



AUDITED GROUP  
CONSOLIDATED  
AND COMPANY  
ANNUAL FINANCIAL  
STATEMENTS

**2019**

# 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>	One August Holdings Proprietary Limited Incorporated in South Africa
<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

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## 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

27 May 2019

# STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 28 February 2019

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 8 to 10. 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.

With effect from 26 February 2019 Deloitte were appointed as auditors in place of Grant Thornton.

The annual financial statements set out on pages 15 to 87 were approved by the Board of Directors on 27 May 2019 and are signed on its behalf by:



**IJ Calisto**  
*Chief Executive Officer*

Rosebank  
27 May 2019



**M Grundlingh**  
*Chief Financial Officer*

# CERTIFICATE OF THE COMPANY SECRETARY

for the year ended 28 February 2019

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 28 February 2019, 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  
27 May 2019

# DIRECTORS' REPORT

for the year ended 28 February 2019

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 28 February 2019. 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 solutions for small, medium and large fleets and an insurance telematics, security and safety service provider for both businesses and consumers. Fleet management, tracking and insurance-telematics services remain Cartrack's primary offerings while growing its artificial intelligence, data analytics and enhanced value-added services capability in order to deliver additional value to its subscribers. Cartrack solutions are underpinned by real-time actionable business intelligence that drives tangible return on investment for its customers. 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 it developing an extensive footprint in 23 countries across Africa, Europe, North America, Asia Pacific and the Middle East. With a base fast approaching 1,000,000 active subscribers, the Group ranks among the largest telematics companies globally.

Cartrack is a vertically integrated service-centric organisation owning all its unique telematics IP and business processes ranging from in-house design, hardware and software development, mobile-technical-workshops and sales, to the vehicle tracking tactical teams in specific territories. Hence, Cartrack is in full control of delivering a superior service while also protecting its healthy margins.

## Accounting and financial presentation changes

The Group adopted IFRS 9 - Financial instruments, IFRS 15 - Revenue from contracts with customers and IFRS 16 - Leases in the current year. The financial impacts of the adoption of these new accounting standards is disclosed in the consolidated financial statements.

As a result of the ongoing customer growth experienced by Cartrack, detailed consideration continues to be given to the average life of customer contracts to ensure that annuity revenue streams are aligned with the cost of delivering the service. The growth in the customer base over the past few years has provided a more comprehensive database of information and increased confidence regarding customer retention to support the current year's assessment of the average life of a contract. On the basis of an actuarial assessment undertaken by the Group in the current year, the Group now depreciates capitalised contract costs over a 60 month period. Contracts which terminate prior to the 60 months result in accelerated depreciation being recognised immediately in profit or loss.

Accelerated subscriber growth in the future should no longer have a negative impact on operating profits or margins due to this change in accounting estimate.

Certain costs related to customer acquisition were also reclassified from operating expenses to cost of sales in the current year.

The consequence of these changes is that the prior and current year financial results are not directly comparable. However, our results are now considered to be more comparable to the earnings of our peers both globally and in South Africa.

## Group performance

Cartrack delivered a strong performance across its key-growth-metrics, with total revenue growing by 28%, from R1 324 million to R1 693 million, and subscription revenue growing by 30% year-on-year, from R1 166 million to R1 521 million. Subscription revenue now represents 90% (FY18: 88%) of total revenue and we expect this to increase further with scale. The number of total subscribers increased by 28%, from 751 380 to 960 798 and the Group continues to maintain a strong pipeline and order book while focusing on fully utilising the distribution footprint it has expanded in the current financial year. The net new subscriber addition of 209 418 is a significant increase from the prior year net additions of 150 770, an achievement worth noting.

The decision for ongoing investment in pursuit of sensible growth coupled with the realisation of economies of scale across the businesses and segments will continue to generate robust results in the future and we foresee margin expansion in the short-term. We maintain a focus on ensuring a meaningful return on capital invested for our shareholders.

While the Group is gearing for continued sustainable growth, it continues to have an industry-leading EBITDA margin of 45% and an operating profit margin of 30%. On the back of these metrics, management is satisfied with the business performance and delivery of basic EPS of 116 cents compared to 100 cents in the prior year.

The high return on equity of 50% and the return on assets of 32% indicate that capital was efficiently applied across the Group and that Cartrack's business model delivers very attractive returns on capital employed for shareholders.

It is anticipated that demand for telematics data will continue to increase and lucrative growth opportunities across all distribution channels will increase in all of Cartrack's operating regions.

## Accounting practices

The annual financial statements of the group and Company for the year ended 28 February 2019, 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.

The group adopted IFRS 9, IFRS 15 and IFRS 16 in the current year and the modified retrospective approach, allowed in terms of these standards, was utilised.

## DIRECTORS' REPORT (continued)

### Share Capital

There were no changes in the Company's authorised number of ordinary shares during the year under review (2018: none).

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

Shareholder spread	No of shareholders	Number of shares	% of issued capital
Public shareholders (<5%)	903	40 096 023	13.37
Public shareholders (≥5%):			
Ation GSCO Equity Security	01	19 039 977	6.35
Non-public shareholders:			
One August Holdings (Pty) Ltd		204 500 000	68.17
Georgem Holdings (PTY) Ltd		35 500 000	11.83
IJ Calisto		864 000	0.28
	907	300 000 000	100.00

### Acquisitions and disposals

Other than the transaction noted in the Subsidiaries section below, the group did not acquire or dispose of any other businesses during the 2019 and 2018 fiscal years.

### Dividends

Dividends declared during the current year is set out in note 38 of the consolidated financial statements.

Dividends paid during the year under review amount to R148,5 million (2018: R166,0 million).

Management has re-evaluated the dividend policy, presently being a targeted cover of between 2 and 4 times HEPS. The revised dividend policy provides for a target cover of between 2 and 6 HEPS, to be effective for FY20.

Subsequent to the financial year ended 28 February 2019, a dividend has been declared in the amount of 12 cents per share, which is payable on 18 June 2019.

### Directorate

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

#### Independent Non-executive directors

DJ Brown (Chairperson)

AT Ikalafeng

K White

S Rapeti (appointed 31 August 2018)

#### Executive directors

IJ Calisto (Global Chief Executive Officer)

M Grundlingh (Global Chief Financial Officer) (appointed 1 September 2018)

JR Edmeston (resigned 1 September 2018)

With effect from 31 August 2018, S Rapeti was appointed as an independent non-executive director to the Board and M Grundlingh was appointed as an executive director to the Board on 1 September 2018.

With effect from 1 September 2018, JR Edmeston resigned from the Board.

Details of directors' remuneration and shareholding are set out in notes 34 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:

Shareholder	Director	% shares	No. of shares
One August Holdings Proprietary Limited	IJ Calisto (associate) (indirect beneficiary)	68,17	204 500 000
Georgem Holdings Proprietary Limited	J Marais (associate) (indirect beneficiary)	11,83	35 500 000
IJ Calisto	IJ Calisto (direct holding)	0,28	864 000

One August Holdings (Pty) Ltd acquired 5 19 576 ordinary shares in the market on 5 November 2018 at R13,9997 per share. The transaction was announced on SENS on 6 November 2018. Prior permission for this trade was obtained.

IJ Calisto acquired 864 000 ordinary shares in the market on 27 November 2018 at R12,30 per share. Prior permission for this trade was obtained. This transaction was published on SENS on 29 November 2018.

On 28 February 2019, One August Holdings (Pty) Ltd disposed of 204 500 000 ordinary shares to Karoo (Pvt) Ltd in an off-market transaction at R13,44 per share. The transaction was entered into for the purpose of Karoo (Pvt) Ltd (owned by IJ Calisto and his direct family) acquiring and owning the shares in Cartrack. The share price was determined by using the Volume Weighted Average Price over the immediately preceding 30-day period. The fulfilment of the transaction is subject to applicable regulatory requirements and other conditions precedent. Prior clearance for this transaction was obtained and it was announced on SENS on 1 March 2019.

### Service contracts

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

### Subsidiaries

The subsidiary companies are set out in note 30 to the consolidated annual financial statements.

Effective 1 March 2018 the group acquired 100% interest in Drive and Save Proprietary Limited (previously Advancor Proprietary Limited) for a cash consideration of R0,3 million from J Marais (related party). The group acquired this company in order to achieve economies of scale, standardisation, integration and operational simplifications in order to stimulate future growth.

Cartrack Proprietary Limited disposed of 51% of its interest in the share capital of Plexique Proprietary Limited to Bumbene House (Pty) Ltd, a 100% black owned company, as part of its B-BBEE strategy. This transaction is not considered material to the group.

### 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 14 and 15 of the consolidated annual financial statements.

### Going concern

The Board has reviewed the Company and group cash flow forecast for the year ending 31 May 2020. 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.

### Events after reporting period

For details on events after the reporting date please refer to note 38 of the consolidated annual financial statements.

### Changes to the Board committees

S Rapeti was appointed as a member of the Audit and Risk Committee on 31 August 2018.

AT Ikalafeng ceased to be a member of the Audit and Risk Committee from 31 August 2018.

### 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 26 February 2019 Deloitte & Touche were appointed as statutory auditors as a result of a tender process initiated by the Company. Following an assessment of both the commercial terms and expertise of the tender process participants, Deloitte & Touche were selected in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements to replace Grant Thornton.

The decision to change auditors was to support the group's growth objectives and not as a result of any disagreement between the Company and Grant Thornton.

### Company Secretary

The company secretary is A de Villiers.

The board of directors 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 27 May 2019. No authority is given to anyone to amend the consolidated and separate annual financial statements after the date of issue.

Rosebank  
27 May 2019

# REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 28 February 2019

This report of the Audit and Risk Committee of Cartrack Holdings Limited ("the ARC") for the year ended 28 February 2019 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 20 July 2018, except for S Rapeti, who joined the Board at the end of August 2018.

- » K White (Chairperson)
- » DJ Brown
- » AT Ikalafeng (Resigned 31 August 2018)
- » S Rapeti (Appointed 31 August 2018)

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 Chief Executive Officer and 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.

8 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 28 June 2019.

## 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.

## Change in auditors

Following a tender process initiated by the Company, which included an assessment of the commercial terms and expertise of the tender process participants, Deloitte & Touche ("Deloitte") were appointed as auditors in the place of Grant Thornton with effect from 26 February 2019. The audit services of Grant Thornton were terminated with effect from the same date.

The decision to change auditors was to support the group's growth objectives and not as a result of any disagreement between the Company and Grant Thornton.

## Independence of the external auditor

The ARC has reviewed sections 3, 8, 13, 15 and 22 and schedule 8 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; and
- (iv) the auditors are independent to the Company and Group.

The committee satisfied itself on the qualification and experience of the external auditor. The chair of the committee has regularly interacted with the external auditor 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 auditor, who in the opinion of the Committee are independent of the Company.

The ARC has agreed to the budgeted audit fee for the 2019 financial year. Auditors' remuneration is disclosed in note 21 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.

### 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 defence.

While the ARC is satisfied with the level of assurance provision for significant group risks, the combined assurance approach will be enhanced during the 2020 fiscal year.

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

The ARC considered the effectiveness of the internal audit function and monitored adherence to the annual internal audit plan.

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 financial controls over financial reporting, including disclosure controls and procedures, and presented their findings to the ARC. Based on this review, nothing has come to the attention of the ARC to indicate any material weakness in internal financial controls.

During the year under review, the Board, upon recommendation by executive management, decided to outsource the internal audit function. Following a tender process, PWC has been appointed to provide internal audit services to the group from 26 April 2019.

### 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, 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. The ARC identified the assessment of goodwill for impairment, adoption of new accounting standards, and the provisioning for expected credit losses on trade receivables as financial reporting risks. The committee reviewed the key audit matter contained in the Independent Auditor's Report and is comfortable that it is aligned with their assessment. Various charters and policies as well as management reports on changes in accounting standards were reviewed; such changes being described in the notes to the consolidated financial statements, set out on pages 22 to 25.

### 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 fiscal 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 of 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 2 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*

27 May 2019

# 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 and its subsidiaries ("the Group") set out on pages 15 to 87 which comprise the statements of financial position as at 28 February 2019, the statements of profit or loss, the statements of other comprehensive income, the statements of changes in equity and the statements 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 28 February 2019, 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 (IFRSs) 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 group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Matter

The consolidated and separate financial statements of Cartrack Holdings Limited for the year ended 28 February 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 24 April 2018.

## 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 matter described below to be the key audit matter.

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

### Key Audit Matter

### How the matter was addressed in the audit

The accounting for revenue following the adoption of IFRS 15 – Revenue from contracts with customers and change in estimated life of a rental contract on the depreciation of capital rental units and contract assets

The Group's revenue arises from the provision of telematics services to various corporate and individual customers.

The Group adopted IFRS 15 – Revenue from contracts with customers ("IFRS 15") in the current year which required significant judgement to be applied by the directors specifically with regard to the determination of the performance obligations arising from telematics rental contracts with customers and was therefore considered a key audit matter.

#### *Accounting for Revenue arising from rental contracts*

In evaluating the Group's adoption of IFRS 15, technical accounting consideration was given by the audit team together with our technical accounting specialists to the appropriateness of the directors' application of the five core revenue recognition principles contained in IFRS 15.

These considerations were informed through a detailed review of the customer contract terms, inspecting and considering the external legal opinion obtained by the directors regarding aspects of the contract and discussions held with the directors regarding the practical application of certain aspects of the contracts.

Specific audit consideration was given to the identification of the performance obligations relating to 'cash options' and 'rental options' contracts with customers. Consideration was given to the contractual terms of the underlying contracts to determine the underlying performance obligations arising with regard to both contract options as detailed below:

- » Cash option – hardware and installation revenues are recognised at the commencement of the contract as a result of control of the hardware passing to the customer at that date.
- » Rental option – control of the hardware is retained by Cartrack until the final subscription payment is made in terms of the rental contract and therefore revenue is recognised over the period of the rental contract.

We consider the disclosure of the revenue recognition policy and revenue contained in notes 2A, 2.2p and 20 of the consolidated financial statements, and the accounting for revenue for the year ended 28 February 2019 to be materially appropriate in terms of the requirements of IFRS 15.

### Key Audit Matter

A detailed assessment was undertaken by the directors in the current year utilising its database of customer information to determine the estimated life of a rental contract. Whilst the underlying data is accessible from the Group's operating systems, the interpretation of the data required the application of actuarial techniques by the directors in determining the estimated life of a rental contract which is considered a significant estimate which resulted in us considering this to be a key audit matter.

### How the matter was addressed in the audit

Change in estimate of the expected average life of a rental contract which is used to determine the useful life of capital rental units and contract assets

The average life of a customer contract was increased to 60 months in the current year. The growth in the Group's customer base over the past few years has provided the directors with a more comprehensive database of information and increased estimation confidence in the current year to support the assessment of the average life of a customer contract.

We requested our actuarial specialists as part of the audit process to assess the calculation of the average customer contract term and based on their findings we consider the change in useful life estimate applied in the determination of the depreciation charge on capital rental units and contract assets to be within an acceptable range.

We ensured that this change in accounting estimate was appropriately treated as a prospective adjustment in terms of IAS 8 – Accounting policies, Changes in Accounting estimates and Errors in the results for the year ended 28 February 2019.

We consider the disclosure of the change in estimate for the useful lives of capital rental units and contract assets in notes 2.1 A, 4 and 5 of the consolidated financial statements to be materially appropriate.

### Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee Report and Certificate of the Company Secretary, as required by the Companies Act of South Africa, Report of the remuneration and nominations committee, which we obtained prior to the date of this auditor's 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.

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.

## INDEPENDENT AUDITOR'S REPORT (continued)

- » 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.

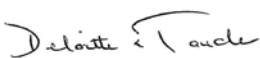
We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit 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 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 Group Limited for one year.



#### **Deloitte & Touche**

Registered Auditor  
Per: Sebastian Benedikt Field Carter  
Partner  
27 May 2019

**Address:** Deloitte and Touche,  
Registered Auditor,  
The Woodlands,  
20 Woodlands Drive,  
Woodmead,  
2196  
(Private Bag x6, Gallo Manor, 2052)

# REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE

for the year ended 28 February 2019

This report of the Remuneration and Nominations Committee's remuneration activities for the 2019 fiscal year 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 28 February 2019, the members of the Committee were:

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

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 Chief Executive Officer and 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(k), the Company obtained shareholder approval for its Remuneration Policy by way of a non-binding vote on 20 July 2018, achieving a 96,6% vote in favour of the Remuneration Policy. Feedback received from shareholders following the annual general meeting was addressed.

No external consultants were used during the year but the Committee has requested the engagement of external advisors to obtain an independent assessment of the remuneration approach of the Company in terms of fairness and competitiveness in relation to the market.

The Committee is satisfied that the objectives of the Remuneration Policy were substantially met during the reporting period, however, the policy will continue to be assessed and compliance will be monitored. Any proposed changes will be tabled to the Board as and when required.

## Voting at the 2019 annual general meeting

In terms of the requirements laid out in King IV and the JSE Listings Requirements, section 3.84(k), 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 incentive schemes in terms of benefits and establishment of the structure of future short and long-term incentives;
- » reviewing the packages of the executive and non-executive directors;
- » reviewing vesting of current incentive scheme benefits;
- » reviewing succession planning with regard to key executive and senior management roles;
- » consideration of additional skills required as the group expands; and
- » reviewing salary increases 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. Our 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;
- » Share incentive plans; 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.

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.

### **Share incentive plan**

The long-term incentive scheme ("Scheme"), operating through a Trust, was implemented to afford qualifying key members of management the opportunity to participate in the equity and future growth of the business, aligning the objectives of management and shareholders for a sustained period and retaining key skills to achieve the targets set by Cartrack.

The Trust acquired ordinary Cartrack shares in the market once participants had been determined ("Trust Shares") and created a pool of units ("the Units"), corresponding to the Trust Shares. Units were allocated to Participants for no consideration and were subject to an incentive period and specific vesting criteria as determined by the Board, which included achievement targets for the following categories:

- » Basic EPS for the group;
- » Number of subscribers on the system; and
- » Stolen vehicle recovery rate.

The first incentive period matured on 1 March 2018. Unfortunately, the EPS target was not met, primarily as a result of the significant appreciation of the rand, resulting in lower non-rand denominated consolidated profit in the vesting year compared to the forecast profit that informed the vesting criteria. As a result, the Units did not vest. Upon review of the Scheme, the Board decided to terminate the Scheme, due to changes in tax legislation which adversely affected the benefits in the hands of beneficiaries.

The board proposed a short-term incentive scheme for 2019, which was approved by shareholders at the AGM held on 20 July 2018. Participants identified by executive management and approved by the Committee were allocated an incentive value, expressed in Rand, subject to vesting criteria determined by the Board, which included:

- » Basic EPS for the group;
- » Number of subscribers on the system; and
- » Stolen vehicle recovery rate.

The incentive value would be settled in Cartrack shares and the shares held in the Trust shall be utilised for this purpose.

The incentive period matured on 1 March 2019. The vesting criteria unfortunately were not met and, as the scheme was intended for the FY2019 only, it has been terminated.

The board is considering an appropriate long-term incentive scheme for the future to incentivise and retain key staff and align shareholder and key management interests.

## **Eligibility**

Any senior employee with significant managerial or other responsibility, including any director holding salaried employment or office in the group, is eligible to participate in a share 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 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.



## Implementation Report

### Directors' fees

Fees paid to the non-executive and executive directors of the Company and to Prescribed Officers for the year ended 28 February 2019, are depicted below:

Non-executive	Director's fee R'000	Audit and Risk Committee R'000	Nominations and Remuneration Committee R'000	Social and Ethics Committee R'000	2019 Total R'000	2018 Total R'000
DJ Brown <sup>1</sup>	753	184	75	117	1 129	1 163
AT Ikalafeng <sup>1,3</sup>	244	184	118	–	546	607
S Rapeti <sup>2</sup>	168	92	–	–	260	–
K White	336	216	75	–	627	597
	<b>1 501</b>	<b>676</b>	<b>268</b>	<b>117</b>	<b>2 562</b>	<b>2 367</b>

#### Notes

<sup>1</sup> Directors' fees shown exclude VAT.

<sup>2</sup> Appointed to the Board with effect August 2018, and to the Audit and Risk Committee.

<sup>3</sup> Resigned from the Audit and Risk Committee with effect August 2018.

Executive committee <sup>^</sup>	Salary and allowances R'000	Other benefits R'000	Retirement fund R'000	Performances bonuses <sup>3</sup> R'000	2019 Total R'000	2018 Total R'000
IJ Calisto <sup>1</sup>	3 185	–	122	180	3 487	3 329
JR Edmeston <sup>2</sup>	1 082	2	8	288	1 380	3 894
M Grundlingh <sup>1</sup>	2 077	–	122	224	2 423	1 350
B Debski	1 677	11	–	129	1 817	1 933
J Marais	2 057	–	15	165	2 237	2 076
J Matias	1 515	–	–	–	1 515	1 446
E Ong	1 462	254	122	–	1 838	1 679
RJ Schubert	2 009	–	124	167	2 300	2 040
	<b>15 064</b>	<b>267</b>	<b>513</b>	<b>1 153</b>	<b>16 997</b>	<b>17 747</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>3</sup> Performance bonuses are based on actual amounts paid during the fiscal year.

<sup>^</sup> Include prescribed officers

# REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE (continued)

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 FY20**

Non-executive directors' fees for the financial year 2020, to be proposed to shareholders at the AGM on July 30, 2019 are as follows:

	R'000
<b>Director's fee</b>	353
Chairman (in addition to director's fee)	
» Board	792
» Audit and Risk	227
» Nominations and Remuneration	124
» Social and Ethics	123
<b>Committee fees (in addition to director's fee)</b>	
» Audit and Risk	192
» Nominations and Remuneration	79
» Social and Ethics	–

The aforementioned directors' fee amounts exclude Value Added Tax.

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*

27 May 2019



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 28 February 2019

Figures in Rand thousands	Notes	2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	7	122 098	107 597
Intangible assets	6	13 636	–
Property, plant and equipment	4	705 974	516 045
Contract asset	5	108 547	–
Deferred tax asset	8	98 055	49 488
		<b>1 048 310</b>	673 130
<b>Current assets</b>			
Inventories	9	206 026	173 680
Trade and other receivables	10	215 589	154 952
Loans to related parties	11	213	2 272
Current tax receivable		7 054	4 143
Cash and cash equivalents	12	51 906	69 573
		<b>480 788</b>	404 620
<b>Total assets</b>		<b>1 529 098</b>	1 077 750
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	42 488	42 488
Treasury shares		(12 105)	(12 105)
Foreign currency translation reserve		(15 462)	(41 311)
Retained earnings		806 306	601 224
Equity attributable to equity holders of parent		<b>821 227</b>	590 296
Non-controlling interest		16 391	10 125
		<b>837 618</b>	600 421
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest bearing loans	14	218 765	–
Lease obligations	15	69 256	28 635
Amounts received in advance	16	–	5 253
Deferred tax liabilities	8	33 197	2 316
		<b>321 218</b>	36 204
<b>Current liabilities</b>			
Interest bearing loans	14	20 525	–
Trade and other payables	17	155 530	111 722
Loans from related parties	11	7 716	5 486
Lease obligations	15	47 656	27 637
Current tax payable		42 132	55 911
Provision for warranties	18	2 564	6 482
Amounts received in advance	16	80 377	68 860
Bank overdraft	12	13 762	165 027
		<b>370 262</b>	441 125
<b>Total liabilities</b>		<b>691 480</b>	477 329
<b>Total equity and liabilities</b>		<b>1 529 098</b>	1 077 750

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 28 February 2019

Figures in Rand thousands	Notes	2019	2018 Restated*
Revenue	20	1 692 708	1 324 245
Cost of sales		(484 700)	(357 093)
<b>Gross profit</b>		<b>1 208 008</b>	967 152
Other income		6 279	9 091
Expected credit losses on financial assets		(45 171)	–
Operating expenses		(669 197)	(541 947)
<b>Operating profit</b>	21	<b>499 919</b>	434 296
Finance income	22	2 749	3 641
Finance costs	23	(31 438)	(15 729)
<b>Profit before taxation</b>		<b>471 230</b>	422 208
Taxation	24	(110 182)	(111 726)
<b>Profit for the year</b>		<b>361 048</b>	310 482
<b>Profit attributable to:</b>			
Owners of the parent		347 806	300 146
Non-controlling interest		13 242	10 336
		<b>361 048</b>	310 482
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)	35	116,4	100,5

Note

\*Refer to note 2.1B for additional information regarding the restated figures.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2019

Figures in Rand thousands	2019	2018
Profit for the year	361 048	310 482
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Items that may be reclassified to profit or loss in future periods:		
Exchange differences on translating foreign operations	29 928	(2 795)
<b>Other comprehensive income/(loss) for the year</b>	<b>29 928</b>	<b>(2 795)</b>
<b>Total comprehensive income for the year</b>	<b>390 976</b>	<b>307 687</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	373 655	303 386
Non-controlling interest	17 321	4 301
	<b>390 976</b>	<b>307 687</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2019

Figures in Rand thousands	Notes	Share capital	Foreign currency translation reserve
<b>Balance as at 1 March 2017</b>		42 488	(44 551)
Profit for the year		–	–
Other comprehensive income/(loss)		–	3 240
<b>Total comprehensive income for the year</b>		–	3 240
Dividends		–	–
Acquisition of minority interest <sup>1</sup>		–	–
Acquisition of Cartrack New Zealand Limited – minority interest		–	–
<b>Total contributions by and distribution to owners of company recognised directly in equity</b>		–	–
<b>Balance as at 28 February 2018</b>		42 488	(41 311)
<b>Balance at 1 March 2018 – as previously reported</b>		42 488	(41 311)
Adjustment arising on initial application of IFRS 16 (net of tax)	2C	–	–
Adjustment arising on initial application of IFRS 9 (net of tax)	2B	–	–
<b>Balance at 1 March 2018 – restated</b>		42 488	(41 311)
Profit for the year		–	–
Other comprehensive income		–	25 849
<b>Total comprehensive income for the year</b>		–	25 849
Dividends		–	–
<b>Total contributions by and distribution to owners of company recognised directly in equity</b>		–	–
<b>Balance at 28 February 2019</b>		<b>42 488</b>	<b>(15 462)</b>

Note

<sup>1</sup> Cartrack Technologies Asia Pte. Limited acquired full control of Cartrack Technologies (China) Limited and PT. Cartrack Technologies Indonesia.

Treasury shares	Retained earnings	Total attributable to equity holders of the group	Non-controlling interest	Total equity
(12 105)	461 745	447 577	14 200	461 777
–	300 146	300 146	10 336	310 482
–	–	3 240	(6 035)	(2 795)
–	300 146	303 386	4 301	307 687
–	(158 345)	(158 345)	(7 696)	(166 041)
–	(2 322)	(2 322)	1 496	(826)
–	–	–	(2 176)	(2 176)
–	(160 667)	(160 667)	(8 376)	(169 043)
(12 105)	601 224	590 296	10 125	600 421
(12 105)	601 224	590 296	10 125	600 421
–	(1 305)	(1 305)	(37)	(1 342)
–	(3 922)	(3 922)	–	(3 922)
(12 105)	595 997	585 069	10 088	595 157
–	<b>347 806</b>	<b>347 806</b>	<b>13 242</b>	<b>361 048</b>
–	–	<b>25 849</b>	<b>4 079</b>	<b>29 928</b>
–	<b>347 806</b>	<b>373 655</b>	<b>17 321</b>	<b>390 976</b>
–	<b>(137 497)</b>	<b>(137 497)</b>	<b>(11 018)</b>	<b>(148 515)</b>
–	<b>(137 497)</b>	<b>(137 497)</b>	<b>(11 018)</b>	<b>(148 515)</b>
(12 105)	<b>806 306</b>	<b>821 227</b>	<b>16 391</b>	<b>837 618</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 28 February 2019

Figures in Rand thousands	Notes	2019	2018
<b>Cash flows from operating activities</b>			
Cash generated from operations	25	707 208	589 073
Finance income	22	2 749	3 641
Finance costs		(23 350)	(11 819)
Taxation paid	26	(142 895)	(113 082)
<b>Net cash generated from operating activities</b>		<b>543 712</b>	<b>467 813</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and contract assets		(493 515)	(420 067)
Proceeds on disposal of property, plant and equipment		4 423	3 432
Investment in intangible assets		(13 636)	–
Decrease in loans to related parties		2 059	2 354
Acquisition of subsidiaries, net of cash acquired		–	(2 176)
<b>Net cash utilised by investing activities</b>		<b>(500 669)</b>	<b>(416 457)</b>
<b>Cash flows from financing activities:</b>			
Increase in loans from related parties		2 230	2 011
Increase in interest bearing loans		239 290	–
Net lease obligation (repayments) advances		(9 599)	21 779
Dividends paid	27	(148 515)	(166 041)
Increased in holding of subsidiaries		–	(826)
<b>Net cash generated/(utilised by) financing activities</b>		<b>83 406</b>	<b>(143 077)</b>
<b>Total cash movements for year</b>		<b>126 449</b>	<b>(91 721)</b>
Cash and cash equivalents as at the beginning of the year		(95 454)	(2 227)
Translation differences on cash and cash equivalents		7 149	(1 506)
<b>Total cash and cash equivalents at the end of the year</b>		<b>38 144</b>	<b>(95 454)</b>

# ACCOUNTING POLICIES

for the year ended 28 February 2019

## 1. Presentation of group financial statements

### **Reporting entity**

Cartrack Holdings Limited is a company domiciled in the Republic of South Africa. These consolidated annual financial statements for the year ended 28 February 2019 comprise the company and its subsidiaries (collectively the “group” and individually “group companies”). The group is primarily involved in the design, development and installation of telematics technology, data collection and analysis and the delivery of fleet and mobile asset management solutions delivered as Software-as-a-Service (SaaS) and the tracking and recovery of vehicles.

### **Statement of compliance**

The consolidated annual financial statements are prepared in compliance with JSE Listings Requirements, IFRS and Interpretations of those standards, as issued by the International Accounting Standards Board (IASB), the financial reporting pronouncements as issued by the Financial Reporting Standards Council (FRSC) that are relevant to its operations and have been effective for the annual reporting period ending 28 February 2019, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the South African Companies Act 71 of 2008, as amended. The annual financial statements were approved for issue by the board of directors on 27 May 2019 and will be tabled at the annual general meeting of shareholders on 16 July 2019.

These accounting policies are consistent with the previous period, except for the changes set out in Note 2.

### **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.

### **Going concern**

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

# ACCOUNTING POLICIES (continued)

for the year ended 28 February 2019

## 2. Changes in significant accounting policies

The group adopted IFRS 9, IFRS 15 and IFRS 16 in the current year and the modified retrospective approach, permitted in terms of these standards, was utilised.

### A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and related interpretations. 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 of 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 has adopted IFRS 15 using the modified retrospective approach with the date of initial application being 1 March 2018, and applied the new accounting to all contracts that were in existence at 1 March 2018, which resulted in no impact on opening retained income.

The group principally 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. The underlying revenue arises from the telematics contract arrangements with its customers.

The group separately assessed the performance obligations arising from the upfront hardware cash option and subscription option arising from the telematics contracts with its customers.

#### Hardware sales

Hardware revenue is recognised when the telematics unit is sold separately and the customer pays in full for the unit. This accounting treatment is consistent with the basis of revenue recognition in terms of IAS 18 with the exception that hardware and installation revenues were previously recognised as one transaction whereas these are considered to contain separate performance obligations in terms of IFRS 15.

#### Installation revenues

Installation revenue for cash option contracts is recognised when the unit is successfully installed.

#### Subscription revenues

Revenues arising from the telematics service is recognised as the service is provided. The treatment is consistent with the treatment under IAS 18.

The group has assessed whether its contract arrangement contain a significant financing component and it was determined that the contracts do not contain a significant financing component.

#### Contract asset

The group has capitalised incremental sales commissions arising from activated contracts. Under IAS 18, the incremental cost were capitalised to Capital rental units (Property, plant and equipment) and under IFRS 15 these costs have been capitalised to a Contract asset. This change had no impact on opening retained earnings.

There are no further revenue streams which were impacted by the adoption of IFRS 15. For additional information about the group's accounting policies relating to revenue recognition refer to Note 20.

### B. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The group applied IFRS 9 prospectively, with an initial application date of 1 March 2018. The group has not restated the comparative information, due to the adoption of the modified retrospective approach. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

The effect of adopting IFRS 9 at 1 March 2018 was as follows:

Figures in Rand thousands	Impact of adopting IFRS 9 at 1 March 2018
<b>Retained earnings</b>	
Recognition of expected credit losses under IFRS 9	(5 323)
Related deferred tax	1 401
<b>Impact on retained earnings at 1 March 2018</b>	<b>(3 922)</b>



## 2. Changes in significant accounting policies (continued)

### B. IFRS 9 Financial Instruments (continued)

#### i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair value through other comprehensive income (OCI) and Fair value through profit or loss. The classification is based on two criteria: the group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the group's business model was made as of the date of initial application, 1 March 2018. 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.

The classification and measurement requirements of IFRS 9 has not had a significant impact to the group.

The group has not designated any financial liabilities as at fair value through profit or loss or OCI. There are no changes in classification and measurement for the group's financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial assets and financial liabilities as at 1 March 2018.

The impact of adopting IFRS 9 on the carrying amounts of financial assets at 1 March 2018 relates solely to the new impairment requirements.

Figures in Rand thousands	Classification under IAS 39	Classification under IFRS 9	Carrying value amount under IAS 39	Carrying value amount under IFRS 9
<b>Financial Assets</b>				
Trade and other receivables	Loans and receivables at amortised costs	Amortised Cost	154 952	149 629
Loans to related parties	Loans and receivables at amortised costs	Amortised Cost	2 272	2 272
Cash and cash equivalents	Loans and receivables at amortised costs	Amortised Cost	69 573	69 573
<b>Total financial assets</b>			226 797	221 474
<b>Financial Liabilities</b>				
Bank overdrafts	Other financial liabilities at amortised cost	Amortised Cost	(165 027)	(165 027)
Loans from related parties	Other financial liabilities at amortised cost	Amortised Cost	(5 486)	(5 486)
Instalment sales obligation	Other financial liabilities at amortised cost	Amortised Cost	(56 272)	(56 272)
Trade and other payables	Other financial liabilities at amortised cost	Amortised Cost	(111 722)	(111 722)
Provision for warranties	Other financial liabilities at amortised cost	Amortised Cost	(6 482)	(6 482)
<b>Total financial liabilities</b>			(344 989)	(344 989)

#### ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 requires the group to recognise an allowance for ECL for all debt instruments not held at fair value through profit or loss and contract assets.

The group applies the simplified approach to calculate the ECL of trade receivables and contract assets. The provision rates are based on days past due 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.

## ACCOUNTING POLICIES (continued)

for the year ended 28 February 2019

### 2. Changes in significant accounting policies (continued)

#### C. IFRS 16 Leases

IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019, but can be early adopted. The group adopted IFRS 16 as from 1 March 2018.

The following summarises the impact, net of tax, of transition to IFRS 16 on retained earnings at 1 March 2018.

Figures in Rand thousands	Impact of adopting IFRS 16 1 March 2018
<b>Retained earnings</b>	
Reversal of lease payments recognised under IAS 17	31 627
Depreciation of right-of-use assets	(29 001)
Unwinding of finance cost element recognised in capitalised lease liability	(3 822)
Related deferred tax	(109)
<b>Impact on retained earnings at 1 March 2018</b>	<b>(1 305)</b>
<b>Non-controlling interests</b>	
Reversal of lease payments recognised under IAS 17	789
Depreciation of right-of-use assets	(721)
Unwinding of finance cost element recognised in capitalised lease liability	(100)
Related deferred tax	(5)
<b>Impact on non-controlling interests at 1 March 2018</b>	<b>(37)</b>

#### i. Transition

The group has chosen to apply the modified retrospective approach on adoption of IFRS 16. It includes certain relief in terms of the measurement of the right-of-use asset and the lease liability at 1 March 2018. The modified retrospective approach does not require a restatement of comparatives.

#### 2.1 Changes in significant accounting estimates and restatement of comparative disclosures

##### A. Change in accounting estimate in relation to expected useful life of capital rental units and contract assets

The group undertook a detailed assessment in the current year as done in prior years of 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. On the basis of actuarial-based assessment, the group changed its estimate of the average useful life to 60 months, which directly impacts the depreciation of capital units and contract assets. Contracts which terminate prior to 60 months result in accelerated depreciation of the underlying capital rental and the contract asset being recognised immediately.

This change in estimate was accounted for prospectively in terms of IAS 16 and IAS 8. Detailed below is the accounting impact on profit or loss of the change in the current year, which is primarily due to the substantial growth in capital units experienced during FY19.

Figures in Rand thousands	Impact on profit for the year ended 28 February 2019
<b>Statement of profit or loss</b>	
Recognition of depreciation over a period of 60 months	206 774
Recognition of depreciation over a period of 36 months	(325 246)
<b>Impact on profit and loss</b>	<b>(118 472)</b>
<b>Statement of financial position</b>	
Increase in net book value of property, plant and equipment	118 472
<b>Impact on property, plant and equipment</b>	<b>118 472</b>

The future impact is not determinable as this depends on future revenue growth which drives the extent of capital rental units. However, going forward, accelerated growth in the customer sectors in which the group currently operates is not expected to have a similar accounting impact on profit or loss.

## 2.1 Changes in significant accounting estimates and restatement of comparative disclosures (continued)

### B. Restatement of comparative disclosures

#### i. Restatement of cost of sales and operating expenses disclosure

The depreciation of capitalised sales commissions, motor vehicle costs and technician salaries were erroneously included as part of operating expenses in 2018. The group believes that these costs relate directly to cost of sales and therefore the depreciation of these costs has been reclassified in 2018 into cost of sales, to ensure consistency with the current year disclosure of these costs.

The restatement had no impact on profits, earnings per share, headline earnings per share, cash flows or the financial position of the group, it only impacted on the disclosure of operating expenses and cost of sales as detailed below:

Figures in Rand thousands	Impact of reclassification for the year ended 28 February 2018
<b>Statement of profit or loss</b>	
Operating expenses	123 144
Cost of sales	(123 144)
<b>Impact on operating profit</b>	<b>–</b>

# ACCOUNTING POLICIES (continued)

for the year ended 28 February 2019

## 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.

To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss of a non-current asset, that loss is charged to statement of profit and loss and other comprehensive income.

#### *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. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the group.

#### *Non-controlling interest*

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, 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 Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Operating Officer (COO) 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 reportable operating segments, each segment providing essentially the same or similar products and services to a homogeneous target market, and for which discrete financial information is available.

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

## 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 ("R"), 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 – Policy applicable from 1 March 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through profit or loss of fair value through OCI.

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 28 February 2019

## 2.2 Accounting policies (continued)

### d) Financial instruments (continued)

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

##### **Financial assets— Business model assessment: Policy applicable from 1 March 2018**

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: Policy applicable from 1 March 2018**

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 par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par 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: Policy applicable from 1 March 2018**

###### **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 category.

##### **Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 March 2018**

###### **Loans and receivables**

Measured at amortised cost using the effective interest method

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

Financial liabilities are classified as measured at amortised cost. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## 2.2 Accounting policies (continued)

### d) Financial instruments (continued)

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

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 effectively 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. Right of use assets are depreciated over the shorter of the lease term and their useful lives.

## ACCOUNTING POLICIES (continued)

for the year ended 28 February 2019

### 2.2 Accounting policies (continued)

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

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

Category	Depreciation method	Average useful life
Buildings	Straight line	20 – 50 Years
Capital rental units	Straight line	5 years
Computer software	Straight line	3 years
Furniture and fixtures	Straight line	5 Years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	3 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	5 years
Plant and equipment	Straight line	5 Years
Right-of-use assets	Straight line	Lease term
Security equipment	Straight line	5 Years

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

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

#### f) Contract assets

##### i. Recognition and measurement

Sales commissions costs which are directly related to a customer contract are capitalised to contract assets and are measured at cost less accumulated depreciation and any accumulated impairment losses. The contract assets are depreciated over the expected useful life of the average contract which is 60 months. If a contract with a customer is cancelled prior the end of its useful life, the unamortised cost is recognised immediately in profit and loss.

##### ii. Depreciation

Depreciation is calculated to write off the contract assets over their estimated useful lives, and is recognised in profit or loss.

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

Item	Depreciation method	Average useful life
Contract 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.



## 2.2 Accounting policies (continued)

### h) 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.

### i) 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.

#### *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.

# ACCOUNTING POLICIES (continued)

for the year ended 28 February 2019

## 2.2 Accounting policies (continued)

### j) Leases

#### *Policy applicable from 1 March 2018*

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 lease liability is measured at amortised cost using effective interest 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 standard.

#### *Policy applicable prior 1 March 2018*

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

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

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

### k) 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. Amounts are determined based on the net realisable value of potentially obsolete inventory.

### l) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss and adjusted for expected credit loss.

### m) 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 an original maturity of less than three months. Bank overdrafts are included within current liabilities on the statement of financial position.

### n) 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.

## 2.2 Accounting policies (continued)

### o) 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.

Contingent assets and contingent liabilities are not recognised, but are disclosed in the financial statements

### p) Revenue

The group has adopted IFRS 15 from 1 March 2018. Information about the group's accounting policies relating to contracts with customers and the effect of initially applying IFRS 15 is described in Note 2A.

#### *Hardware sales*

Hardware revenue is recognised when the telematics unit is sold separately and the customer pays in full for the unit at the commencement of the contract. This accounting treatment is consistent with the basis of revenue recognition in terms of IAS 18 with the exception that hardware and installation revenues were previously recognised as one transaction whereas these are considered to contain separate performance obligations in terms of IFRS 15.

#### *Installation revenues*

Installation revenue for cash option contracts is recognised when the unit is successfully installed.

#### *Subscription revenues*

Revenues arising from the telematics service is recognised as the service is provided. The treatment is consistent with the treatment under IAS 18.

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.

#### *Interest income*

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

#### *Dividend income*

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

### q) 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 4-2018, 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.

### r) Share based payments

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

At the end of the relevant vesting period, and subject to the vesting criteria having being met, the Trustees, at their discretion, dispose of the relevant shares and distribute the proceeds to the beneficiaries in accordance with the provisions of the Trust Deed. The costs of the Trust are expensed as incurred and the value of the notional units are recognised as an expense pro rata to the vesting period.

# ACCOUNTING POLICIES (continued)

for the year ended 28 February 2019

## 2.2 Accounting policies (continued)

### s) 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.

### t) Research and development costs

Research related costs are expensed.

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 include the employment cost of those employees involved in product and software development.

Other development expenditures that do not meet the recognition 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.

The capitalised development costs are amortised over their estimated useful lives.

### u) Significant judgements and sources of estimation uncertainty

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key judgements and assumptions are noted below:

#### *i. Useful life of capital rental units and contract assets*

The group undertook a detailed assessment in the current year as done in prior years of 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. On the basis of actuarial-based assessment, the group changed its estimate of the average useful life to 60 months, which directly impacts the depreciation of capital units and contract assets. Contracts which terminate prior to 60 months result in accelerated depreciation of the underlying capital rental and the contract asset being recognised immediately.

#### *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 past due 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.

#### *iii. Impairment of 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 (continued)

### u) Significant judgements and sources of estimation uncertainty (continued)

#### iv. Taxation

The group operates in many countries and is subject to taxes in numerous jurisdictions. Significant judgement is required in determining the provision for taxes as the taxation treatment is often by its nature complex. Amounts provided are accrued based on management's interpretation of country specific taxation laws and the likelihood of settlement. Actual liabilities could differ from the amount provided.

The group applies judgement when recognising deferred tax assets in respect of tax losses. Deferred tax assets in respect of tax losses are recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. In determining the level of future taxable profit that will be available the group considers both an entity's historical profitability and estimates of future profitability and recognises deferred tax for the whole or the part of the temporary difference that is more likely than not to be recovered. Where an entity has incurred historical losses, deferred tax assets are only recognised when the particular entity has shown a reasonable period of starting to return to profitability.

#### v. Revenue

IFRS 15 requires entities to exercise judgement taking into account all the relevant facts and circumstances when applying each step of the revenue recognition model contained in IFRS 15 to contracts with customers.

The key judgement exercised by management was the determination of the various performance obligations arising from the upfront hardware cash option and the subscription rental option arising from telematics contracts with customers.

## 2.3 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 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 or after
IFRS 14 Regulatory deferral accounts	For first time adopters effective 1 January 2016
IFRS 17 Insurance contracts	1 January 2021
Amendments IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures on Sale or Contribution of Assets between an Investor and its Associates or Joint Venture indefinitely	Indefinitely deferred
Amendments to IFRS 9- Prepayment features with negative compensation	1 January 2019
Amendments to IAS 28 – Long term interests in Associates and Joint Ventures	1 January 2019
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 issued in the Annual Improvement Cycle 2015 – 2017	1 January 2019
Amendments to IAS 19 – Plan amendment, Curtailment or Settlement	1 January 2019
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS standards	1 January 2020
Amendments to IFRS 3- Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8 – Definition of Material	1 January 2020
IFRIC 23 Uncertainty over Income tax treatments	1 January 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2019

## 3. Segment reporting

The group is organised into geographical business units and has five reportable segments.

The CODM monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment results were fundamentally evaluated in the current year based on subscription revenue and EBITDA as the profit or loss measures. As a result, the 2018 comparatives have been presented on a consistent basis with the 2019 disclosures.

The segment's revenue, depreciation and EBITDA information provided to the group CEO, CFO and COO for the reportable segments for the year ended 28 February 2019 is as follows:

Figures in Rand thousands	Subscription revenue	Hardware and other revenue before eliminations	Eliminations
<b>28 February 2019</b>			
<i>Geographical business units</i>			
South Africa	1 116 829	623 382	(486 604)
Africa-Other	97 605	10 171	–
Europe	142 204	11 463	(6 075)
Asia-Pacific and Middle East	159 997	42 896	(23 150)
USA	3 905	6 493	(6 408)
<b>Total</b>	<b>1 520 540</b>	<b>694 405</b>	<b>(522 237)</b>
<b>28 February 2018</b>			
<i>Geographical business units</i>			
South Africa	854 416	562 704	(424 561)
Africa-Other	92 970	2 805	–
Europe	111 065	9 813	(4 615)
Asia-Pacific and Middle East	105 689	22 809	(10 242)
USA	1 392	–	–
<b>Total</b>	<b>1 165 532</b>	<b>598 131</b>	<b>(439 418)</b>

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

	Inter-segment revenue	Hardware and other revenue after eliminations and inter-segment	Total revenue	Depreciation	EBITDA
	(7 861)	128 917	1 245 746	201 988	626 164
	7 861	18 032	115 637	3 372	41 650
	–	5 388	147 592	33 488	60 418
	–	19 746	179 743	22 088	38 404
	–	85	3 990	575	(5 206)
	–	172 168	1 692 708	261 511	761 430
	(8 868)	129 275	983 691	147 195	523 350
	8 868	11 673	104 643	2 863	34 671
	–	5 198	116 263	45 583	64 527
	–	12 567	118 256	20 638	35 939
	–	–	1 392	225	(7 687)
	–	158 713	1 324 245	216 504	650 800

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 3. Segment reporting (continued)

### Reconciliation of EBITDA to profit tax before taxation

Figures in Rand thousands	2019	2018
<b>EBITDA</b>	<b>761 430</b>	650 800
Depreciation	(261 511)	(216 504)
<b>Operating profit</b>	<b>499 919</b>	434 296
Finance income	2 749	3 641
Finance costs	(31 438)	(15 729)
<b>Profit before taxation</b>	<b>471 230</b>	422 208

Figures in Rand thousands	2019	2018
<b>Total assets</b>		
South Africa	975 638	627 548
Africa-Other	162 373	138 725
Europe	217 623	196 314
Asia-Pacific and Middle East	165 256	105 754
USA	8 208	9 409
<b>Total</b>	<b>1 529 098</b>	1 077 750

Figures in Rand thousands	2019	2018
<b>Total liabilities</b>		
South Africa	493 751	346 091
Africa-Other	46 923	37 812
Europe	87 286	52 089
Asia-Pacific and Middle East	63 364	39 482
USA	156	1 855
<b>Total</b>	<b>691 480</b>	477 329



#### 4. Property Plant and equipment

Figures in Rand thousands	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	1 962	–	1 962	6 592	(2 305)	4 287
Capital rental units*	1 091 014	(541 032)	549 982	761 803	(334 430)	427 373
Computer software	8 542	(3 720)	4 822	5 939	(1 419)	4 520
Furniture and fixtures	9 864	(5 855)	4 009	7 314	(4 381)	2 933
IT equipment	58 770	(29 491)	29 279	35 865	(22 413)	13 452
Leasehold improvements	15 430	(10 355)	5 075	5 333	(4 208)	1 125
Motor vehicles	116 693	(45 733)	70 960	91 964	(31 103)	60 861
Office equipment	4 926	(4 063)	863	3 667	(3 169)	498
Plant and machinery	2 783	(2 481)	302	2 166	(1 469)	697
Right-of-use assets**	53 365	(15 226)	38 139	–	–	–
Security equipment	1 235	(654)	581	805	(506)	299
<b>Total</b>	<b>1 364 584</b>	<b>(658 610)</b>	<b>705 974</b>	<b>921 448</b>	<b>(405 403)</b>	<b>516 045</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 4. Property Plant and equipment (continued)

### Reconciliation of property, plant and equipment - 2019

Figures in Rand thousands	Opening balance as previously reported	IFRS 15	IFRS 16
Buildings	4 287	–	–
Capital rental units*	427 373	(58 796)	–
Computer software	4 520	–	–
Furniture and fixtures	2 933	–	–
IT equipment	13 452	–	–
Leasehold improvements	1 125	–	–
Motor vehicles	60 861	–	–
Office equipment	498	–	–
Plant and machinery	697	–	–
Right-of-use assets**	–	–	34 128
Security equipment	299	–	–
<b>Total</b>	<b>516 045</b>	<b>(58 796)</b>	<b>34 128</b>

### Reconciliation of property, plant and equipment - 2018

Figures in Rand thousands	Opening balance	Additions	Acquisition of subsidiaries
Buildings	4 234	821	–
Capital rental units*	258 077	358 692	88
Computer software	2 043	2 696	–
Furniture and fixtures	2 712	1 409	–
IT equipment	7 687	13 309	22
Leasehold improvements	303	1 086	–
Motor vehicles	32 909	41 433	227
Office equipment	232	361	–
Plant and machinery	753	164	–
Right-of-use assets**	–	–	–
Security equipment	305	96	–
<b>Total</b>	<b>309 255</b>	<b>420 067</b>	<b>337</b>

#### Notes

\* In terms of IFRS 15, contract assets (refer to note 5) are disclosed separately. The costs capitalised to contract assets were previously capitalised to Capital rental units. An amount of R58 795 669 has been reclassified from Property, Plant and Equipment to Contract assets on 1 March 2018.

\*\* In terms of IFRS 16, leases which meet the requirements of the accounting standard are recognised as right of use asset in Property, Plant and Equipment and depreciated over the lease term.

Opening balance restated	Additions	Disposals	Reclassifications	Translation adjustments	Depreciation	Total
4 287	–	–	(2 560)	235	–	1 962
368 577	353 655	(116)	581	11 063	(183 778)	549 982
4 520	2 103	–	438	(234)	(2 005)	4 822
2 933	1 930	–	178	366	(1 398)	4 009
13 452	27 636	(33)	(2 603)	2 528	(11 701)	29 279
1 125	3 357	–	4 042	(659)	(2 790)	5 075
60 861	31 831	(1 823)	(331)	1 018	(20 596)	70 960
498	927	–	(41)	55	(576)	863
697	490	(94)	(39)	(70)	(682)	302
34 128	14 897	–	23	3 919	(14 828)	38 139
299	132	–	312	(1)	(161)	581
491 377	436 958	(2 066)	–	18 220	(238 515)	705 974

Disposals	Translation adjustments	Depreciation	Total
–	380	(1 148)	4 287
–	5 089	(194 573)	427 373
–	153	(372)	4 520
(61)	(38)	(1 089)	2 933
(181)	(984)	(6 401)	13 452
–	(126)	(138)	1 125
(1 900)	319	(12 127)	60 861
–	257	(352)	498
–	(20)	(200)	697
–	–	–	–
–	2	(104)	299
(2 142)	5 032	(216 504)	516 045

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 4. Property Plant and equipment (continued)

### Assets subject to instalment sale agreements

Figures in Rand thousands	2019	2018
The carrying value of assets subject to instalment sale agreements (refer note 15) is as follows:		
Motor vehicles	70 530	58 031

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

## 5. Contract asset

Figures in Rand thousands	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Costs to obtain a contract – sales commissions	178 330	(69 783)	108 547	–	–	–
<b>Total</b>	<b>178 330</b>	<b>(69 783)</b>	<b>108 547</b>	<b>–</b>	<b>–</b>	<b>–</b>

Figures in Rand thousands	Opening balance as previously reported	IFRS 15	Opening balance restated	Additions	Translation adjustments	Depreciation	Total
Costs to obtain a contract – sales commissions	–	58 796	58 796	71 454	1 293	(22 996)	108 547

The group capitalises incremental sales commission costs arising from activated contracts. Under IAS 18, these costs were capitalised to Capital rental units ('Property, plant and equipment') and under IFRS 15 these costs have been capitalised to a Contract asset.

## 6. Intangible assets

Figures in Rand thousands	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Product development costs	13 636	–	13 636	–	–	–
<b>Total</b>	<b>13 636</b>	<b>–</b>	<b>13 636</b>	<b>–</b>	<b>–</b>	<b>–</b>

In the current year, staff costs of R13 636 000 have been capitalised to product development costs with regard to the development of new generation telematics hardware and platform software which will be deployed in FY 2020. No amounts have been capitalised in recent years due to the development activities relating to existing hardware and software platforms.

## 7. 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 2017</b>	51 982	24 303	17 227	8 533	102 045
Translation adjustments	2 152	1 072	759	(857)	3 126
Additions	–	–	–	2 426	2 426
<b>Balance at 28 February 2018</b>	54 134	25 375	17 986	10 102	107 597
Translation adjustments	<b>8 951</b>	<b>2 553</b>	<b>1 810</b>	<b>937</b>	<b>14 251</b>
Additions	–	–	–	250	250
<b>Balance at 28 February 2019</b>	<b>63 085</b>	<b>27 928</b>	<b>19 796</b>	<b>11 289</b>	<b>122 098</b>

### Impairment testing

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

The group considers the relationship between its market capitalisation and its net book value, among other factors, when performing the annual test of impairment. At 28 February 2019, the market capitalisation of the group exceeded the value of equity by R3 844 507 000 indicating that Goodwill was unimpaired at a group level.

The recoverable amount of each cash-generating unit is determined using a discounted cash flow technique, which requires the use of various assumptions. Each of the cash flow projections are based on forecasts extrapolated over a five-year period, which have been approved by senior management.

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

Key assumptions	CGU	Rates	
		2019	2018
<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	6%	4%
	Portugal	2%	3%
	Spain	2%	3%
	Other	4%	4%
<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	6%	4%
	Portugal	2%	2.5%
	Spain	2%	2.5%
	Other	4%	4%
<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.	Mozambique	31%	27%
	Portugal	15%	10%
	Spain	15%	10%
	Other	7%	7%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 7. Goodwill (continued)

### Recoverable amounts

Figures in Rand thousands	Value in use 2019	Value in use 2018
Mozambique	103 055	119 633
Portugal	121 594	120 988
Spain	49 350	41 656
Other	118 089	125 686
<b>Total</b>	<b>392 088</b>	<b>407 963</b>

### Sensitivity analysis

The group has applied a 5% increase and a 5% decrease to all key assumptions which does not result in impairment.

## 8. Deferred taxation

Figures in Rand thousands	2019	2018
<b>Deferred taxation liability</b>	<b>(33 197)</b>	<b>(2 316)</b>
Property, plant and equipment	(33 197)	(2 316)
<b>Deferred taxation asset</b>	<b>98 055</b>	<b>49 488</b>
Income received in advance	16 698	11 777
Property, plant and equipment	–	(6 416)
Inventory	25 703	19 080
Tax losses	14 677	6 740
Lease obligations	21 923	9 447
Trade receivables	4 591	2 317
Other	14 463	6 543
<b>Total net deferred taxation asset</b>	<b>64 858</b>	<b>47 172</b>
<b>Reconciliation of deferred taxation asset/(liability)</b>		
At beginning of year	47 172	39 575
Increase/(decrease) in income received in advance temporary differences	4 921	(959)
Decrease in property, plant and equipment temporary differences	(24 465)	(6 390)
Increase in inventory temporary differences	6 623	2 783
Increase in tax losses temporary differences	7 937	5 215
Increase in lease obligation temporary differences	12 476	6 105
Increase/(decrease) in trade receivables temporary differences	2 274	(664)
Increase in other temporary differences	7 920	1 507
<b>At end of year</b>	<b>64 858</b>	<b>47 172</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 is R 5 053 252 (2018: R 11 358 900). The extent of other tax losses available to the group for which deferred tax assets have been recognised is R 52 418 746 (2018: R 24 069 639). Detailed budgets and forecasts have been prepared by management which support the recoverability of these tax losses.

## 9. Inventories

Figures in Rand thousands	2019	2018
Uninstalled tracking units	119 527	61 597
Components	58 844	78 061
Work in progress	12 762	20 927
Consumables	15 695	13 326
	<b>206 828</b>	173 911
Allowance for obsolete inventory	(802)	(231)
	<b>206 026</b>	173 680

During the year, inventory with a carrying value of R10 230 098 (2018: R2 611 241) was recognised as an expense for inventories carried at net realisable value. During the year, inventory with a carrying value of R1 19 509 619 (2018: R87 519 618) was recognised in cost of sales.

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

## 10. Trade and other receivables

Figures in Rand thousands	2019	2018
Trade receivables	221 956	151 959
Expected credit loss provision	(43 670)	(30 382)
	<b>178 286</b>	121 577
Prepayments	21 420	20 233
Deposits	3 964	2 912
Sundry debtors	9 218	8 984
Value added tax	2 701	1 246
	<b>215 589</b>	154 952

### 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 significant judgement. Additional information regarding credit risk applicable to trade receivables is disclosed in note 32.2 a.

### Credit quality of trade and other receivables

Information on credit quality of trade and other receivables is on note 32.2.a.

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

Figures in Rand thousands	2019	2018
Opening balance	(30 382)	(33 898)
Increase in allowance for expected credit losses	(69 091)	(36 043)
Amounts utilised	55 803	39 559
<b>Closing balance</b>	<b>(43 670)</b>	(30 382)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 10. Trade and other receivables (continued)

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

Figures in Rand thousands	2019	2018
<b>Currencies</b>		
Rand	107 398	69 974
Singapore dollar	16 489	13 521
Mozambique metical	24 602	19 034
Euro	16 668	13 209
Nigerian naira	1 366	1 766
Kenyan shillings	5 782	4 666
Tanzanian shillings	11 384	9 611
Polish zloty	3 656	6 143
US dollar	593	463
Other	27 651	16 565
<b>Total</b>	<b>215 589</b>	<b>154 952</b>

Trade receivables relating to Cartrack Proprietary Limited have been ceded as security with regards to term loan (refer to note 14).

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

Figures in Rand thousands	2019	2018
<b>Related parties</b>		
Pro-Fit Fitment Centre Proprietary Limited <sup>1</sup>	–	2 063
Cartrack Education Fund (NPO)	200	200
Onecell Proprietary Limited	–	9
J Marais	13	–
	213	2 272
AH Nyimbo	–	(996)
J De Wet	(5 551)	(3 043)
P Lim	(2 151)	(1 443)
Onecell Proprietary Limited	(14)	(4)
	(7 716)	(5 486)
Current assets	213	2 272
Current liabilities	(7 716)	(5 486)
	(7 503)	(3 214)

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

<sup>1</sup> No longer considered a related party in the current year and the amount outstanding is disclosed in trade and other payables.

## 12. Cash and cash equivalents

Figures in Rand thousands	2019	2018
<b>Cash and cash equivalents consist of:</b>		
Cash on hand	276	473
Bank balances	51 630	68 660
Short-term deposits	–	440
Bank overdrafts	(13 762)	(165 027)
	38 144	(95 454)
Current assets	51 906	69 573
Current liabilities	(13 762)	(165 027)
	38 144	(95 454)

Information on cash flow management is included in note 32.2.a. Refer to note 36 for information on the various facilities available to the group.



### 13. Share capital

Figures in Rand thousands	2019	2018
<b>Authorised</b>		
1 000 000 000 ordinary shares of no par value		
700 000 000 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting, to be held on 16 July 2019.		
<b>Issued</b>		
300 000 000 ordinary shares of no par value	42 488	42 488
The group holds 1 234 000 treasury shares.		

### 14. Interest bearing loans

Figures in Rand thousands	2019	2018
Rand Merchant Bank Limited	215 421	–
Caixa Geral de Depositos S.A	23 869	–
Total	239 290	–
Less : Short term portion	(20 525)	–
<b>Long term portion</b>	<b>218 765</b>	–

Rand Merchant Bank has provided a long-term loan facility of R200 million and a short-term facility of R100 million to Cartrack Proprietary Limited. Both facilities attract interest at the prime banking rate less 1,6% p.a. and there is no obligation on Cartrack Proprietary Limited to make any repayment on the long-term facility in the 12 months from the balance sheet date. Early repayment is at the option of Cartrack Proprietary Limited. The long-term facility is repayable in 18 months from balance sheet date. Agreements are being concluded for a facility of R600 million which will replace the existing facilities.

Trade receivables relating to Cartrack Proprietary Limited have been ceded as security with regards to the Rand Merchant Bank loan and a cross suretyship has been signed between Cartrack Proprietary Limited and Cartrack Manufacturing Proprietary Limited.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 15. Lease obligations

Figures in Rand thousands	2019	2018
<b>Minimum lease payments due</b>		
– within one year	54 392	31 511
– in second to fifth year inclusive	75 311	33 077
	<b>129 703</b>	64 588
less: future finance charges	(12 791)	(8 316)
<b>Present value of minimum lease payments</b>	<b>116 912</b>	56 272
Non-current liabilities	69 256	28 635
Current liabilities	47 656	27 637
	<b>116 912</b>	56 272

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 are secured by the leased assets.

Property leases capitalised in terms of IFRS 16 were previously treated as operating leases. The average lease term is four years and interest incurred is at an incremental borrowing rate of a similar asset.

## 16. Amounts received in advance

Figures in Rand thousands	2019	2018
Opening balance	74 113	79 275
Revenue deferred in current year	129 477	112 661
Revenue recognised in current year	(129 202)	(118 118)
Translation adjustments	5 989	295
<b>Closing balance</b>	<b>80 377</b>	74 113
Non-current liabilities	–	5 253
Current liabilities	80 377	68 860
	<b>80 377</b>	74 113

## 17. Trade and other payables

Figures in Rand thousands	2019	2018
Trade payables	59 052	39 775
Accrued expenses	65 654	40 584
Sundry creditors	12 126	10 823
Value added tax	18 698	20 540
	<b>155 530</b>	111 722

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

## 18. Provision for warranties

Figures in Rand thousands	Opening balance	Raised during the year	Utilised during the year	Total
<b>Reconciliation of provision for warranties – 2019</b>				
Provision for warranties	6 482	9 731	(13 649)	2 564
<b>Reconciliation of provision for warranties – 2018</b>				
Provision for warranties	6 124	9 231	(8 873)	6 482

The warranty provision represents management's best estimate of the group's liability in the event of non-recovery of vehicles subject to the limited recovery warranty. The provision for warranties is determined based on historical loss data observed over at least five years. The provision is management's best estimate of the amount that will be paid out subsequent to the year end with regard to claims known at year end.

The provision was determined based on the following key assumptions:

Figures in Rand thousands	Number of vehicles subject to warranty	Historical claim rate	Average pay-out per vehicle in thousands
<b>– 2019</b>			
Warranty provision	223 222	0,0005	134
<b>– 2018</b>			
Warranty provision	152 930	0,0003	136

## 19. Share-based payments

1 234 000 Treasury shares were acquired in 2016 for allocation in terms of the executive share incentive scheme. In 2018, the vesting criteria for the share scheme were not met at the vesting date.

The board of directors is considering the implementation of a new long-term incentive scheme and will continue to hold the treasury shares for that purpose.

## 20. Revenue

The effect of applying IFRS 15 on the group's revenue from contracts with customers is described in Note 2A.

### A. Revenue streams

The group principally 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	2019	2018
<b>Revenue from contracts with customers</b>		
Subscription revenue	1 520 540	1 165 532
Hardware sales	126 299	138 639
Installation revenue	2 578	–
	<b>1 649 417</b>	<b>1 304 171</b>
<b>Other revenue</b>		
Miscellaneous rental contract fees	43 291	20 074
<b>Total revenue</b>	<b>1 692 708</b>	<b>1 324 245</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 20. 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	
	2019	2018	2019	2018
<b>Primary geographical markets</b>				
South Africa	1 116 829	854 416	84 351	110 512
Africa-Other	97 605	92 970	17 459	11 449
Europe	142 204	111 065	5 207	5 198
Asia-Pacific and Middle East	159 997	105 689	19 282	11 480
USA	3 905	1 392	–	–
	<b>1 520 540</b>	1 165 532	<b>126 299</b>	138 639
<b>Timing of revenue recognition</b>				
Products transferred at a point in time	–	–	126 299	138 639
Products and services transferred over time	1 520 540	1 165 532	–	–
<b>Total revenue</b>	<b>1 520 540</b>	1 165 532	<b>126 299</b>	138 639

### C. Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Payment option	Nature and timing of satisfaction of performance obligations, including significant payment terms
Hardware sales	Cash	Customers obtain control of the hardware when the units are successfully installed. Invoices are generated at that point in time. The payment terms are generally 30 days.
Installation revenue	Cash	Installation is recognised when the unit is successfully installed. The payment terms are generally 30 days.
Subscription revenue	Cash and rental	Services will be provided to a customer once a unit is successfully installed until cancellation of the contract. Invoices are generated monthly in advance and payable on presentation.
Miscellaneous rental contract fees	Cash and rental	Miscellaneous rental contract fees will be charged to a customer when a service is provided. The payment terms are generally 30 days.

Installation revenue		Miscellaneous rental contract fees		Total	
2019	2018	2019	2018	2019	2018
1 721	–	42 845	18 763	1 245 746	983 691
356	–	217	224	115 637	104 643
107	–	74	–	147 592	116 263
394	–	70	1 087	179 743	118 256
–	–	85	–	3 990	1 392
<b>2 578</b>	–	<b>43 291</b>	20 074	<b>1 692 708</b>	1 324 245
2 578	–	43 291	20 074	172 168	158 713
–	–	–	–	1 520 540	1 165 532
<b>2 578</b>	–	<b>43 291</b>	20 074	<b>1 692 708</b>	1 324 245

**Revenue recognition under IFRS 15  
(applicable from 1 March 2018)**

The group recognises revenue from the sale of hardware when the unit is installed, and control and ownership has been transferred to the customer.

The group recognises revenue when the unit is installed, and control ownership has been transferred to the customer.

The group recognises revenue over time as the telematics services are provided.

The group recognises revenue when the service is provided.

**Revenue recognition under IAS 18  
(applicable before 1 March 2018)**

The group recognised revenue from the sale of hardware and installations when significant risks and rewards of ownership were transferred to the customer upon installation.

The group recognised revenue from the sale of installations when significant risks and rewards of ownership were transferred to the customer upon installation. This was included as part of hardware revenue.

The group recognised revenue over time as the services were provided.

The group recognised revenue when the service was provided.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 21. Operating profit

Figures in Rand thousands	Notes	2019	2018 restated
Operating profit is stated after accounting for the following charges:			
Auditor remuneration		4 841	3 582
– Current year (Deloitte)		3 502	–
– Current year (Other auditors)		1 339	3 582
Depreciation of property, plant and equipment	4	238 515	216 504
Depreciation of contract assets	5	22 996	–
Operating lease charges – premises, vehicles and equipment		27 814	30 676
Write down of inventory to net realisable value	8	10 230	2 611
Research and development		48 284	54 473
Employee costs		356 910	316 029
Operating expenses is made up as follows:		669 197	541 947
Sales and marketing		177 351	
Administration and other		491 846	

## 22. Finance income

Figures in Rand thousands	2019	2018
Bank balances	2 749	3 641

## 23. Finance costs

Figures in Rand thousands	2019	2018
Instalment sale obligations	6 722	3 910
Interest bearing loans	1 954	–
Lease obligations	1 367	–
South African Revenue Services	4 883	–
Overdraft	16 512	11 819
	31 438	15 729

## 24. Taxation

Figures in Rand thousands	2019	2018
Major components of the taxation expense:		
<b>Current taxation expense</b>		
Income taxation – current year	132 144	126 142
Income taxation – prior year	(5 939)	(6 862)
	126 205	119 280
<b>Deferred taxation income</b>		
Deferred taxation – current year	(6 883)	(7 982)
Deferred taxation – prior year	(9 254)	428
	(16 137)	(7 554)
Withholding tax	114	–
<b>Total taxation expense</b>	<b>110 182</b>	<b>111 726</b>

## 24. Taxation (continued)

Figures in Rand thousands	2019	2018
<b>Reconciliation between accounting profit and taxation expense:</b>		
Profit before taxation	471 230	422 208
Taxation at the applicable taxation rate of 28% (2018: 28%)	131 944	118 218
<b>Taxation effect of adjustments on taxable income</b>		
Utilisation of previously unrecognised taxation losses	(5 694)	(4 856)
Currency adjustment	(8 823)	(2 760)
Non-taxable income	–	(8 734)
Non-deductible expense	–	10 017
Non-deductible loan write-off	1 633	–
Non-deductible tax penalties	1 601	–
Non-deductible expenses attributable to exempt income	1 664	–
Current year losses for which no deferred taxation asset is recognised	2 936	6 275
Withholding tax	114	–
Prior year tax overprovision	(15 193)	(6 434)
<b>Total taxation expense</b>	<b>110 182</b>	<b>111 726</b>

## 25. Cash generated from operations

Figures in Rand thousands	2019	2018
Profit before taxation	471 230	422 208
<b>Adjustments</b>	<b>283 925</b>	<b>223 604</b>
Depreciation on property, plant and equipment and contract assets	261 511	216 504
Profit on disposal of property, plant and equipment	(2 357)	(1 290)
Net operating foreign exchange gain	–	1 974
Finance income	(2 749)	(3 641)
Finance costs	31 438	15 729
Share based payment charge	–	(6 030)
Provision for warranties charge	(3 918)	358
<b>Cash generated from operations before working capital changes</b>	<b>755 155</b>	<b>645 812</b>
<b>Changes in working capital</b>		
Increase in Inventories	(34 019)	(50 540)
Increase in Trade and other receivables	(62 319)	(3 514)
Increase in Trade and other payables	42 127	17 046
Increase/(decrease) in Amounts received in advance	6 264	(5 162)
Translation effect of foreign operations	–	(14 569)
<b>Cash generated from operations</b>	<b>707 208</b>	<b>589 073</b>

## 26. Taxation paid

Figures in Rand thousands	2019	2018
Balance payable at beginning of the year	(51 768)	(45 570)
Current taxation for the year recognised in profit or loss	(126 205)	(119 280)
<b>Balance payable at end of the year</b>	<b>35 078</b>	<b>51 768</b>
	<b>(142 895)</b>	<b>(113 082)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 27. Dividends paid

Figures in Rand thousands	2019	2018
Dividends	(148 515)	(166 041)

Management has re-evaluated the dividend policy, presently being a targeted cover of between 2 and 4 times HEPS. The revised dividend policy provides for a target cover of between 2 and 6 times HEPS, to be effective for the year ending 28 February 2020.

## 28. Material non-controlling interest

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

Figures in Rand thousands	Cartrack Limitada	
NCI percentage	50%	50%
Principal place of business	Mozambique	Mozambique
<b>Revenue</b>	<b>67 300</b>	58 670
Profit for the year after tax	22 520	21 309
Other comprehensive income	4 079	(6 035)
<b>Total comprehensive income</b>	<b>26 599</b>	15 274
Profit attributable to NCI	11 237	10 655
Other comprehensive income attributable to NCI	2 821	(3 018)
<b>Total comprehensive income attributable to NCI</b>	<b>14 058</b>	7 637
Non-current assets	9 304	8 757
Current assets	43 510	36 377
Current liabilities	(29 382)	(22 169)
	<b>23 432</b>	22 965
<b>Net assets attributable to NCI</b>	<b>11 716</b>	11 483
Cash flows from operating activities	24 920	17 495
Cash flows from investing activities	(1 070)	(1 724)
Cash flows from financing activities	(20 069)	(12 960)
	<b>3 781</b>	2 811
<b>Dividends paid to NCI</b>	<b>(11 019)</b>	(7 173)



## 29. Acquisition of businesses

### *Acquisition during the year ended 28 February 2019*

#### **Drive and Save Proprietary Limited**

In March 2018, the group acquired a 100% interest in Drive and Save (Pty) Ltd (previously Advancor (Pty) Ltd) for a cash consideration of R0,3 million from J Marais (related party). The group acquired this company in order to achieve economies of scale, standardisation, integration and operational simplification in order to stimulate future growth.

### *Acquisitions during the year ended 28 February 2018*

#### **Cartrack New Zealand Limited**

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

#### **Cartrack Technologies (China) Limited**

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

#### **PT. Cartrack Technologies Indonesia**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 30. 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 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
Plexique Proprietary Limited	Cartrack Proprietary Limited
Zonke Bonke Telecoms Proprietary Limited (Dormant)	Cartrack Proprietary Limited
Cartrack Tanzania Limited	Cartrack Technologies Limited
Retriever Limited	Cartrack Technologies Limited
Cartrack Engineering Technologies Limited	Cartrack Technologies Limited
PT. Cartrack Technologies Indonesia	Cartrack Technologies Limited
Cartrack Investments UK Limited	Cartrack Technologies Limited
Cartrack Technologies (China) Limited	Cartrack Technologies Limited
Cartrack Malaysia SDN.BHD	Cartrack Technologies Limited
Cartrack Technologies LLC	Cartrack Technologies Limited
Cartrack Technologies PHL.INC	Cartrack Technologies Limited
Cartrack Technologies South East Asia Pte. Limited	Cartrack Technologies Limited
Cartrack Ireland Limited	Cartrack Technologies Limited
Cartrack Technologies (Thailand) Company Limited	Cartrack Technologies Limited
Cartrack New Zealand Limited	Cartrack Technologies Limited
Cartrack (Australia) Proprietary Limited (Dormant)	Cartrack Technologies 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	Cartrack Investments UK Limited
Cartrack Capital SGPS,S.A	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 (2018: euro 1,4 million). Cartrack Technologies Pte. Limited has provided Cartrack Investments UK Limited with a guarantee for repayment of the loan.

Country of incorporation	% holding 2019	% holding 2018
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	–
Namibia	100,00	100,00
Singapore	100,00	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
China	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	51,00	51,00
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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 31. 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
A.H. Nyimbo	Shareholder – Retriever Limited
J Marais	Shareholder – Cartrack Holdings Limited
P Lim	Shareholder – Cartrack Technologies PHL. INC
SM Machel Jr.	Shareholder – Cartrack Limitada
Pro-Fit Fitment Centre Proprietary Limited	BEE funded company – Cartrack Proprietary Limited
J De Wet	Shareholder – Cartrack New Zealand Limited
Brick Capital Polska Sp.Zo.O	IJ Calisto has a beneficial interest in this company
Brick Capital Lda	IJ Calisto has a beneficial interest in this company
Georgem Proprietary Limited	J Marais has a beneficial interest in this company
JMPG Marcelino	Shareholder of Autoclub Lda
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	B Debski is a director
Karoo Pvt Limited	IJ Calisto has a beneficial interest in this company
<b>Subsidiary companies</b>	
Cartrack Proprietary Limited	
Retriever Limited	
Cartrack Tanzania Limited	
Cartrack Engineering Technologies Limited	
Cartrack Namibia Proprietary Limited	
Cartrack Technologies Proprietary Limited	
Cartrack Technologies Pte. Limited	
Cartrack Management Services Proprietary Limited	
Drive and Save Proprietary Limited	
Cartrack Manufacturing Proprietary Limited	
Cartrack North East Proprietary Limited	
Cartrack Executive Trust	
Cartrack Limitada	
Cartrack Polska.SP.ZO.O	
Cartrack Fleet Management Proprietary Limited	
Zonke Bonke Telecoms Proprietary Limited	
Plexique Proprietary Limited	
Combined Telematics Services Proprietary Limited	
Cartrack Investments UK Limited	
Cartrack Malaysia SDN.BHD	
Cartrack Technologies PHL.INC	
Cartrack Technologies South East Asia Pte. Limited	
Cartrack Technologies (China) Limited	
Cartrack Europe SGPS, S.A.	
Cartrack Capital SGPS, S.A.	
Cartrack Espana, S.L.	
Cartrack Australia Proprietary Limited	
PT. Cartrack Technologies Indonesia	
Cartrack Technologies (Thailand) Company Ltd	

### 31. Related parties (continued)

#### Subsidiary companies

Cartrack Technologies LLC  
Cartrack INC.  
Cartrack Ireland Limited  
Cartrack New Zealand Limited  
Auto Club LDA

#### Directors

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

#### Prescribed officers

B Debski  
J Marais  
J Matias  
E Ong  
R Schubert

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
for the year ended 28 February 2019

31. Related parties (continued)

Figures in Rand thousands	2019	2018
<b>Related party balances</b>		
<b>Loan accounts – owing (to)/by related parties</b>		
AH Nyimbo	–	(996)
Pro-Fit Fitment Centre Proprietary Limited	–	2 063
Cartrack Education Fund (NPO)	200	200
J Marais	13	–
J De Wet	(5 551)	(3 043)
P Lim	(2 151)	(1 443)
Onecell Proprietary Limited	–	9
Onecell Proprietary Limited	(14)	(4)
	<b>(7 503)</b>	<b>(3 214)</b>
<b>Amounts included in trade receivables/(trade payables) regarding related parties</b>		
<b>Trade receivables</b>		
Onecell Proprietary Limited	6 664	1 323
Pro-Fit Fitment Centre Proprietary Limited	–	4 919
Onecell Holdings Proprietary Limited	3	3
Cartrack Mozambique LDA	–	1 655
<b>Trade payables</b>		
Pro-Fit Fitment Centre Proprietary Limited	–	(889)
Onecell Proprietary Limited	(52)	(105)
Onecell Community Services Proprietary Limited	(339)	(676)
Purple Rain Properties No. 444 Proprietary Limited	–	(890)
Onecell Holdings Proprietary Limited	(21)	(30)
Brick Capital LDA	–	(8)
	<b>6 255</b>	<b>5 302</b>
<b>Related party transactions</b>		
<b>Sales to related parties</b>		
Onecell Proprietary Limited	(4 042)	(6 191)
CFC.Sp.Zo.O	(114)	–
Pro-Fit Fitment Centre Proprietary Limited	–	(1 463)
Cartrack Mozambique LDA	–	(1 655)
Brick Capital Polska SP. ZO.O	(1)	–
Prime Business B. Debski	(44)	–
	<b>(4 201)</b>	<b>(9 309)</b>
<b>Purchases from related parties</b>		
Onecell Holdings Proprietary Limited	208	433
Onecell Proprietary Limited	467	395
CFC.Sp.Zo.O	7 601	–
Prime Business B. Debski	148	–
Onecell Community Phones Proprietary Limited	1 819	2 263
Pro-Fit Fitment Centre Proprietary Limited	–	6 322
	<b>10 243</b>	<b>9 413</b>
<b>Rent paid to related parties</b>		
Purple Rain Properties No. 444 Proprietary Limited	17 613	6 598
Prime Business B. Debski	836	–
Brick Capital Lda	3 921	–
Brick Capital Polska Sp.Zo.o	1 694	2 022
	<b>24 091</b>	<b>8 620</b>

Information regarding the key management and prescribed officers is in detailed at note 34.

## 32. 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.

### 32.1 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 14 and 15 respectively, cash and cash equivalents disclosed in note 12, 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. As detailed in note 14, the group needs to maintain a covenant ratio (current ratio) of 0,9 for the Rand Merchant Bank term loan.

### 32.2 Financial risk management

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

#### 32.2.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 are on debit-order payment method to assess credit risk.

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.

Trade debtors of Cartrack Proprietary Limited have been ceded as security for the term loan.

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	2019	2018
Expected credit loss provision on trade receivables arising from contracts with customers	43 670	30 382

#### *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 20.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 32. Risk management (continued)

### 32.2 Financial risk management (continued)

#### 32.2.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 past due 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 28 February 2019:

Figures in Rand thousands	Expected credit loss rate	Gross carrying amount	Impairment loss allowance
Not past due	5%	57 825	2 813
1 month past due	8%	36 733	2 832
2 months past due	13%	21 807	2 859
3 months or more past due	33%	105 591	35 166
<b>Total</b>		<b>221 956</b>	<b>43 670</b>

##### *Movements in the allowance for impairment in respect of trade receivables*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows. Comparative amounts for 2018 represent the allowance account for impairment losses under IAS 39.

Figures in Rand thousands	2019	2018
<b>Balance at 1 March under IAS 39</b>	<b>30 382</b>	33 898
Adjustment on initial application of IFRS 9	(5 323)	–
<b>Balance at 1 March under IFRS 9</b>	<b>25 059</b>	
Amounts written off	(55 803)	(39 559)
Net remeasurement of loss allowance	74 414	36 043
<b>Balance at 28 February</b>	<b>43 670</b>	30 382

##### *Cash and cash equivalents*

The group held cash and cash equivalents of R52 million at 28 February 2019 (2018: R70 million). The cash is held with major banks and financial institutions which are rated and regulated in each country. None of the bank's holding deposits show financial strain.



## 32. Risk management (continued)

### 32.2 Financial risk management (continued)

#### 32.2.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	Between 2 and 5 years
<b>At 28 February 2019</b>		
Interest-bearing loans	20 525	218 765
Lease obligations	47 656	69 256
Trade and other payables	136 832	–
Loans from related parties	7 716	–
Bank overdraft	13 762	–

Figures in Rand thousands	Less than 1 year	Between 2 and 5 years
<b>At 28 February 2018</b>		
Lease obligations	27 637	28 635
Trade and other payables	91 182	–
Loans from related parties	5 486	–
Bank overdraft	165 027	–

#### 32.2.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.

##### 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 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)
Loans to related parties	–	–	–	–	–
Loans from related parties	–	–	–	–	–
	50	927	(22 326)	2 503	(2 083)
<b>At 28 February 2018</b>					
Trade receivables	1 609	925	100 365	1 906	1 788
Trade payables	–	(1 588)	(117 482)	(1 773)	(4 417)
Loans to related parties	–	–	–	–	–
Loans from related parties	(227)	–	–	–	–
	1 382	(663)	(17 117)	133	(2 629)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 32. Risk management (continued)

### 32.2 Financial risk management (continued)

#### 32.2.c Currency risk (continued)

##### *Sensitivity analysis*

A strengthening/weakening of the Rand against the Polish zloty (PLN), euro (EUR), Singapore dollar (SGD) and Mozambican metical (MZN), at the 28 February 2019 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
PLN	1 131	(1 131)
EUR	1 255	(1 255)
SGD	2 650	(2 650)
MZN	2 252	(2 252)
USD	(405)	405
	<b>6 883</b>	<b>(6 883)</b>

#### 32.2.d Interest rate risk

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

The group's exposure to interest rate risk relates primarily to the group's loan obligations with variable interest rates. The term loan with Rand Merchant Bank attracts interest at prime less 1,6% 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.

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

##### *Interest rate sensitivity*

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

	Figures in Rand thousands
Effect on profit before tax (1% increase)	(2 380)
Effect on profit before tax (1% decrease)	2 380

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

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

Figures in Rand thousands	Loans and receivables at amortised cost	Non-financial instruments	Total
<b>At 28 February 2019</b>			
<b>Financial assets</b>			
Loans to related parties	213	–	213
Trade and other receivables	191 468	24 121	215 589
Cash and cash equivalents	51 906	–	51 906
	<b>243 587</b>	<b>24 121</b>	<b>267 708</b>
<b>Financial liabilities</b>			
Interest-bearing loans	239 290	–	239 290
Loans from related parties	7 716	–	7 716
Lease obligation	116 912	–	116 912
Trade and other payables	136 832	18 698	155 530
Bank overdraft	13 762	–	13 762
Amounts received in advance	80 377	–	80 377
	<b>594 889</b>	<b>18 698</b>	<b>613 587</b>
<b>At 28 February 2018</b>			
<b>Financial assets</b>			
Loans to related parties	2 272	–	2 272
Trade and other receivables	133 473	21 479	154 952
Cash and cash equivalents	69 573	–	69 573
	<b>205 318</b>	<b>21 479</b>	<b>226 797</b>
<b>Financial liabilities</b>			
Loans from related parties	5 486	–	5 486
Instalment sale obligation	56 272	–	56 272
Trade and other payables	91 182	20 540	111 722
Bank overdraft	165 027	–	165 027
Amounts received in advance	74 113	–	74 113
	<b>392 080</b>	<b>20 540</b>	<b>412 620</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 34. Directors' and Prescribed Officers' emoluments

Figures in Rand thousands	Salary and allowances	Other benefits	Retirement fund	Performance bonuses	Directors fees	Total
<b>At 28 February 2019</b>						
<i>Non-executive directors*</i>						
DJ Brown	–	–	–	–	1 129	1 129
AT Ikalafeng <sup>4</sup>	–	–	–	–	546	546
S Rapeti <sup>3</sup>	–	–	–	–	260	260
K White	–	–	–	–	627	627
<i>Executive directors</i>						
IJ Calisto	3 185	–	122	180	–	3 487
M Grundlingh <sup>1</sup>	2 077	–	122	224	–	2 423
JR Edmeston <sup>2</sup>	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>
<b>At 28 February 2018</b>						
<i>Non-executive directors*</i>						
DJ Brown	–	–	–	–	1 163	1 163
AT Ikalafeng	–	–	–	–	607	607
K White	–	–	–	–	597	597
<i>Executive directors</i>						
IJ Calisto	3 128	–	21	180	–	3 329
JR Edmeston	2 116	–	118	1 660	–	3 894
	<b>5 244</b>	<b>–</b>	<b>139</b>	<b>1 840</b>	<b>2 367</b>	<b>9 590</b>
<i>Prescribed officers</i>						
B Debski	1 606	203	–	124	–	1 933
M Grundlingh	1 126	–	–	224	–	1 350
A Ittman	1 846	107	–	154	–	2 107
J Marais	1 752	168	–	156	–	2 076
J Matias	1 446	–	–	–	–	1 446
E Ong	1 374	190	–	115	–	1 679
C Sanderson	1 189	86	–	233	–	1 508
R Schubert	1 774	109	–	157	–	2 040
M van Reenen	1 272	91	–	408	–	1 771
	<b>13 385</b>	<b>954</b>	<b>–</b>	<b>1 571</b>	<b>–</b>	<b>15 910</b>

### Notes

<sup>1</sup> Appointed on 01 September 2018

<sup>2</sup> Resigned on 01 September 2018

<sup>3</sup> Appointed on 31 August 2018

<sup>4</sup> Resigned from audit and risk committee on 01 September 2018

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

### 35. Earnings per share information

	2019	2018
<b>35.1 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>	116,4	100,5
<b>Weighted average number of ordinary shares ('000)</b>		
Issued at the beginning of the year	300000	300000
Effect of treasury shares held	(1 234)	(1 234)
	298 766	298 766
<b>Basic earnings</b>		
Profit attributable to ordinary shareholders	347 806	300 146
<b>35.2 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 2.2(p) 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>	115,8	100,5
<b>Reconciliation between basic earnings and headline earnings</b>		
Basic earnings	347 806	300 146
<b>Adjusted for</b>		
Profit on disposal of property, plant and equipment net of tax	(1 697)	(929)
	346 109	299 217

#### 35.3 Diluted earnings per share

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

### 36. Funding facilities

Rand Merchant Bank Limited has provided a long term facility of R200 million and a short term facility of R100 million to Cartrack Proprietary Limited. At 28 February 2019, R215,4 million of the facility was utilised. The terms and security provided for the loan is detailed at note 14.

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.

Mercantile Bank Limited has provided a facility of R50 million (2018: R80 million) to Cartrack Manufacturing Proprietary Limited. Cartrack Proprietary Limited has provided limited suretyship in favour of Mercantile Bank Limited for this facility. At the end of the year, R13,7 million was utilised (2018: R80 million).

Mercantile Bank Limited has provided Plexique Proprietary Limited with a instalment credit agreement facility of R15 million (2018:nil). Cartrack Proprietary Limited has provided limited suretyship in favour of Mercantile Bank Limited for this facility. At the end of the year, R3 million (2018:nil) was utilised.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 37. Commitments

There are no capital commitments at the year-end. Lease commitments are disclosed in note 15.

## 38. Events after the reporting period

Cartrack Proprietary Limited disposed of 51% of its interest in the share capital of Plexique to Bumbene House Proprietary Limited, a 100% black owned company, as part of its B-BBEE strategy. This transaction is not considered material to the group.

On 28 February 2019, One August Holdings Proprietary Limited disposed of 204 500 000 ordinary shares to Karoo Private Limited in an off-market transaction at R13,44 per share. This transaction was entered into for the purpose of Karoo Private Limited (owned by IJ Calisto and his direct family) acquiring and owning the shares in Cartrack.

The share price was determined by using the Volume Weighted Average Price over the preceding 30-day period. The fulfilment of the transaction is subject to applicable regulatory requirements and other conditions precedent. Prior clearance for this transaction was obtained and it was announced on SENS on 1 March 2019.

Dividends of 12 cents per share will be declared and paid on 18 June 2019.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report for the company.

## 39. 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 28 February 2019

Figures in Rand thousands	Notes	2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	3	294 627	170 508
Deferred tax		406	651
		<b>295 033</b>	171 159
<b>Current assets</b>			
Loans to related parties	4	1 422	65 975
Trade and other receivables	5	9 853	2 271
Current tax receivable		–	120
Cash and cash equivalents	6	61	163
		<b>11 336</b>	68 529
<b>Total assets</b>		<b>306 369</b>	239 688
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	42 488	42 488
Treasury shares		(12 105)	–
Retained earnings		272 943	117 165
Shareholders equity		<b>303 326</b>	159 653
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	2 213	964
Loans from related parties	4	–	79 071
Current tax payable		830	–
<b>Total Liabilities</b>		<b>3 043</b>	80 035
<b>Total equity and liabilities</b>		<b>306 369</b>	239 688

# COMPANY STATEMENT OF PROFIT OR LOSS

for the year ended 28 February 2019

Figures in Rand thousands	Notes	2019	2018 restated*
Revenue	9	301 516	191 651
Operating expenses		(5 910)	(6 273)
<b>Operating profit</b>	10	<b>295 606</b>	185 378
Finance income	11	292	1 414
<b>Profit before taxation</b>		<b>295 898</b>	186 792
Taxation	12	(2 120)	(307)
<b>Profit for the year</b>		<b>293 778</b>	186 485

\* Refer to note 1.6 for additional information regarding the restated figures.



# COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2019

Figures in Rand thousands	2019	2018
Profit for the year	293 778	186 485
Other comprehensive income	–	–
Other comprehensive income for the year	293 778	186 485

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2019

Figures in Rand thousands	Share capital	Treasury shares	Retained income	Total equity
<b>Balance as at 1 March 2017</b>	42 488	–	89 680	132 168
Profit for the year	–	–	186 485	186 485
<b>Total comprehensive income for the year</b>	–	–	186 485	186 485
Dividends	–	–	(159 000)	(159 000)
<b>Total contributions by and distribution to owners of company recognised directly in equity</b>	–	–	(159 000)	(159 000)
<b>Balance at 28 February 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>Total contributions by and distribution to owners of company recognised directly in equity</b>	–	–	(138 000)	(138 000)
<b>Balance at 28 February 2019</b>	42 488	(12 105)	272 943	303 326

# COMPANY STATEMENT OF CASH FLOWS

for the year ended 28 February 2019

Figures in Rand thousands	Notes	2019	2018 restated*
<b>Cash flows from operating activities</b>			
Cash generated by operations	13	132 704	185 979
Finance income	11	292	5
Taxation paid	14	(927)	(1 008)
<b>Net cash generated from operating activities</b>		<b>132 069</b>	<b>184 976</b>
<b>Cash flows from investing activities</b>			
Loan repayments from related parties (loans provided to related parties)		4 500	(39 002)
<b>Net cash generated/(utilised) by investing activities</b>		<b>4 500</b>	<b>(39 002)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(138 000)	(159 000)
Loans received from related parties		1 329	13 000
<b>Net cash utilised by financing activities</b>		<b>(136 671)</b>	<b>(146 000)</b>
<b>Total cash movements for year</b>		<b>(102)</b>	<b>(26)</b>
Total cash at the beginning of the year		163	189
<b>Total cash at the end of the year</b>		<b>61</b>	<b>163</b>

\* Refer to note 1.6 for additional information regarding the restated figures.

# COMPANY ACCOUNTING POLICIES

for the year ended 28 February 2019

## 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 28 February 2019. 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 28 February 2019, 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 27 May 2019 and will be tabled at the annual general meeting of shareholders, on 16 July 2019.

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.

### **Going concern**

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

## 1.1 Financial instruments

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

#### **Financial assets – Policy applicable from 1 March 2018**

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

Financial assets are not reclassified subsequent to their initial recognition unless the company 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.

#### **Financial assets – Business model assessment: Policy applicable from 1 March 2018**

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.

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

### 1.1 Financial instruments (continued)

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

##### **Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 March 2018**

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 par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par 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: Policy applicable from 1 March 2018**

###### **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.

##### **Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 March 2018**

###### **Loans and receivables**

Measured at amortised cost using the effective interest method

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

Financial liabilities are classified as measured at amortised cost. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### 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.

# COMPANY ACCOUNTING POLICIES (continued)

for the year ended 28 February 2019

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

### 1.1 Financial instruments (continued)

#### ii. Derecognition (continued)

##### *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.

## 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.

#### Interest income

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

#### 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.

### 1.6 Restatement of comparatives disclosure

The group has included dividend income as part of its revenue in the current year, which required a restatement of the 2018 results where dividend income was erroneously disclosed as part of finance income.

This presentation had no impact on profits or the financial position and as it only impacted the disclosure of revenue, finance income and the cashflow statement.

Figures in Rand thousands	Impact of reclassification for the year ended 28 February 2018
<b>Statement of profit or loss</b>	
Revenue	188 442
Finance income	(188 442)
<b>Impact on operating profit</b>	
	–
<b>Statement of cash flows</b>	
Cash generated by operations	188 442
Finance income	(188 442)
<b>Impact on net cash generated from operating activities</b>	
	–

## 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
IFRS 14 Regulatory deferral accounts	For first time adopters effective 1 January 2016
IFRS 17 Insurance contracts	1 January 2021
Amendments IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures on Sale or Contribution of Assets between an Investor and its Associates or Joint Venture indefinitely	Indefinitely deferred
Amendments to IFRS 9- Prepayment features with negative compensation	1 January 2019
Amendments to IAS 28 – Long term interests in Associates and Joint Ventures	1 January 2019
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 issued in the Annual Improvement Cycle 2015 – 2017	1 January 2019
Amendments to IAS 19 – Plan amendment, Curtailment or Settlement	1 January 2019
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS standards	1 January 2020
Amendments to IFRS 3- Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8 – Definition of Material	1 January 2020
IFRIC 23 Uncertainty over Income tax treatments	1 January 2019

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2019

## 3. Investments in subsidiaries

Figures in Rand thousands	% voting power 2019	% voting power 2018	Carrying amount 2019	Carrying amount 2018
Cartrack Proprietary Limited	100,00	100,00	42 488	42 488
Cartrack Tanzania Limited <sup>1</sup>	–	60,00	–	6 372
Retriever Limited <sup>1</sup>	–	85,00	–	1 554
Cartrack Engineering Technologies Limited <sup>1</sup>	–	99,99	–	658
Cartrack Namibia Proprietary Limited	100,00	100,00	*	*
Cartrack Technologies Proprietary Limited	100,00	100,00	*	*
Cartrack Technologies South East Asia Pte. Limited <sup>1</sup>	100,00	100,00	251 889	119 436
Cartrack Manufacturing Proprietary Limited	100,00	100,00	*	*
Drive and Save Proprietary Limited <sup>1</sup>	100,00	–	250	–
Cartrack Management Services Proprietary Limited	100,00	100,00	*	*
			<b>294 627</b>	<b>170 508</b>

### Notes

\* Amounts less than R500.

<sup>1</sup> Cartrack Holdings Limited embarked on group restructuring exercise where Cartrack Tanzania Limited, Retriever Limited and Cartrack Engineering Technologies Limited investments were transferred to Cartrack Technologies South East Asia Pte. Limited through a share swap agreement. The transaction was executed as a dividend in specie with no cashflows and no gains or losses.



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

Figures in Rand thousands	2019	2018
Cartrack Proprietary Limited <sup>1</sup>	–	(79 071)
Cartrack Technologies Proprietary Limited <sup>1</sup>	–	4 500
Cartrack Technologies East Asia Pte. Limited <sup>2</sup>	–	59 325
Cartrack Engineering Technologies Limited <sup>3</sup>	1 422	2 149
Cartrack Executive Incentive Trust <sup>1</sup>	–	1
	1 422	(13 096)
<b>Notes</b>		
<sup>1</sup> These loans were unsecured, bear no interest and have no fixed terms of repayment.		
<sup>2</sup> The interest on the loan is at a rate of 10,76% and the loan has no fixed terms of repayment and is unsecured.		
<sup>3</sup> The interest on the loan is at a rate of 13,09% and the loan has no fixed terms of repayment and is unsecured.		
Non-current liabilities	1 422	65 975
Current liabilities	–	(79 071)
	1 422	(13 096)

#### 5. Trade and other receivables

Figures in Rand thousands	2019	2018
Trade receivables	9 464	1 780
Prepayments	389	343
Value added taxation receivable	–	148
	9 853	2 271

##### *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	2019	2018
Not past due	9 464	1 780
1 month past due	–	–
2 months past due	–	–
3 months or more past due	–	–
	9 464	1 780

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 past due.

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 6. Cash and cash equivalents

Figures in Rand thousands	2019	2018
<i>Cash and cash equivalents consist of:</i>		
Cash on hand	1	7
Bank balances	60	156
	61	163

## 7. Share capital

Figures in Rand thousands	2019	2018
<b>Authorised</b>		
1 000 000 000 ordinary shares of no par value		
700 000 000 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting.		
This authority remains in force until the next annual general meeting.		
<b>Issued</b>		
300 000 000 ordinary shares of no par value	42 488	42 488
	42 488	42 488

## 8. Trade and other payables

Figures in Rand thousands	2019	2018
Trade payables	612	–
Accrued expenses	1 575	964
Value added taxation payable	26	–
	2 213	964

## 9. Revenue

Figures in Rand thousands	2019	2018
Management service fees	5 058	3 209
Dividend income	296 427	188 442
Other fees	31	–
	301 516	191 651

## 10. Operating profit

Figures in Rand thousands	2019	2018
<b>Operating profit is stated after the following charges</b>		
Audit fees	150	910

## 11. Finance income

Figures in Rand thousands	2019	2018
Bank and other cash	11	5
Other financial assets	281	1 409
<b>Total finance income</b>	292	1 414

## 12. Taxation

Figures in Rand thousands	2019	2018
<b>Major components of the taxation expense</b>		
<b>Current tax</b>		
Income taxation – current year	1 923	957
Income taxation – prior year	(46)	–
	1 877	957
<b>Deferred tax</b>		
Deferred taxation – current year	(407)	(305)
Deferred taxation – prior year	650	(345)
	243	(650)
	2 120	307
<b>Reconciliation of the taxation expense</b>		
Reconciliation between accounting profit and taxation expense:		
Profit before taxation	295 898	186 485
Taxation at the applicable taxation rate of 28% (2018: 28%)	82 851	52 216
<b>Taxation effect of adjustments on taxable income</b>		
Non-taxable income – Dividends received	(82 999)	(52 764)
Non-deductible expenses attributable to exempt income	1 664	1 200
Prior year underprovision	604	(345)
	2 120	307

## 13. Cash generated by operations

Figures in Rand thousands	2019	Restated 2018
Profit before taxation	295 898	186 485
<b>Adjustments for:</b>		
Finance income	(292)	(1 414)
Dividend income – in specie dividend received	(157 296)	–
Foreign exchange translation difference	727	–
<b>Changes in working capital:</b>		
Trade and other receivables	(7 582)	341
Trade and other payables	1 249	567
	132 704	185 979

## 14. Taxation paid

Figures in Rand thousands	2019	2018
Balance receivable at beginning of the year	120	69
Current taxation for the year recognised in profit or loss	(1 877)	(957)
Balance payable/(receivable) at end of the year	830	(120)
	(927)	(1 008)

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 15. Related parties

### Subsidiary companies

Cartrack Proprietary Limited  
Retriever Limited  
Cartrack Tanzania Limited  
Cartrack Engineering Technologies 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  
Plexique Proprietary Limited  
Cartrack Management Services Proprietary Limited  
Cartrack Fleet Management Proprietary Limited  
Zonke Bonke Telecoms Proprietary Limited

### Directors

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

## 15. Related parties (continued)

Figures in Rand thousands	2019	2018
<b>Related party balances</b>		
<b>Loan accounts – owing (to)/by related parties</b>		
Cartrack Executive Incentive Trust	–	1
Cartrack Engineering Technologies Limited	1 422	2 149
Cartrack Technologies Pte Limited	–	59 325
Cartrack Technologies Proprietary Limited	–	4 500
Cartrack Proprietary Limited	–	(79 071)
	1 422	(13 096)
<b>Amounts included in trade receivable/(trade payable) relating to related parties</b>		
Cartrack Manufacturing Proprietary Limited	614	1 558
Cartrack Proprietary Limited	8 850	–
Cartrack Technologies Limited	(110)	–
	9 354	1 558
<b>Related party transactions</b>		
<b>Management fees to related parties</b>		
Cartrack Manufacturing Proprietary Limited	5 058	3 202
Cartrack Technologies Proprietary Limited	–	7
	5 058	3 209
<b>Other fees to related parties</b>		
Cartrack Manufacturing Proprietary Limited	9	3 202
Cartrack Technologies Proprietary Limited	6	7
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	–
	31	3 209
<b>Dividends received from related parties</b>		
Cartrack Proprietary Limited	295 052	187 657
Cartrack Tanzania Limited	1 375	785
	296 427	188 442
<b>Interest received from related parties</b>		
Cartrack Technologies Pte Limited	–	1 409
Cartrack Engineering Technologies Limited	281	–
	281	1 409

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

# NOTES TO COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

## 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 debt, 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 R 60,881 at 28 February 2019 (2018: R1 62 882). 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's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

## 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 28 February 2019</b>	
Trade and other payables	2 187
Loans from related parties	–
<b>At 28 February 2018</b>	
Trade and other payables	964
<b>Loans from related parties</b>	<b>7 907</b>

#### 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 28 February 2019

## 17. Directors' and Prescribed Officers' emoluments

Figures in Rand thousands	Salary and allowances	Other benefits	Retirement fund	Performance bonuses	Directors fees	Total
<b>At 28 February 2019</b>						
<i>Non-executive directors*</i>						
DJ Brown	–	–	–	–	1 129	1 129
AT Ikalafeng <sup>4</sup>	–	–	–	–	546	546
S Rapeti <sup>3</sup>	–	–	–	–	260	260
K White	–	–	–	–	627	627
<i>Executive directors</i>						
IJ Calisto	3 185	–	122	180	–	3 487
M Grundlingh <sup>1</sup>	2 077	–	122	224	–	2 423
JR Edmeston <sup>2</sup>	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>
<b>At 28 February 2018</b>						
<i>Non-executive directors*</i>						
DJ Brown	–	–	–	–	1 163	1 163
AT Ikalafeng	–	–	–	–	607	607
K White	–	–	–	–	597	597
<i>Executive directors</i>						
IJ Calisto	3 128	–	21	180	–	3 329
JR Edmeston	2 116	–	118	1 660	–	3 894
	<b>5 244</b>	<b>–</b>	<b>139</b>	<b>1 840</b>	<b>2 367</b>	<b>9 590</b>

### Notes

<sup>1</sup> Appointed on 01 September 2018

<sup>2</sup> Resigned on 01 September 2018

<sup>3</sup> Appointed on 31 August 2018

<sup>4</sup> Resigned from audit and risk committee on 01 September 2018

\* Non executive director fees exclude VAT.

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



## 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	Non-financial instruments	Total
<b>At 28 February 2019</b>			
<b>Financial assets</b>			
Loans to related parties	1 422	–	1 422
Trade and other receivables	9 464	389	9 853
Cash and cash equivalents	61	–	61
	<b>10 947</b>	<b>389</b>	<b>11 336</b>
<b>Financial liabilities</b>			
Trade and other payables	2 187	26	2 213
	<b>2 187</b>	<b>26</b>	<b>2 213</b>
<b>At 28 February 2018</b>			
<b>Financial assets</b>			
Loans to related parties	65 975	–	65 975
Trade and other receivables	1 780	491	2 271
Cash and cash equivalents	163	–	163
	<b>67 918</b>	<b>491</b>	<b>68 409</b>
<b>Financial liabilities</b>			
Loans from related parties	964	–	964
Trade and other payables	79 071	–	79 071
	<b>80 035</b>	<b>–</b>	<b>80 035</b>

## 19. Events after the reporting period

Cartrack Proprietary Limited disposed of 51% of its interest in the share capital of Plexique to Bumbene House Proprietary Limited, a 100% black owned company, as part of its B-BBEE strategy. This transaction is not considered material to the group.

On 28 February 2019, One August Holdings Proprietary Limited disposed of 204 500 000 ordinary shares to Karoo Private Limited in an off-market transaction at R13,44 per share. This transaction was entered into for the purpose of Karoo Private Limited (owned by IJ Calisto and his direct family) acquiring and owning the shares in Cartrack. The share price was determined by using the Volume Weighted Average Price over the preceding 30-day period. The fulfilment of the transaction is subject to applicable regulatory requirements and other conditions precedent. Prior clearance for this transaction was obtained and it was announced on SENS on 1 March 2019.

Dividends of 12 cents per share will be declared and paid on 18 June 2019.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report for the company.

## 20. Going concern

The directors believe that the company 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 company 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 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.co.za](http://www.cartrack.co.za)