	–	185	(1 462)	4 116
Leasehold improvements	5 075	4 158	(257)	–	115	(3 735)	5 356
Office equipment	863	547	–	–	130	(273)	1 267
Plant and machinery	302	965	–	–	25	(579)	713
Security equipment	581	481	–	–	8	(235)	835
<b>Right-of-use assets</b>							
IT equipment	29 279	11 822	(2 436)	–	506	(11 119)	28 052
Motor vehicles	70 960	10 708	(2 097)	–	553	(20 286)	59 838
Property	38 139	22 285	(784)	–	2 169	(18 476)	43 333
<b>Total</b>	<b>705 974</b>	<b>421 716</b>	<b>(5 784)</b>	<b>(4 822)</b>	<b>20 398</b>	<b>(282 976)</b>	<b>854 506</b>

\* In the current year, computer software has been reclassified to intangible assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 5. Property, plant and equipment (continued)

### Reconciliation of the carrying value of property, plant and equipment – 2019

Figures in Rand thousands	Opening balance as previously reported	IFRS 15	IFRS 16	Opening balance restated	Additions	Disposals	Reclassifications	Translation adjustments	De-preciation	Closing balance
<i>Owned assets</i>										
Buildings	4 287	–	–	4 287	–	–	(2 560)	235	–	1 962
Capitalised telematics devices (previously Capital rental units)	427 373	(58 796)	–	368 577	353 655	(116)	581	11 063	(183 778)	549 982
Computer software	4 520	–	–	4 520	2 103	–	438	(234)	(2 005)	4 822
Furniture and fixtures	2 933	–	–	2 933	1 930	–	178	366	(1 398)	4 009
Leasehold improvements	1 125	–	–	1 125	3 357	–	4 042	(659)	(2 790)	5 075
Office equipment	498	–	–	498	927	–	(41)	55	(576)	863
Plant and machinery	697	–	–	697	490	(94)	(39)	(70)	(682)	302
Security equipment	299	–	–	299	132	–	312	(1)	(161)	581
<i>Right-of-use assets</i>										
IT equipment	13 452	–	–	13 452	27 636	(33)	(2 603)	2 528	(11 701)	29 279
Motor vehicles	60 861	–	–	60 861	31 831	(1 823)	(331)	1 018	(20 596)	70 960
Property	–	–	34 128	34 128	14 897	–	23	3 919	(14 828)	38 139
<b>Total</b>	<b>516 045</b>	<b>(58 796)</b>	<b>34 128</b>	<b>491 377</b>	<b>436 958</b>	<b>(2 066)</b>	<b>–</b>	<b>18 220</b>	<b>(238 515)</b>	<b>705 974</b>

## 6. Capitalised commission assets

Figures in Rand thousands	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Capitalised sales commissions	245 718	(101 169)	144 549	178 330	(69 783)	108 547
<b>Total</b>	<b>245 718</b>	<b>(101 169)</b>	<b>144 549</b>	<b>178 330</b>	<b>(69 783)</b>	<b>108 547</b>

### Reconciliation of the carrying value of capitalised sales commissions – 2020

Figures in Rand thousands	Opening balance	Additions	Translation adjustments	Amortisation	Closing balance
<b>2020</b>					
Capitalised sales commissions	108 547	64 437	2 827	(31 262)	144 549

### Reconciliation of the carrying value of capitalised sales commissions – 2019

Figures in Rand thousands	Opening balance as previously reported	IFRS 15	Opening balance restated	Additions	Translation adjustments	Amortisation	Closing balance
<b>2019</b>							
Capitalised sales commissions	–	58 796	58 796	71 454	1 293	(22 996)	108 547

The group capitalises sales commission costs arising from activated subscription contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 7. Intangible assets

Figures in Rand thousands	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Product development costs	46 452	(9 385)	37 067	13 636	–	13 636
Computer software*	11 029	(7 357)	3 672	–	–	–
	57 481	(16 742)	40 739	13 636	–	13 636

Staff costs of R31 178 000 (2019: R13 636 000) have been capitalised to product development costs with regard to the development of new generation telematics hardware and platform software which deployed in the current year.

### Reconciliation of the carrying value of intangible assets – 2020

Figures in Rand thousands	Opening balance	Reclassification	Additions	Translation adjustments	Amortisation	Disposal	Closing balance
Product development costs	13 636	–	31 178	1 403	(9 150)	–	37 067
Computer software*	–	4 822	3 067	(214)	(3 636)	(367)	3 672
Product development costs	13 636	4 822	34 245	1 189	(12 786)	(367)	40 739

\* In the current year, computer software has been reclassified from property, plant and equipment.

### Reconciliation of the carrying value of intangible assets – 2019

Figures in Rand thousands	Opening balance	Additions	Translation adjustments	Amortisation	Closing balance
Product development costs	–	13 636	–	–	13 636

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 8. Goodwill

Goodwill is allocated to the following cash generating units (CGUs): Mozambique, Portugal, Spain, Asia and Africa – Other.

Figures in Rand thousands	Mozambique	Portugal	Spain	Other	Total
<b>Balance at 1 March 2018</b>	54 134	25 375	17 986	10 102	107 597
Translation adjustments	8 951	2 553	1 810	937	14 251
Additions	–	–	–	250	250
<b>Balance at 28 February 2019</b>	63 085	27 928	19 796	11 289	122 098
Translation adjustments	4 899	2 449	1 736	321	9 405
<b>Balance at 29 February 2020</b>	67 984	30 377	21 532	11 610	131 503

### Impairment testing

The group performs its annual impairment test at the end of each financial year, or more frequently if there are indications that goodwill may be impaired. No impairment was identified in the current year which is consistent with the conclusions reached in 2019.

The group considers the relationship between its market capitalisation and its equity attributable to equity holders of the parent, among other factors, when performing the annual test of impairment. At 29 February 2020, the market capitalisation of the group exceeded the value of equity by R5.946 billion.

The recoverable amount of each cash-generating unit (CGU) with the exception of the Other CGUs is determined using a discounted cash flow valuation technique, which requires the use of various estimates. Each of the cash flow projections are based on forecasts over a five-year period, which have been approved by senior management. The Other CGUs are valued on an earnings multiple basis.

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

Key estimates	CGU	Rates	
		2020	2019
<b>Revenue growth rate</b> This is the average annual compound growth rate in revenue that is derived from management's forecast and is based on external available information, such as GDP and inflation rate data within the region.  The growth rate applied for revenue is considered to be the main driver of 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.	Mozambique	7%	6%
	Portugal	3%	2%
	Spain	3%	2%
<b>Terminal growth rate</b> 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.	Mozambique	5%	6%
	Portugal	2%	2%
	Spain	2%	2%
<b>Discount rate</b> 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. The rates were determined using the Capital Asset pricing model and adjusting for risk. The rate is a pre-tax rate and the value in use has been determined on a pre-tax basis.	Mozambique	35%	31%
	Portugal	16%	15%
	Spain	15%	15%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 8. Goodwill (continued)

### Sensitivity analysis

The group has applied a 100 basis point increase and decrease to the discount rates used in the impairment testing which does not result in impairment, however, the headroom on the goodwill balance attributable to Spain is limited when applying this sensitivity analysis.

## 9. Deferred taxation

Figures in Rand thousands	2020	2019
<b>Deferred taxation liability</b>	<b>(85 392)</b>	<b>(33 197)</b>
Property, plant and equipment and capitalised commission assets	(85 392)	(33 197)
<b>Deferred taxation asset</b>	<b>106 482</b>	<b>98 055</b>
Income received in advance	25 476	16 698
Property, plant and equipment and capitalised commission assets	9 361	–
Inventory	26 018	25 703
Tax losses	16 356	14 677
Lease obligations	16 351	21 923
ECL provision on trade receivables	5 936	4 591
Research and development	1 071	–
Other	5 913	14 463
<b>Total net deferred taxation asset</b>	<b>21 090</b>	<b>64 858</b>
<b>Reconciliation of deferred taxation asset/(liability)</b>		
At beginning of year	64 858	47 172
Increase in income received in advance temporary differences	8 778	4 921
Decrease in property, plant and equipment and capitalised commission assets temporary differences	(42 834)	(24 465)
Increase in inventory temporary differences	315	6 623
Increase in tax losses temporary differences	1 679	7 937
(Decrease)/increase in lease obligation temporary differences	(5 572)	12 476
Increase in ECL provision on trade receivables temporary differences	1 345	2 274
Increase in research and development temporary differences	1 071	–
(Decrease)/increase in other temporary differences	(8 550)	7 920
<b>At end of year</b>	<b>21 090</b>	<b>64 858</b>
<b>Reconciliation of deferred tax</b>		
Opening balance	64 858	47 172
Charge to income statement (note 23)	(45 178)	16 137
Translation differences	1 410	1 549
<b>Closing balance</b>	<b>21 090</b>	<b>64 858</b>

The group has not recognised deferred taxation assets relating to available tax losses in start-up subsidiaries where the probability of future taxable income is uncertain. These potential deferred taxation assets will be recognised and utilised in future periods as and when they meet the recognition criteria. The tax losses available from these subsidiaries are R15 031 326 (2019: R16 412 152). The extent of tax losses available to the group for which deferred tax assets have been recognised amount to R54 097 271 (2019: R52 418 746). Detailed budgets and forecasts have been prepared by management which support the recoverability of these tax losses. None of the tax losses expire in terms of local tax legislation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 10. Inventories

Figures in Rand thousands	2020	2019
Uninstalled tracking units	46 203	119 527
In-vehicle inventory	15 980	–
Components	69 816	58 844
Work in progress	2 009	12 762
Consumables	19 658	15 695
	<b>153 666</b>	206 828
Allowance for obsolete inventory	(2 050)	(802)
	<b>151 616</b>	206 026

During the year, inventory with a carrying value of R7 622 897 (2019: R10 230 098) was recognised as an expense for inventories carried at net realisable value.

During the year, inventory with a carrying value of R1 02 028 906 (2019: R1 19 509 619) was recognised in cost of sales.

The allowance for obsolete inventory is determined based on an assessment by management of the condition and usability 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 current year there was no material change to the technology resulting in a limited allowance for obsolete inventory at the reporting date.

## 11. Trade and other receivables

Figures in Rand thousands	2020	2019
Trade receivables	268 749	221 956
Expected credit loss provision	(51 657)	(43 670)
<b>Total</b>	<b>217 092</b>	178 286
<b>Other receivables</b>		
Prepayments	21 170	21 420
Deposits	6 044	3 964
Sundry debtors	7 176	9 218
Value added tax	265	2 701
	<b>251 747</b>	215 589

### Loans and receivables

The group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

The determination of the expected credit loss provision is calculated on a basis specific to each customer grouping and jurisdiction in which the group operates and requires the use of estimates. Additional information regarding credit risk applicable to trade receivables is disclosed in note 30.2.a. The group has recognised a loss allowance of 100% against all receivables over 360 days (with the exception of Africa) based on historical experience that these receivables are generally not recoverable. In Africa, customers take longer to pay based on historical experience and these longer dated receivables are generally recovered thus not requiring a similar level of loss allowance.

The average credit period extended to customers is 30 days. No interest is charged on outstanding trade receivables.

### Credit quality of trade and other receivables

Information on credit quality of trade and other receivables is on note 30.2.a.

### Reconciliation of the expected credit loss provision recognised with regard to trade and other receivables

Figures in Rand thousands	2020	2019
Opening balance	(43 670)	(30 382)
Adjustment on adoption of IFRS 9	–	5 323
Increase in allowance for expected credit losses	(63 623)	(71 682)
Amounts utilised	57 825	55 803
Translation differences	(2 189)	(2 732)
<b>Closing balance</b>	<b>(51 657)</b>	(43 670)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 11. Trade and other receivables (continued)

The carrying amount of trade and other receivables is denominated in the following currencies:

Figures in Rand thousands	2020	2019
<b>Currencies</b>		
Rand	120 112	107 398
Singapore dollar	13 115	16 489
Mozambique metical	30 391	24 602
Euro	18 255	16 668
Nigerian naira	1 158	1 366
Kenyan shillings	7 177	5 782
Tanzanian shillings	12 419	11 384
Polish zloty	5 025	3 656
Thai baht	20 059	9 178
United Arab Emirates dirham	10 055	9 746
US dollar	2 378	593
Other	11 603	8 727
<b>Total</b>	<b>251 747</b>	<b>215 589</b>

## 12. Loans to/(from) related parties

Figures in Rand thousands	2020	2019
<b>Related parties</b>		
Cartrack Education Fund (NPO)	–	200
J Marais	13	13
Bumbene House Proprietary Limited	11 000	–
	11 013	213
J De Wet	(5 679)	(5 551)
P Lim	(2 683)	(2 151)
Onecell Proprietary Limited	–	(14)
	(8 362)	(7 716)
	11 013	213
Current assets	11 013	213
Current liabilities	(8 362)	(7 716)
	2 651	(7 503)

These loans are unsecured, bear no interest and have no fixed terms of repayment. The fair value of these financial instruments approximates the carrying amount.

## 13. Cash and cash equivalents

Figures in Rand thousands	2020	2019
<b>Cash and cash equivalents consist of:</b>		
Cash on hand	313	276
Bank balances	122 346	51 630
Short-term deposits	23 128	–
Bank overdrafts	–	(13 762)
	145 787	38 144
	145 787	51 906
Current assets	145 787	51 906
Current liabilities	–	(13 762)
	145 787	38 144

Information on cash flow management is included in note 30.2.a. Refer to note 34 for information on the various facilities available to the group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 14. Share capital

Figures in Rand thousands	2020	2019
<b>Authorised</b>		
1 000 000 000 ordinary shares of no par value		
700 000 000 unissued ordinary shares of no par value.		
<b>Issued and fully paid</b>		
300 000 000 ordinary shares of no par value.	42 488	42 488

The group holds 1 234 000 treasury shares.

## 15. Term loans

Figures in Rand thousands	2020	2019
Rand Merchant Bank Limited	2 760	215 421
Caixa Geral de Depositos S.A	20 209	23 869
Total	22 969	239 290
Less: Short term portion	(5 154)	(20 525)
<b>Long term portion</b>	<b>17 815</b>	<b>218 765</b>

Rand Merchant Bank Limited has provided a R600 million funding facility to Cartrack Proprietary Limited of which R50 million is committed for a fixed period and R550 million is uncommitted. The final repayment date on the committed term facility is five years from the commencement date, being 31 January 2025 and the uncommitted term facility is repayable three years from utilisation date.

Interest is levied at a rate of prime less 1,7% per annum. The covenants in respect of this loan have been complied at year-end. A guarantee has been signed by both Cartrack Holdings Limited and Cartrack Manufacturing Proprietary Limited for this loan and security has been provided in the form of a pledge and cession by the borrower and the guarantors of certain rights in favour of the lender for this loan, including shares held in South African entities, all claims, bank accounts, cash and cash equivalent investments, intellectual property, insurance policies and insurance proceeds. At 29 February 2020 Cartrack Proprietary Limited had utilised R2,76 million of the committed term facility.

The loan from Caixa Geral de Depositos S.A. is a euro-denominated loan payable in equal monthly instalments over a five year period and bears interest of 3% p.a. No security has been provided on this loan.

## 16. Capitalised lease liabilities

Figures in Rand thousands	2020	2019
<b>Lease payments due</b>		
– within one year	44 849	47 656
– in months 13 to 24 subsequent to year-end	25 473	32 580
– in months 25 to 36 subsequent to year-end	11 820	15 118
– in months 37 to 48 subsequent to year-end	5 948	7 608
– Periods thereafter	10 907	13 950
<b>Present value of lease payments</b>	<b>98 997</b>	<b>116 912</b>
Non-current liabilities	54 148	69 256
Current liabilities	44 849	47 656
	<b>98 997</b>	<b>116 912</b>

It is group policy to lease the various commercial properties occupied by the group's operations and certain motor vehicles are leased in terms of instalment sale agreements. The average term of the instalment sale agreements is between three to four years and interest is charged at prime linked interest rates. The group's obligations under instalment sale agreements are secured by the leased assets.

Property leases capitalised have an average lease term of four years and interest incurred is at an incremental borrowing rate of a similar asset. External sources of information were used to determine incremental borrowing rate of a similar asset.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 17. Amounts received in advance

Figures in Rand thousands	2020	2019
Opening balance	80 377	74 113
Amounts deferred in current year	275 584	129 477
Amounts released to revenue in the current year	(152 420)	(129 202)
Translation adjustments	5 241	5 989
<b>Closing balance</b>	<b>208 782</b>	<b>80 377</b>
Non-current liabilities	55 817	–
Current liabilities	152 965	80 377
	<b>208 782</b>	<b>80 377</b>

Subscription revenues are billed monthly in advance and then recognised in revenue as the service is provided. There was a change in the current year to the terms of subscription contracts whereby ownership of all telematics units remains with the group which has increased the amounts received in advance from customers. Certain customers have paid for the service upfront and revenue is deferred and recognised over the expected term of the customer relationship, which is estimated to be 60 months. No revenue was recognised in the current reporting period stemming from performance obligations satisfied or partially satisfied in the previous year.

## 18. Trade and other payables

Figures in Rand thousands	2020	2019
Trade payables	57 109	59 052
Accrued expenses	84 028	65 654
Sundry creditors	7 630	12 126
Value added tax	22 161	18 698
	<b>170 928</b>	<b>155 530</b>

The fair value of the financial instruments approximates their carrying amounts.

## 19. Revenue

### A. Revenue streams

The group generates revenue from providing Fleet management ('Fleet'), Stolen Vehicle Recovery ('SVR') and insurance telematics services. It provides fleet, mobile asset and workforce management solutions, underpinned by real-time actionable business intelligence, delivered as Software-as-a-Service (SaaS), as well as the tracking and recovery of stolen vehicles.

Figures in Rand thousands	2020	2019
<b>Revenue from contracts with customers</b>		
Subscription revenue	1 887 717	1 520 540
Hardware sales	36 852	126 299
Installation revenue	752	2 578
	<b>1 925 321</b>	<b>1 649 417</b>
<b>Other revenue</b>		
Miscellaneous contract fees	16 572	43 291
<b>Total revenue</b>	<b>1 941 893</b>	<b>1 692 708</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 19. Revenue (continued)

### B. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

Figures in Rand thousands	Subscription revenue		Hardware sales	
	2020	2019	2020	2019
<b>Primary geographical markets</b>				
South Africa	1 383 980	1 116 829	17 429	84 351
Africa-Other	106 977	97 605	8 343	17 459
Europe	168 314	142 204	4 670	5 207
Asia-Pacific and Middle East	224 715	159 997	6 332	19 282
USA	3 731	3 905	78	–
	<b>1 887 717</b>	1 520 540	<b>36 852</b>	126 299
<b>Timing of revenue recognition</b>				
Products transferred at a point in time	–	–	36 852	126 299
Services transferred over time	1 887 717	1 520 540	–	–
<b>Total revenue</b>	<b>1 887 717</b>	1 520 540	<b>36 852</b>	126 299

Figures in Rand thousands	Installation revenue		Miscellaneous contract fees		Total	
	2020	2019	2020	2019	2020	2019
<b>Primary geographical markets</b>						
South Africa	356	1 721	15 700	42 845	1 417 465	1 245 746
Africa-Other	170	356	484	217	115 974	115 637
Europe	95	107	187	74	173 266	147 592
Asia-Pacific and Middle East	129	394	159	70	231 335	179 743
USA	2	–	42	85	3 853	3 990
	<b>752</b>	2 578	<b>16 572</b>	43 291	<b>1 941 893</b>	1 692 708
<b>Timing of revenue recognition</b>						
Products transferred at a point in time	752	2 578	16 572	43 291	54 176	172 168
Services transferred over time	–	–	–	–	1 887 717	1 520 540
<b>Total revenue</b>	<b>752</b>	2 578	<b>16 572</b>	43 291	<b>1 941 893</b>	1 692 708

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 20. Operating profit

Figures in Rand thousands	Notes	2020	2019
Operating profit is stated after accounting for the following charges:			
Auditor remuneration		6 282	4 841
– Current year (audit services)		6 207	4 841
– Current year (other services)		75	–
Depreciation of property, plant and equipment	5	282 976	238 515
Amortisation of capitalised commission assets	6	31 262	22 996
Amortisation of intangible assets	7	12 786	–
Write down of inventory to net realisable value	10	7 623	10 230
Research and development		44 924	48 284
Employee costs		343 417	356 910

## 21. Finance income

Figures in Rand thousands	2020	2019
Bank balances	2 592	2 749

## 22. Finance costs

Figures in Rand thousands	2020	2019
Lease liabilities	7 508	8 089
Term loans	8 727	1 954
Interest on tax liabilities	1	4 883
Overdraft	595	16 512
	16 831	31 438

## 23. Taxation

Figures in Rand thousands	2020	2019
Major components of the taxation expense:		
<b>Current taxation</b>		
Income taxation – current year	137 392	132 144
Income taxation – prior year	(12 017)	(5 939)
	125 375	126 205
<b>Deferred taxation</b>		
Deferred taxation – current year	33 217	(6 883)
Deferred taxation – prior year	11 961	(9 254)
	45 178	(16 137)
Withholding tax	509	114
<b>Total taxation expense</b>	<b>171 062</b>	<b>110 182</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 23. Taxation (continued)

Figures in Rand thousands	2020	2019
<b>Reconciliation between accounting profit and taxation expense:</b>		
Profit before taxation	627 484	471 230
Taxation at the applicable taxation rate of 28% (2019: 28%)	175 696	131 944
<b>Taxation effect of adjustments on taxable income</b>		
Utilisation of previously unrecognised taxation losses	(1 349)	(5 694)
Currency adjustment	(7 119)	(8 823)
Tax incentive – research and development	(3 845)	–
Tax incentive – other	(1 921)	–
Non-deductible loan write-off	–	1 633
Non-deductible tax penalties	84	1 601
Non-deductible provisions of capital nature	4 907	–
Non-deductible expenses attributable to exempt dividend income	1 309	1 664
Current year losses for which no deferred taxation asset is recognised	2 847	2 936
Withholding tax	509	114
Prior year tax overprovision	(56)	(15 193)
<b>Total taxation expense</b>	<b>171 062</b>	<b>110 182</b>

## 24. Cash generated from operations

Figures in Rand thousands	2020	2019 restated
Profit before taxation	627 484	471 230
<b>Adjustments</b>	<b>339 630</b>	<b>283 925</b>
Depreciation on property, plant and equipment	282 976	238 515
Amortisation of intangible asset	12 786	–
Amortisation of capitalised commission assets	31 262	22 996
Profit on disposal of property, plant and equipment	(748)	(2 357)
Finance income	(2 592)	(2 749)
Finance costs	16 831	31 438
Provision for warranties charge	(885)	(3 918)
<b>Cash generated from operations before working capital changes</b>	<b>967 114</b>	<b>755 155</b>
<b>Changes in working capital</b>		
Decrease/(increase) in Inventories	55 380	(34 019)
Increase in Trade and other receivables	(36 778)	(62 319)
Increase in Trade and other payables	15 671	42 127
Increase in Amounts received in advance	128 405	6 264
Increase in Capitalised commission assets under IFRS 15	(64 437)	(71 454)
<b>Cash generated from operations</b>	<b>1 065 355</b>	<b>635 754</b>

## 25. Taxation paid

Figures in Rand thousands	2020	2019
Balance payable at beginning of the year	(35 078)	(51 768)
Current taxation for the year recognised in profit or loss	(125 884)	(126 205)
<b>Balance payable at end of the year</b>	<b>16 458</b>	<b>35 078</b>
	<b>(144 504)</b>	<b>(142 895)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 26. Dividends paid

Figures in Rand thousands	2020	2019
Amounts recognised as distributions to equity holders in the year	(104 717)	(148 515)

## 27. Material non-controlling interest

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

Figures in Rand thousands	Cartrack Limitada	
	2020	2019
<b>NCI percentage</b>	50%	50%
Principal place of business	Mozambique	Mozambique
<b>Revenue</b>	62 069	67 300
Profit for the year after tax	18 186	22 520
Other comprehensive income	(9 654)	4 079
<b>Total comprehensive income</b>	8 532	26 599
Profit attributable to NCI	9 093	11 237
Other comprehensive income attributable to NCI	(4 827)	2 821
<b>Total comprehensive income attributable to NCI</b>	4 266	14 058
Non-current assets	15 330	9 304
Current assets	58 049	43 510
Current liabilities	(38 882)	(29 382)
	34 497	23 432
<b>Net assets attributable to NCI</b>	17 249	11 716
Cash flows from operating activities	25 082	24 920
Cash flows from investing activities	(8 128)	(1 070)
Cash flows from financing activities	(8 057)	(20 069)
	8 897	3 781
<b>Dividends paid to NCI</b>	(7 845)	(11 019)

The group controls Cartrack Limitada as it has control of the board of directors and as a result determines the distribution of profits of the company as well as managing the day to day operational activities of the company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 28. Interests in subsidiaries

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

Company name	Held by
Cartrack Proprietary Limited	Cartrack Holdings Limited
Cartrack Technologies Proprietary Limited	Cartrack Holdings Limited
Cartrack Manufacturing Proprietary Limited	Cartrack Holdings Limited
Cartrack Management Services Proprietary Limited	Cartrack Holdings Limited
Drive and Save Proprietary Limited	Cartrack Holdings Limited
Cartrack Namibia Proprietary Limited	Cartrack Holdings Limited
Cartrack Technologies Pte. Limited	Cartrack Holdings Limited
Cartrack Telematics Proprietary Limited	Cartrack Proprietary Limited
Veraspan Proprietary Limited	Cartrack Proprietary Limited
Cartrack Fleet Management Proprietary Limited (Dormant)	Cartrack Proprietary Limited
Cartrack North East Proprietary Limited (Dormant)	Cartrack Proprietary Limited
Combined Telematics Services Proprietary Limited (Dormant)	Cartrack Proprietary Limited
Found Proprietary Limited (previously Plexique Proprietary Limited)	Cartrack Proprietary Limited
Zonke Bonke Telecoms Proprietary Limited (Dormant)	Cartrack Proprietary Limited
Cartrack Tanzania Limited	Cartrack Technologies Pte. Limited
Retriever Limited	Cartrack Technologies Pte. Limited
Cartrack Engineering Technologies Limited	Cartrack Technologies Pte. Limited
PT. Cartrack Technologies Indonesia	Cartrack Technologies Pte. Limited
Cartrack Investments UK Limited	Cartrack Technologies Pte. Limited
Cartrack Technologies (China) Limited	Cartrack Technologies Pte. Limited
Cartrack Malaysia SDN.BHD	Cartrack Technologies Pte. Limited
Cartrack Technologies LLC	Cartrack Technologies Pte. Limited
Cartrack Technologies PHL.INC	Cartrack Technologies Pte. Limited
Cartrack Technologies South East Asia Pte. Limited	Cartrack Technologies Pte. Limited
Cartrack Ireland Limited	Cartrack Technologies Pte. Limited
Cartrack Technologies (Thailand) Company Limited	Cartrack Technologies Pte. Limited
Cartrack New Zealand Limited	Cartrack Technologies Pte. Limited
Cartrack (Australia) Proprietary Limited (Dormant)	Cartrack Technologies Pte. Limited
Cartrack INC.	Cartrack Ireland Limited
Cartrack Polska.SP.ZO.O	Cartrack Ireland Limited
Cartrack Portugal S.A.	Cartrack Investments UK Limited
Cartrack Espana, S.L	Cartrack Investments UK Limited
Cartrack Europe SGPS,S.A (Dissolved)	Cartrack Investments UK Limited
Cartrack Capital SGPS,S.A (Dissolved)	Cartrack Investments UK Limited
Cartrack Limitada	Cartrack Technologies LLC
Auto Club LDA	Cartrack Technologies LLC

Loans provided to subsidiary companies which require financial support have been subordinated in favour of third party creditors of the underlying companies.

Cartrack Investments UK Limited has provided Cartrack Espana, S.L with a loan in the amount of euro 1 million (2019: euro 1 million) Cartrack Technologies Pte. Limited has provided Cartrack Investments UK Limited with a guarantee for repayment of the loan.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

Country of incorporation	% holding 2020	% holding 2019
South Africa	100,00	100,00
South Africa	100,00	100,00
South Africa	100,00	100,00
South Africa	100,00	100,00
South Africa	100,00	100,00
Namibia	100,00	100,00
Singapore	100,00	100,00
South Africa	100,00	–
South Africa	100,00	–
South Africa	74,00	74,00
South Africa	100,00	100,00
South Africa	49,00	49,00
South Africa	100,00	100,00
South Africa	100,00	100,00
Tanzania	60,00	60,00
Kenya	85,00	85,00
Nigeria	99,00	99,00
Indonesia	100,00	100,00
United Kingdom	100,00	100,00
Hong Kong	100,00	100,00
Malaysia	100,00	100,00
U.A.E	100,00	100,00
Philippines	51,00	51,00
Singapore	100,00	100,00
Republic of Ireland	100,00	100,00
Thailand	100,00	100,00
New Zealand	51,00	51,00
Australia	100,00	100,00
U.S.A	100,00	100,00
Poland	90,91	90,91
Portugal	100,00	100,00
Spain	100,00	100,00
Portugal	100,00	100,00
Portugal	100,00	100,00
Mozambique	50,00	50,00
Mozambique	80,00	80,00

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 29. Related parties

		Relationships
<b>Related parties</b>	Onecell Community Phones Proprietary Limited	IJ Calisto has a beneficial interest in this company
	Onecell Community Services Proprietary Limited	IJ Calisto has a beneficial interest in this company
	Onecell Data Solutions Proprietary Limited	IJ Calisto has a beneficial interest in this company
	Onecell Namibia Proprietary Limited	IJ Calisto has a beneficial interest in this company
	Onecell Holdings Proprietary Limited	IJ Calisto has a beneficial interest in this company
	Purple Rain Properties No. 444 Proprietary Limited	IJ Calisto has a beneficial interest in this company
	Onecell Proprietary Limited	IJ Calisto has a beneficial interest in this company
	Cartrack Education Fund (NPO)	Bursary funding – South Africa entities
	J Marais	Shareholder – Cartrack Holdings Limited
	P Lim	Shareholder – Cartrack Technologies PHL. INC
	Bumbene House Proprietary Limited	BEE funded company – Cartrack Holdings Limited
	J De Wet	Shareholder – Cartrack New Zealand Limited
	Brick Capital Polska Sp.Zo.O	IJ Calisto has a beneficial interest in this company
	Georgem Proprietary Limited	J Marais has a beneficial interest in this company
	F Calisto	IJ Calisto family
	Cartrack Mozambique LDA	IJ Calisto has a beneficial interest in this company
	CFC Sp.Zo.O	B Debski is a director
Prime Business	B Debski is a director	
Karoo Pte Limited	IJ Calisto has a beneficial interest in this company	
<b>Subsidiary companies</b>	All subsidiaries are disclosed in note 28.	
<b>Directors</b>	IJ Calisto (executive)	
	M Grundlingh (executive)	
	DJ Brown (non-executive)	
	AT Ikalafeng (non-executive)	
	S Rapeti (non-executive)	
	K White (non-executive)	
<b>Prescribed officers</b>	B Debski	
	H Louw	
	J Marais	
	J Matias	
	E Ong	
	R Schubert	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 29. Related parties (continued)

### Loan accounts – owing (to)/by related parties

Figures in Rand thousands	2020	2019
<b>Related party balances</b>		
Bumbene House Proprietary Limited	11 000	–
Cartrack Education Fund (NPO)	–	200
J Marais	13	13
J De Wet	(5 679)	(5 551)
P Lim	(2 683)	(2 151)
Onecell Proprietary Limited	–	(14)
	<b>2 651</b>	<b>(7 503)</b>
<b>Amounts included in trade receivables/(trade payables) regarding related parties</b>		
<i>Trade receivables</i>		
Onecell Proprietary Limited	–	6 664
J Marais	7	–
Onecell Holdings Proprietary Limited	–	3
<i>Trade payables</i>		
Onecell Proprietary Limited	–	(52)
Onecell Community Services Proprietary Limited	–	(339)
Onecell Holdings Proprietary Limited	–	(21)
Prime Business	(399)	–
	<b>(392)</b>	<b>6 255</b>
<b>Related party transactions</b>		
<b>Sales to related parties</b>		
Onecell Proprietary Limited	(407)	(4 042)
CFC.Sp.Zo.O	–	(114)
Brick Capital Polska SP. ZO.O	–	(1)
Prime Business	–	(44)
	<b>(407)</b>	<b>(4 201)</b>
<b>Purchases from related parties</b>		
Onecell Holdings Proprietary Limited	240	208
Onecell Proprietary Limited	437	467
CFC.Sp.Zo.O	–	7 601
Prime Business	–	148
Onecell Community Services Proprietary Limited	2 796	1 819
Cartrack Mozambique LDA	4 464	5 280
	<b>7 937</b>	<b>15 523</b>
<b>Rent paid to related parties</b>		
Purple Rain Properties No. 444 Proprietary Limited	16 449	17 613
Prime Business	895	836
Brick Capital Lda	–	3 921
Brick Capital Polska Sp.Zo.o	1 663	1 694
F Calisto	880	–
	<b>19 887</b>	<b>24 064</b>

Information regarding the key management and prescribed officers is in detailed in note 32.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 30. 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 Audit and risk 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 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 committee.

### 30.1 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 and lease obligations disclosed in notes 15 and 16 respectively, cash and cash equivalents disclosed in note 13, 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.

### 30.2 Financial risk management

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

#### 30.2.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. The group has a general credit policy of only dealing with credit worthy customers. A significant element of its individual customers is on debit-order payment method to assess credit risk. There has been no change in credit risk estimation techniques since last year.

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. The group does not have any significant credit risk exposure to any single customer or any group of customers having similar characteristics.

There has been no change in credit risk estimation techniques since last year.

The carrying amounts of financial assets represent the maximum credit exposure.

Expected credit losses on financial assets recognised in profit or loss were as follows:

Figures in Rand thousands	2020	2019
Expected credit loss provision on trade receivables arising from contracts with customers	54 872	43 670

#### *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 19.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 30. Risk management (continued)

### 30.2 Financial risk management (continued)

#### 30.2.a Credit risk (continued)

##### *Expected credit loss assessment process followed in the current year*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

The provision rates are based on days since invoicing date for various groupings of various customer segments with similar loss patterns.

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future conditions.

The following table provides information about the expected credit loss rate for trade receivables by ageing category as at 29 February 2020:

Figures in Rand thousands	Expected credit loss rate	Gross carrying amount	Impairment loss allowance
Since invoicing	4%	113 385	4 908
1 month since invoicing date	11%	31 875	3 587
2 months since invoicing date	17%	20 670	3 487
3 months since invoicing date	39%	102 819	39 675
<b>Total</b>	<b>19%</b>	<b>268 749</b>	<b>51 657</b>

The following table provides information about the expected credit loss rate for trade receivables by ageing category as at 28 February 2019:

Figures in Rand thousands	Expected credit loss rate	Gross carrying amount	Impairment loss allowance
Since invoicing	5%	57 825	2 813
1 month since invoicing date	8%	36 733	2 832
2 months since invoicing date	13%	21 807	2 859
3 months since invoicing date	33%	105 591	35 166
<b>Total</b>	<b>20%</b>	<b>221 956</b>	<b>43 670</b>

##### *Cash and cash equivalents*

The group held cash and cash equivalents of R146 million at 29 February 2020 (2019: R52 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 30. Risk management (continued)

### 30.2 Financial risk management (continued)

#### 30.2.b Liquidity risk

The group manages liquidity risk through an ongoing review of future commitments and ensures that there is adequate funding available in terms of cash reserves and committed funding facilities.

Cash flow forecasts are prepared and available borrowing facilities are monitored on an ongoing basis.

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.

Figures in Rand thousands	Less than 1 year	2 years	3 years	4 years	>5 years	Total
<b>At 29 February 2020</b>						
Term loans	5 583	5 583	5 583	4 810	3 618	25 177
Lease obligations	49 532	27 403	13 025	6 378	12 636	108 974
Trade and other payables	148 767	–	–	–	–	148 767
Loans from related parties	8 362	–	–	–	–	8 362
<b>At 28 February 2019</b>						
Term loans	25 662	219 583	5 583	5 583	4 810	261 221
Lease obligations	51 752	35 380	16 417	8 262	15 151	126 962
Trade and other payables	136 832	–	–	–	–	136 832
Loans from related parties	7 716	–	–	–	–	7 716
Bank overdraft	13 762	–	–	–	–	13 762

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 30. Risk management (continued)

### 30.2 Financial risk management (continued)

#### 30.2.c Currency risk

The group is exposed to currency risk to the extent that sales, purchases, and borrowings of the foreign operations are denominated in currencies different to the group's presentation currency. 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.

The following average exchange rates were used for consolidation purposes:

ZAR: USD 14,70

ZAR: EUR 16,30

ZAR: MZN 0,23

ZAR: PLN 3,78

ZAR: SGD 10,71

#### Exposure to 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	MZN	SGD	PLN
<b>At 29 February 2020</b>					
Trade receivables	141	1 115	128 433	1 200	1 267
Trade payables	(10)	(1 145)	(159 797)	(966)	(2 675)
	131	(30)	(31 364)	234	(1 408)
<b>At 28 February 2019</b>					
Trade receivables	61	2 341	111 290	3 337	1 000
Trade payables	(11)	(1 414)	(133 616)	(834)	(3 083)
	50	927	(22 326)	2 503	(2 083)

#### Sensitivity analysis

A strengthening/weakening of the Rand against the Polish zloty (PLN), euro (EUR), Singapore dollar (SGD) and Mozambican metical (MZN), at year-end would have impacted the measurement of financial instruments denominated in a foreign currency, equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. A factor change of 10% has been applied to the exchange rates.

Figures in Rand thousands	Strengthening of ZAR	Weakening of ZAR
<b>29 February 2020</b>		
EUR	1 912	(1 912)
MZN	1 820	(1 820)
PLN	1 384	(1 384)
SGD	1 924	(1 924)
	7 040	(7 040)
<b>28 February 2019</b>		
EUR	1 255	(1 255)
MZN	2 252	(2 252)
PLN	1 131	(1 131)
SGD	2 650	(2 650)
	7 288	(7 288)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 30. Risk management (continued)

### 30.2 Financial risk management (continued)

#### 30.2.d Interest rate risk

Interest rate risk is the risk that the fair value of 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 loan obligations with variable interest rates. The term loan with Rand Merchant Bank attracts interest at prime less 1,7% p.a and the loan from Caixa Geral Depositos de S.A attracts interest is at a rate of 3% p.a.

Short-term deposits held at banking institutions carry interest rates at prevailing market conditions. The average interest rate earned on bank balances for the year was 5,4% (FY19: 5,3%).

No financial instruments were entered into to mitigate the risk of interest rate movements.

#### *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:

	Figures in Rand thousands
<b>29 February 2020</b>	
Effect on profit before tax (1% increase)	(1 951)
Effect on profit before tax (1% decrease)	1 951
<b>28 February 2019</b>	
Effect on profit before tax (1% increase)	(2 380)
Effect on profit before tax (1% decrease)	2 380

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 31. Analysis of assets and liabilities by financial instrument classification

The following table shows the carrying amounts and classification of financial assets and financial liabilities. The carrying amounts are considered to approximate their fair values.

Figures in Rand thousands	Loans and receivables at amortised cost
<b>At 29 February 2020</b>	
<b>Financial assets</b>	
Loans to related parties	11 013
Trade and other receivables	230 312
Cash and cash equivalents	145 787
	387 112
<b>Financial liabilities</b>	
Loans from related parties	8 362
Capitalised lease liabilities	98 997
Trade and other payables	148 767
Term loans	22 969
Amounts received in advance	208 782
	487 877
<b>At 28 February 2019</b>	
<b>Financial assets</b>	
Loans to related parties	213
Trade and other receivables	191 468
Cash and cash equivalents	51 906
	243 587
<b>Financial liabilities</b>	
Term loans	239 290
Loans from related parties	7 716
Capitalised lease liabilities	116 912
Trade and other payables	136 832
Bank overdraft	13 762
Amounts received in advance	80 377
	594 889

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 32. Directors' and Prescribed Officers' emoluments

Figures in Rand thousands	Salary and allowances	Other benefits	Retirement fund	Performance bonuses	Directors fees	Total
<b>At 29 February 2020</b>						
<i>Non-executive directors*</i>						
DJ Brown	–	–	–	–	1 186	1 186
AT Ikalafeng	–	–	–	–	477	477
S Rapeti	–	–	–	–	545	545
K White	–	–	–	–	659	659
<i>Executive directors</i>						
IJ Calisto	3 410	–	147	284	–	3 841
M Grundlingh	2 285	–	157	1 064	–	3 506
	<b>5 695</b>	<b>–</b>	<b>304</b>	<b>1 348</b>	<b>2 867</b>	<b>10 214</b>
<i>Prescribed officers</i>						
B Debski	1 845	18	–	146	–	2 009
J Marais	1 964	198	17	174	–	2 353
J Matias	1 565	–	–	–	–	1 565
E Ong	1 543	232	155	129	–	2 059
R Schubert	2 451	343	46	1 714	–	4 554
H Louw	1 872	117	101	143	–	2 233
	<b>11 240</b>	<b>908</b>	<b>319</b>	<b>2 306</b>	<b>–</b>	<b>14 773</b>
<b>At 28 February 2019</b>						
<i>Non-executive directors*</i>						
DJ Brown	–	–	–	–	1 129	1 129
AT Ikalafeng	–	–	–	–	546	546
S Rapeti	–	–	–	–	260	260
K White	–	–	–	–	627	627
<i>Executive directors</i>						
IJ Calisto	3 185	–	122	180	–	3 487
M Grundlingh	2 077	–	122	224	–	2 423
JR Edmeston	1 082	2	8	288	–	1 380
	<b>6 344</b>	<b>2</b>	<b>252</b>	<b>692</b>	<b>2 562</b>	<b>9 852</b>
<i>Prescribed officers</i>						
B Debski	1 677	11	–	129	–	1 817
J Marais	2 057	–	15	165	–	2 237
J Matias	1 515	–	–	–	–	1 515
E Ong	1 462	254	122	–	–	1 838
R Schubert	2 009	–	124	167	–	2 300
	<b>8 720</b>	<b>265</b>	<b>261</b>	<b>461</b>	<b>–</b>	<b>9 707</b>

Notes

\* Non-executive director fees are shown exclusive of VAT.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 33. Earnings per share information

	2020	2019
<b>33.1 Basic earnings per share</b>		
The calculation of basic earnings per share has been based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue.		
<b>Basic earnings per share</b>		
<i>Basic earnings per share (cents)</i>	148,3	116,4
<b>Weighted average number of ordinary shares ('000)</b>		
Issued at the beginning of the year	300 000	300 000
Effect of treasury shares held	(1 234)	(1 234)
	<b>298 766</b>	298 766
<b>Basic earnings</b>		
Profit attributable to ordinary shareholders	442 982	347 806
<b>33.2 Headline earnings per share</b>		
The calculation of headline earnings per share has been based on the profit attributable to ordinary shareholders computed in terms of note 3.2.(t) and the weighted average number of ordinary shares in issue as determined above in basic earnings per share section.		
<i>Headline earnings per share (cents)</i>	148,1	115,8
<b>Reconciliation between basic earnings and headline earnings</b>		
Basic earnings	442 982	347 806
<b>Adjusted for</b>		
Profit on disposal of property, plant and equipment net of tax	(544)	(1 697)
	<b>442 438</b>	346 109

### 33.3 Diluted earnings per share

There are no dilutive instruments and therefore diluted earnings per share is the same as basic earnings per share.

## 34. Funding facilities

Rand Merchant Bank Limited has provided a R600 million funding facility to Cartrack Proprietary Limited of which R50 million is committed for a fixed period and R550 million is uncommitted. The final repayment date on the committed term facility is repayable in five years from the commencement date, being 31 January 2025 and the uncommitted term facility is repayable three years from utilisation date.

Interest is levied at a rate of prime less 1,7% per annum. The covenants in respect of this loan have been complied at year-end. A guarantee has been signed by both Cartrack Holdings Limited and Cartrack Manufacturing Proprietary Limited for this loan and security has been provided in the form of a pledge and cession by the borrower and the guarantors of certain rights in favour of the lender for this loan, including shares held in South African entities, all claims, bank accounts, cash and cash equivalent investments, intellectual property, insurance policies and insurance proceeds. At 29 February 2020 Cartrack Proprietary Limited had utilised R2,76 million of the committed term facility.

Mercantile Bank Limited has provided Found Proprietary Limited (previously Plexique Proprietary Limited) with an instalment credit agreement facility of R15 million (2019: R15 million). Cartrack Proprietary Limited has provided limited suretyship in favour of Mercantile Bank Limited for this facility. At the end of the year, R3,7 million (2019: R3 million) was utilised.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 35. Commitments

There are no capital commitments at the year-end. Lease commitments are disclosed in note 16.

## 36. Subsequent Events

### COVID-19

COVID-19 is considered to be a non-adjusting post balance sheet event as none of the countries in which the group operates were in a 'lockdown' state at the year-end. As a result, the possible impacts of COVID-19 have not resulted in an adjustment to the carrying values of the group's assets being recognised at the year end, but consideration has been given by the directors to going concern and the subsequent event disclosure in their preparation of the consolidated financial statements for the year ended 29 February 2020.

The global spread of the COVID-19 pandemic, which originated in late 2019 and was declared a pandemic by the World Health Organization in March 2020, has negatively impacted the global economy, disrupted supply chains and created significant volatility in global financial markets. Cartrack's global operations are subject to risks associated with actions taken by governmental authorities to impose changes in laws or regulations to restrict certain business operations and trade as well as domestic and regional travel.

Although Cartrack operates as an essential service in South Africa, Singapore and certain other countries, the pandemic could result in extended work stoppages and has already resulted in restrictions at different levels in the countries in which the group operates. These restrictions have led to a 35% decline in new contracts since the lockdowns were implemented. Whilst cash collections were unaffected in March, a decline of 9% in collections was evident in April, predominantly as a result of accommodating corporate customers to ease their current cash flow difficulties and the inability to contact small and medium enterprises due to closure under the COVID-19 regulations. Conversely, there has been no significant increase in subscriber cancellations during this period with subscriber numbers being 1 141 154 as at the end of April.

These events, together with a number of evolving factors, including the duration and spread of the pandemic, the severity of the impact of the pandemic on economic activity and the changing actions of governmental authorities across the globe, will impact the Group's FY21 results in keeping with that of many global organisations. Whilst difficult to quantify, the disruptions caused by COVID-19 will impact Q1 and Q2 FY21 new subscriber growth resulting in flat subscription revenues for the first half of FY21.

Cartrack is actively monitoring these ongoing and potential impacts of COVID-19 in order to mitigate and minimise the impact on its business.

The group operates as a key "must have" service to its customers, driving efficiency through a digital transformation platform. Its vertically integrated business model is well positioned to weather the COVID-19 storm with an unleveraged balance sheet and 97% of current revenues being recurring in nature. Cartrack generates strong cash flows and operates with industry leading margins, giving it a level of operating safety and has access to an unutilised R600 million term facility provided by RMB, of which R50 million is committed and R550 million is currently uncommitted. The debtor collection cycle is tightly managed and the group remains highly liquid.

The group has sufficient inventory on hand to last for 6 months at budgeted volumes (pre COVID-19 budget) and, at present, supply chains are not affected. In addition to this, Cartrack is prudently balancing its costs with actions such as a temporary freeze on headcount.

As the situation remains fluid (due to evolving changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the economic effects arising from the COVID-19 outbreak and the effect on the results of the company for the full year of 2021 remains uncertain. The directors still consider it to be appropriate to prepare the financial statements on a going concern basis.

### External interest

The Company received an expression of interest from a foreign investor, proposing a transaction that could ultimately result in the restructure of the Company such that shareholders would hold shares, pursuant to a scheme of arrangement, in a Singapore entity which would hold a primary listing on a major global stock exchange with a secondary listing on the JSE. The Board constituted an independent sub-committee to assess and consider the terms of the proposal. Any proposed restructure of the Company would be subject to various conditions precedent including regulatory approvals (both locally and abroad) and approval by Cartrack shareholders to the extent required.

A cautionary announcement was published in this regard on SENS on 2 March 2020 and renewed on 15 April 2020.

### Dividends

Dividends of 54 cents per share was declared on 13 May 2020 and will be paid on 8 June 2020.

## 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.

# COMPANY STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

Figures in Rand thousands	Notes	2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	3	299 626	294 627
Deferred tax assets		217	406
<b>Total non-current assets</b>		<b>299 843</b>	<b>295 033</b>
<b>Current assets</b>			
Loans to related parties	4	24 107	1 422
Trade and other receivables	5	5 352	9 853
Cash and cash equivalents	6	67	61
<b>Total current assets</b>		<b>29 526</b>	<b>11 336</b>
<b>Total assets</b>		<b>329 369</b>	<b>306 369</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	42 488	42 488
Treasury shares		(12 105)	(12 105)
Retained earnings		273 551	272 943
Shareholders' equity		<b>303 934</b>	<b>303 326</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	25 416	2 213
Taxation		19	830
<b>Total Liabilities</b>		<b>25 435</b>	<b>3 043</b>
<b>Total equity and liabilities</b>		<b>329 369</b>	<b>306 369</b>

# COMPANY STATEMENT OF PROFIT OR LOSS

for the year ended 29 February 2020

Figures in Rand thousands	Notes	2020	2019
Revenue	9	102 921	301 516
Operating expenses		(4 748)	(5 910)
<b>Operating profit</b>	10	<b>98 173</b>	295 606
Finance income	11	7	292
<b>Profit before taxation</b>		<b>98 180</b>	295 898
Taxation	12	(1 819)	(2 120)
<b>Profit for the year</b>		<b>96 361</b>	293 778

# COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2020

Figures in Rand thousands	2020	2019
Profit for the year	96 361	293 778
Other comprehensive income	–	–
<b>Total comprehensive income for the year net of income tax</b>	<b>96 361</b>	<b>293 778</b>

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

Figures in Rand thousands	Share capital	Treasury shares	Retained income	Total equity
<b>Balance as at 1 March 2018</b>	42 488	–	117 165	159 653
Treasury shares acquired	–	(12 105)	–	(12 105)
Profit for the year	–	–	293 778	293 778
<b>Total comprehensive income for the year</b>	–	–	293 778	293 778
Dividends	–	–	(138 000)	(138 000)
<b>Balance at 28 February 2019</b>	42 488	(12 105)	272 943	303 326
Profit for the year	–	–	<b>96 361</b>	<b>96 361</b>
<b>Total comprehensive income for the year</b>	–	–	<b>96 361</b>	<b>96 361</b>
Dividends	–	–	(95 753)	(95 753)
<b>Balance at 29 February 2020</b>	<b>42 488</b>	<b>(12 105)</b>	<b>273 551</b>	<b>303 934</b>

# COMPANY STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

Figures in Rand thousands	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Cash generated by operations	13	125 877	132 704
Finance income	11	7	292
Taxation paid	14	(2 441)	(927)
<b>Net cash generated from operating activities</b>		<b>123 443</b>	<b>132 069</b>
<b>Cash flows from investing activities</b>			
Increase in investment in Drive and Save Proprietary Limited		(4 999)	
Loans provided to related parties		(22 685)	4 500
<b>Net cash (utilised)/generated by investing activities</b>		<b>(27 684)</b>	<b>4 500</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(95 753)	(138 000)
Loans received from related parties		–	1 329
<b>Net cash utilised by financing activities</b>		<b>(95 753)</b>	<b>(136 671)</b>
<b>Total cash movements for year</b>			
Total cash at the beginning of the year	6	61	163
<b>Total cash at the end of the year</b>	6	<b>67</b>	<b>61</b>

# COMPANY ACCOUNTING POLICIES

for the year ended 29 February 2020

## 1. Presentation of company financial statements

### *Reporting entity*

Cartrack Holdings Limited is a company domiciled in the Republic of South Africa. These annual financial statements are for the year ended 29 February 2020. The company is an investment holding company.

### *Statement of compliance*

The annual financial statements are prepared in compliance with JSE Listings Requirements, International Financial Reporting Standards (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 29 February 2020, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the South African Companies Act, No 71 of 2008, as amended. The annual financial statements were approved for issue by the board of directors on 13 May 2020 and will be tabled at the annual general meeting of shareholders, on 25 June 2020.

These accounting policies applicable to the company are consistent with the previous period.

### *Basis of measurement*

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

### *Functional currency*

These 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.

## 1.1 Financial instruments

### *i. Classification and subsequent measurement*

#### **Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through profit or loss and fair value through OCI. Financial assets and financial liabilities are initially measured at fair value.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through OCI and fair value through profit or loss (FVTPL). Amortised cost and FVTPL are relevant to the company.

The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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



# COMPANY ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

## 1. Presentation of company financial statements (continued)

### 1.1 Financial instruments (continued)

#### i. Classification and subsequent measurement (continued)

##### Financial assets – Business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- » the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- » how the performance of the portfolio is evaluated and reported to the company's management;
- » the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- » how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- » the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

##### Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the company considers:

- » contingent events that would change the amount or timing of cash flows;
- » terms that may adjust the contractual coupon rate, including variable-rate features;
- » prepayment and extension features; and
- » terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

##### Financial assets – Subsequent measurement and gains and losses

**Financial assets at amortised cost** These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The company classified its financial assets into the loans and receivables category.

##### Impairment of financial assets

IFRS 9 requires the company to recognise an allowance for ECL for all debt instruments not held at FVTPL.

The company applies the simplified approach which requires ECLs to be recognised from initial recognition. With the exception of cash and cash equivalents, the company's financial assets are with various group entities and at every reporting date consideration is given to the risk of default taking into account the financial position of the counterparty.

##### Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

# COMPANY ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

## 1. Presentation of company financial statements (continued)

### 1.1 Financial instruments (continued)

#### ii. Derecognition

##### Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

##### Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### iii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 1.2 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- » the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company;
- » plus any costs directly attributable to the purchase of the subsidiary.

### 1.3 Taxation expenses

#### 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.

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

Dividend withholding taxation is currently payable at a rate of 20% on dividends distributed to equity holders of the company.

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.

#### Current taxation assets and liabilities

Current 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.

Current 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.

# COMPANY ACCOUNTING POLICIES (continued)

for the year ended 29 February 2020

## 1. Presentation of company financial statements (continued)

### 1.4 Revenue

#### *Management fee*

Revenue is measured at the fair value of consideration received or receivable for the sale of goods and services by the company in the ordinary course of its business activities. Revenue includes amounts earned from management service fees provided to companies within the company. Revenue is shown net off value added taxes.

#### *Dividend income*

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

### 1.5 Significant judgements and estimates

The company makes judgements, estimates and assumptions concerning the future when preparing the annual financial statements.

There are not considered to be any key judgements or estimates used in the preparation of the financial statements.

## 2. New standards and interpretations

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standards, amended standards and interpretations are not expected to have a material impact on the company financial statements in future financial reporting periods.

Details of amendment	Annual periods beginning on or after
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to the Conceptual Framework for Financial Reporting	1 January 2020

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2020

## 3. Investments in subsidiaries

Figures in Rand thousands	% voting power 2020	% voting power 2019	Carrying amount 2020	Carrying amount 2019
Cartrack Proprietary Limited	100,00	100,00	42 488	42 488
Cartrack Namibia Proprietary Limited	100,00	100,00	*	*
Cartrack Technologies Proprietary Limited	100,00	100,00	*	*
Cartrack Technologies Pte. Limited	100,00	100,00	251 889	251 889
Cartrack Manufacturing Proprietary Limited	100,00	100,00	*	*
Drive and Save Proprietary Limited <sup>1</sup>	100,00	100,00	5 249	250
Cartrack Management Services Proprietary Limited	100,00	100,00	*	*
			299 626	294 627

Notes

\* Amounts less than R500.

<sup>1</sup> Cartrack Holdings Limited increased its investment in Drive and Save Proprietary Limited in the current year following that company's issue of additional shares in the current year.

## 4. Loans to related parties

Figures in Rand thousands	2020	2019
Cartrack Engineering Technologies Limited	1 607	1 422
Bumbene House Proprietary Limited	11 000	–
Cartrack Telematics Proprietary Limited	11 500	–
	24 107	1 422

These loans are unsecured, bear no interest and have no fixed terms of repayment.

## 5. Trade and other receivables

Figures in Rand thousands	2020	2019
Trade receivables	4 936	9 464
Prepayments	416	389
	5 352	9 853

### Credit quality of trade and other receivables

The credit quality of trade and other receivables is assessed on an ongoing basis. Information on credit risk management is included in note 16.2.a.

### Trade receivables not provided for

The ageing of amounts not provided for is as follows:

Figures in Rand thousands	2020	2019
Not past invoicing date	4 936	9 464
	4 936	9 464

The company applies the expected credit loss model to determine whether there are indicators of impairment. No impairment has been provided as no amounts are overdue or are considered to be irrecoverable.

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 6. Cash and cash equivalents

Figures in Rand thousands	2020	2019
<i>Cash and cash equivalents consist of:</i>		
Cash on hand	1	1
Bank balances	66	60
	67	61

## 7. Share capital

Figures in Rand thousands	2020	2019
<b>Authorised</b>		
1 000 000 000 ordinary shares of no par value		
700 000 000 unissued ordinary shares of no par value.		
<b>Issued and fully paid</b>		
300 000 000 ordinary shares of no par value.	42 488	42 488
The company holds 1 234 000 treasury shares.		

## 8. Trade and other payables

Figures in Rand thousands	2020	2019
Trade payables	24 171	612
Accrued expenses	1 240	1 575
Value added taxation payable	5	26
	25 416	2 213

## 9. Revenue

Figures in Rand thousands	2020	2019
Management service fees	5 168	5 058
Dividend income	97 753	296 427
Other fees	–	31
	102 921	301 516

## 10. Operating profit

Figures in Rand thousands	2020	2019
<b>Operating profit is stated after the following charges</b>		
Audit fees	1 276	150

## 11. Finance income

Figures in Rand thousands	2020	2019
Bank and other cash	7	11
Other financial assets	–	281
<b>Total finance income</b>	7	292

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 12. Taxation

Figures in Rand thousands	2020	2019
Major components of the taxation expense:		
<b>Current tax</b>		
Income taxation – current year	1 240	1 923
Income taxation – prior year	146	(46)
	<b>1 386</b>	<b>1 877</b>
<b>Deferred tax</b>		
Deferred taxation – current year	189	(407)
Deferred taxation – prior year	–	650
	<b>189</b>	<b>243</b>
Withholding tax	244	–
<b>Total taxation expense</b>	<b>1 819</b>	<b>2 120</b>
<b>Reconciliation of the taxation expense</b>		
Reconciliation between accounting profit and taxation expense:		
Profit before taxation	98 180	295 898
Taxation at the applicable taxation rate of 28% (2019: 28%)	27 490	82 851
<b>Taxation effect of adjustments on taxable income</b>		
Non-taxable income – Dividends received	(27 370)	(82 999)
Non-deductible expenses attributable to exempt income	1 309	1 664
Withholding tax	244	–
Prior year underprovision	146	604
	<b>1 819</b>	<b>2 120</b>

## 13. Cash generated by operations

Figures in Rand thousands	2020	2019
Profit before taxation	98 180	295 898
<b>Adjustments for:</b>		
Finance income	(7)	(292)
Dividend income – in specie dividend received	–	(157 296)
Foreign exchange translation difference	–	727
<b>Changes in working capital:</b>		
Trade and other receivables	4 501	(7 582)
Trade and other payables	23 203	1 249
	<b>125 877</b>	<b>132 704</b>

## 14. Taxation paid

Figures in Rand thousands	2020	2019
Balance (payable)/receivable at beginning of the year	(830)	120
Current taxation for the year recognised in profit or loss	(1 630)	(1 877)
Balance payable at end of the year	19	830
	<b>(2 441)</b>	<b>(927)</b>

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 15. Related parties

### Subsidiary companies

Cartrack Proprietary Limited  
Cartrack Namibia Proprietary Limited  
Cartrack Technologies Proprietary Limited  
Cartrack Management Services Proprietary Limited  
Drive and Save Proprietary Limited  
Cartrack Manufacturing Proprietary Limited  
Cartrack Technologies Pte. Limited

### Related group companies

Bumbene House Proprietary Limited  
Retriever Limited  
Cartrack Tanzania Limited  
Cartrack Engineering Technologies Limited  
Found (previously Plexique) Proprietary Limited  
Cartrack Fleet Management Proprietary Limited  
Cartrack Telematics Proprietary Limited

### Directors

IJ Calisto (executive)  
M Grundlingh (executive)  
DJ Brown (non-executive)  
AT Ikalafeng (non-executive)  
S Rapeti (non-executive)  
K White (non-executive)

NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 29 February 2020

15. Related parties (continued)

Figures in Rand thousands	2020	2019
<b>Related party balances</b>		
<b>Loan accounts – owing by related parties</b>		
Bumbene House Proprietary Limited	11 000	–
Cartrack Telematics Proprietary Limited	11 500	–
Cartrack Engineering Technologies Limited	1 607	1 422
	<b>24 107</b>	1 422
<b>Amounts included in trade receivable/(trade payable) relating to related parties</b>		
Cartrack Manufacturing Proprietary Limited	228	614
Cartrack Proprietary Limited	4 708	8 850
Cartrack Technologies Pte Limited	(110)	(110)
Cartrack Proprietary Limited	(22 500)	–
Drive and Save Proprietary Limited	(1 035)	–
	<b>(18 709)</b>	9 354
<b>Related party transactions</b>		
<b>Management fees received from related parties</b>		
Cartrack Manufacturing Proprietary Limited	5 168	5 058
	<b>5 168</b>	5 058
<b>Other fees to related parties</b>		
Cartrack Manufacturing Proprietary Limited	–	9
Cartrack Technologies Proprietary Limited	–	6
Found (previously Plexique) Proprietary Limited	–	5
Cartrack Management Services Proprietary Limited	–	6
Cartrack Fleet Management Proprietary Limited	–	1
Zonke Bonke Telecoms Proprietary Limited	–	1
Cartrack Executive Incentive Trust	–	3
	<b>–</b>	31
<b>Dividends received from related parties</b>		
Cartrack Proprietary Limited	95 753	295 052
Cartrack Tanzania Limited	–	1 375
Cartrack Namibia Proprietary Limited	2 000	–
	<b>97 753</b>	296 427
<b>Interest received from related parties</b>		
Cartrack Engineering Technologies Limited	–	281
	<b>–</b>	281

Information regarding the key management and prescribed officers is detailed in note 17.



# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 16. Risk management

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

The company's risk management policies are established to identify and analyse the risk faced by the company, 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.

### 16.1 Capital risk management

The company'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 company consists of trade and other payables, which includes the cash and cash equivalents disclosed in note 6, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the company 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.

### 16.2 Financial risk management

The company has exposure to the following risks arising from financial instruments: credit risk, liquidity risk and interest rate risk.

#### 16.2.a Credit risk

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

##### *Trade receivables*

The company's exposure to credit risk is influenced mainly by the fact that all amounts are current and due from related company companies which are solvent and liquid.

##### *Cash and cash equivalents*

The company held cash and cash equivalents of R67 044 at 29 February 2020 (2019: R60 881). 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.

#### 16.2.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, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 16. Risk management (continued)

### 16.2 Financial risk management (continued)

#### 16.2.b Liquidity risk (continued)

The table below analyses the company's financial liabilities into relevant maturity 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.

Figures in Rand thousands	Less than 1 year
<b>At 29 February 2020</b>	
Trade and other payables	25 411
<b>At 28 February 2019</b>	
Trade and other payables	2 187

#### 16.2.c Interest rate risk

As the company has no significant interest-bearing assets or liabilities, the company's income and operating cash flows are substantially independent of changes in interest rates.

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 17. Directors' emoluments

Figures in Rand thousands	Salary and allowances	Other benefits	Retirement fund	Performance bonuses	Directors fees	Total
<b>At 29 February 2020</b>						
<i>Non-executive directors*</i>						
DJ Brown	–	–	–	–	1 186	1 186
AT Ikalafeng	–	–	–	–	477	477
S Rapeti	–	–	–	–	545	545
K White	–	–	–	–	659	659
<i>Executive directors</i>						
IJ Calisto	3 410	–	147	284	–	3 841
M Grundlingh	2 285	–	157	1 064	–	3 506
	<b>5 695</b>	<b>–</b>	<b>304</b>	<b>1 348</b>	<b>2 867</b>	<b>10 214</b>
<b>At 28 February 2019</b>						
<i>Non-executive directors*</i>						
DJ Brown	–	–	–	–	1 129	1 129
AT Ikalafeng	–	–	–	–	546	546
S Rapeti	–	–	–	–	260	260
K White	–	–	–	–	627	627
<i>Executive directors</i>						
IJ Calisto	3 185	–	122	180	–	3 487
M Grundlingh	2 077	–	122	224	–	2 423
JR Edmeston	1 082	2	8	288	–	1 380
	<b>6 344</b>	<b>2</b>	<b>252</b>	<b>692</b>	<b>2 562</b>	<b>9 852</b>

### Notes

\* *Non-executive director fees exclude VAT.*

Directors are considered key management and their emoluments are paid for through subsidiaries of Cartrack Holdings Limited.

The company does not have any prescribed officers.

NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 29 February 2020

**18. Analysis of assets and liabilities by financial instrument classification**

The following table shows the classification and carrying amounts of financial assets and financial liabilities.

Figures in Rand thousands	Loans and receivables at amortised cost
<b>At 29 February 2020</b>	
<b>Financial assets</b>	
Loans to related parties	24 107
Trade and other receivables	5 352
Cash and cash equivalents	67
	29 526
<b>Financial liabilities</b>	
Trade and other payables	25 411

Figures in Rand thousands	Loans and receivables at amortised cost
<b>At 28 February 2019</b>	
<b>Financial assets</b>	
Loans to related parties	1 422
Trade and other receivables	9 464
Cash and cash equivalents	61
	10 947
<b>Financial liabilities</b>	
Trade and other payables	2 187
	2 187

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 29 February 2020

## 19. Subsequent Events

### COVID-19

Detailed below is the subsequent events information pertaining to the Group of which the Company forms a part. COVID-19 is considered to be a non-adjusting post balance sheet event as none of the countries in which the group operates were in a 'lockdown' state at the year-end. As a result, the possible impacts of COVID-19 have not resulted in an adjustment to the carrying values of the group's assets being recognised at the year end, but consideration has been given by the directors to going concern and the subsequent event disclosure in their preparation of the consolidated financial statements for the year ended 29 February 2020.

The global spread of the COVID-19 pandemic, which originated in late 2019 and was declared a pandemic by the World Health Organization in March 2020, has negatively impacted the global economy, disrupted supply chains and created significant volatility in global financial markets. Cartrack's global operations are subject to risks associated with actions taken by governmental authorities to impose changes in laws or regulations to restrict certain business operations and trade as well as domestic and regional travel.

Although Cartrack operates as an essential service in South Africa, Singapore and certain other countries, the pandemic could result in extended work stoppages and has already resulted in restrictions at different levels in the countries in which the group operates. These restrictions have led to a 35% decline in new contracts since the lockdowns were implemented. Whilst cash collections were unaffected in March, a decline of 9% in collections was evident in April, predominantly as a result of accommodating corporate customers to ease their current cash flow difficulties and the inability to contact small and medium enterprises due to closure under the COVID-19 regulations. Conversely, there has been no significant increase in subscriber cancellations during this period with subscriber numbers being 1 141 154 as at the end of April.

These events, together with a number of evolving factors, including the duration and spread of the pandemic, the severity of the impact of the pandemic on economic activity and the changing actions of governmental authorities across the globe, will impact the group's FY21 results in keeping with that of many global organisations. Whilst difficult to quantify, the disruptions caused by COVID-19 will impact Q1 and Q2 FY21 new subscriber growth resulting in flat subscription revenues for the first half of FY21.

Cartrack is actively monitoring these ongoing and potential impacts of COVID-19 in order to mitigate and minimise the impact on its business.

The group operates as a key "must have" service to its customers, driving efficiency through a digital transformation platform. Its vertically integrated business model is well positioned to weather the COVID-19 storm with an unleveraged balance sheet and 97% of current revenues being recurring in nature. Cartrack generates strong cash flows and operates with industry leading margins, giving it a level of operating safety and has access to an unutilised R600 million term facility provided by RMB, of which R50 million is committed and R550 million is currently uncommitted. The debtor collection cycle is tightly managed and the group remains highly liquid.

The group has sufficient inventory on hand to last for 6 months at budgeted volumes (pre COVID-19 budget) and, at present, supply chains are not affected. In addition to this, Cartrack is prudently balancing its costs with actions such as a temporary freeze on headcount.

As the situation remains fluid (due to evolving changes in government policy and evolving business and customer reactions thereto) as at the date these financial statements are authorised for issue, the economic effects arising from the COVID-19 outbreak and the effect on the results of the company for the full year of 2021 remains uncertain. The directors still consider it to be appropriate to prepare the financial statements on a going concern basis.

### External interest

The Company received an expression of interest from a foreign investor, proposing a transaction that could ultimately result in the restructure of the Company such that shareholders would hold shares, pursuant to a scheme of arrangement, in a Singapore entity which would hold a primary listing on a major global stock exchange with a secondary listing on the JSE. The Board constituted an independent sub-committee to assess and consider the terms of the proposal. Any proposed restructure of the Company would be subject to various conditions precedent including regulatory approvals (both locally and abroad) and approval by Cartrack shareholders to the extent required.

A cautionary announcement was published in this regard on SENS on 2 March 2020 and renewed on 15 April 2020.

### Dividends

Dividends of 54 cents per share was declared on 13 May 2020 and will be paid on 8 June 2020.

## 20. Guarantees provided

A guarantee has been signed by Cartrack Holdings Limited for the Rand Merchant Bank Loan facilities provided to Cartrack Proprietary Limited.

## 21. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient available funding to meet its foreseeable cash requirements. The directors are not aware of any material changes that may adversely impact the company. 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 company.







[www.cartrack.com](http://www.cartrack.com)