



AUDITED
CONDENSED
**FINANCIAL
RESULTS**

2018

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SALIENT FEATURES

25%

Robust subscriber growth
of 25% to 751 380

Subscription revenue up 19% to
R1 166 million

Subscription revenue is 88% of the
total revenue

25%

Total revenue up 16%
to R1 324 million

EBITDA of R652 million, up 25%

EBITDA margin of 49% up from 46%

Operating profit margin of 33%
up from 32% despite continued
investment for growth

Basic earnings per share (EPS) of
100,5 cents, up 17%

Headline EPS (HEPS) of
100,0 cents, up 17%

Normalised EPS (NEPS)¹ of
100,0 cents, up 18%

Return on equity of 58%

Final dividend per share
of 28 cents

Cash generated from operating
activities of R467 million, up 21%

Currency fluctuations had an
insignificant positive impact on
operating profit of R0,5 million

16%

49%

17%

58%

¹ The presentation of NEPS is not an IFRS or JSE requirement. Management presents this measure as a supplementary performance measure. Normalised earnings represent headline earnings plus/(less) any other unusual non-recurring and non-operating items not already taken into account in headline earnings. In FY18 there were no such adjustments and therefore NEPS equalled HEPS.

COMMENTARY

GROUP PROFILE

Cartrack is a leading global provider of solutions for mobile asset management, asset recovery, workforce optimisation and data analytics based on a proven telematics platform. Fleet management (Fleet), Stolen Vehicle Recovery (SVR) and Insurance Telematics services remain its primary offerings. It continues to develop innovative, first-to-market solutions aimed at further enhancing its customers' experience.

Cartrack has an extensive footprint in 24 countries across Africa, Europe, North America, Asia-Pacific and the Middle East. With a base of more than 750 000 active subscribers, the group ranks among the largest telematics companies globally.

Cartrack is a service-centric organisation focusing on in-house design, development, production and installation of telematics technology and data analytics products. 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.

Cartrack's technology is widely accepted by motor manufacturers and insurers. Its customer telematics web interface provides a comprehensive set of features, ensuring the optimisation of Fleet and human resources. As an expansion of its integrated service offering, Cartrack also provides driver risk assessment offerings in the Insurance Telematics field.

In addition, Cartrack specialises in vehicle tracking and recovery. An industry-leading audited recovery rate of 91% as at 28 February 2018 reflects the superior quality of its technology and services. The technology and infrastructure required for the recovery of stolen vehicles is a key barrier to entry for competitors looking to enter the telematics industry in any high-crime region.

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

GROUP PERFORMANCE

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

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

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

The group continued to invest in operational, distribution and service capacity, while also accelerating its investment in research and development. This resulted in operating expense growth of 21%. Operating profit increased by 18% from R369 million to R434 million. EBITDA increased by 25% from R523 million to R652 million, largely as a result of the increased depreciation charge related to increased rental sales.

EPS increased by 17% to 100,5 cents (FY17: 86,0 cents). HEPS and NEPS increased by 17% and 18% to 100,0 cents (FY17: 85,4 cents) and 100,0 cents (FY17: 84,6 cents) respectively. Return on equity of 58% (FY17: 55%) and return on assets of 33% (FY17: 35%) remain indicative of the efficient application of capital across the group.

COMMENTARY (CONTINUED)

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

SEGMENT OVERVIEW

South Africa

The South Africa segment delivered particularly strong results. Subscription revenue increased by 18% year on year while subscribers grew 26% over the same period. The realisation of a strong sales pipeline, investment in operating capacity and an effective distribution strategy, are the primary contributors to this organic growth.

In line with expectations, the sales mix changed to include significantly more rental than cash sales in FY18. As a result, hardware revenue decreased 7% year on year, resulting in total revenue growth of 14%.

Operating expenses increased by 16% largely as a result of the investment in distribution. The investment in operating and distribution capacity will continue to exploit the growth opportunities in the South African market to the extent that operating profit margins can be maintained at target levels.

The South African market, particularly in the lower vehicle value segment, remains underpenetrated. To this end, Cartrack launched a first-to-market innovative insurance offering for vehicle theft that targets the previously uninsured market in South Africa. According to the Automobile Association of South Africa, as much as 70% of the more than 12 million registered vehicles in South Africa are uninsured. Leveraging its 91% recovery rate, wealth of Insurance Telematics data and investment in research and development, Cartrack is able to offer theft-only car insurance at R9,99 per month, subject to terms and conditions, if a Cartrack telematics device is installed.

Insurance Telematics is fast becoming a critical component in risk management. The launch of the R9,99 theft-only insurance product coincides with the significant value that Insurance Telematics is bringing to the insurance industry. It also places Cartrack in the unique position to offer customers of this theft-only insurance product the best comprehensive insurance premiums by providing insurance companies with the necessary driver analytics, thereby enabling them to offer the optimal insurance quote. In this way, Cartrack will continue to become a more integral part of its current and future customers' lives.

As the subscriber base continues to grow, Cartrack continues to identify and exploit opportunities to realise economies of scale and operating efficiencies.

Africa

The Africa segment delivered a resilient performance, notwithstanding sluggish regional economic performance. The subscriber base decreased by 2%. Revenue decreased by 4% from R109 million to R105 million primarily as a result of a stronger rand. Had exchange rates remained unchanged, revenue would have increased by 2%.

Financial hardship, experienced by consumers, private and commercial customers alike, is the major factor contributing to the lacklustre sales levels. However, all subsidiaries in this segment remain profitable in local currency terms and continue to generate positive cash flows.

Operating costs in this segment have increased by 9%. Careful cost management and optimisation of collection processes have been and remain key focus areas for management while the economic activity in the segment recovers from the challenges faced over the past two years.

Operating profit decreased by 20% from R40 million to R32 million. The negative impact of the stronger rand combined with a significant increase in corporate management costs were the primary reasons for the decrease in operating profit. Cartrack expects this investment in strategic resources to positively impact this segment and group results over the next 18 months.

This segment continues to play a critical role in ensuring a high cross-border stolen vehicle recovery rate.

Europe

The segment delivered strong subscriber growth of 26% largely as a result of the investment in distribution and operating capacity over the past two years. The consolidated segment revenue increased by 13% from R103 million to R116 million. The strengthening rand negatively impacted consolidated revenue. Had exchange rates remained unchanged, revenue would have increased by 15% to R118 million.

Operating costs in this segment have increased by 24%. The segment operating profit margin will increase once the investment in operating and distribution capacity stabilises. Operating profit decreased by 3%. EBITDA for this segment increased by 26% while maintaining a healthy 56% EBITDA margin.

The investment in distribution and operating capacity will continue as new channels to market are established. In particular, the insurance telematics and individual retail markets, particularly driver safety and security elements, remain underpenetrated. These markets present lucrative growth opportunities to provide telematics offerings and related value-added services.

Asia Pacific

Asia Pacific is now the second largest segment in the group based on revenue contribution, with total revenue up 73% from R68 million to R118 million and subscription revenue up 80%. On a constant currency basis, subscription revenue would have increased by 93% to R113 million and total revenue would have increased by 87% to R127 million. This is the result of subscribers increasing by 59%. The continued strong subscriber growth remains in line with management's expectation.

Despite incurring start-up costs within the region, operating profit and EBITDA margins of 13% (FY17: 1%) and 30% (FY17: 15%) respectively were achieved. The segment contributed R15 million (FY17: R0,5 million) to group operating profit.

The market in this segment remains considerably underpenetrated due to fragmented market participants delivering entry-level telematics offerings, enabling Cartrack to exploit its more sophisticated, reliable products and customer-centric services. Cartrack remains poised to exploit new opportunities while expanding cross-border relationships as it drives its robust and proven offerings to SVR and Fleet customers in this segment.

USA

Cartrack's investment in the USA has yielded many key insights that have positively contributed to the improvement of its platform, software and distribution approach across the group. The investment to date has largely been in research and development, which has been expensed in terms of the group policy. This investment continues to be strategic in nature.

MANAGING OUR BALANCE SHEET

Capital allocation and cash management are particularly important in a high growth phase with accelerated investment in operating and distribution capacity. Prudent management in this regard remains a key focus area, which is monitored and managed on an ongoing basis.

Production has been planned to meet growth targets, while ensuring that sufficient buffer stock remains available to provide for adequate lead times associated with global distribution and unforeseen component shortages. Inventory balances, specifically components required for the FY18/19 production cycle, increased significantly since 28 February 2017 as a result of increasing lead times by suppliers. Bulk discounts have also been considered in the strategic management of inventory levels. This has resulted in inventory days increasing to 271 days (FY17: 197 days). Management expects the inventory days to improve in FY19 as the sales pipeline is realised.

The higher levels of rental sales and the corresponding increase in capitalised rental assets, planned and continued investment in distribution and operating capacity of the group, as well as the increase in inventory levels to ensure uninterrupted realisation of the sales pipeline, have resulted in the reinvestment of cash flows generated from operating activities. The current and quick ratios of 0,9 (FY17: 1,1) and 0,5 (FY17: 0,7) respectively, reflect this reinvestment.

Debtors' days (after provision for bad debts) have improved to 29 days (FY17: 31 days). This is a key metric indicating the quality of sales, operational effectiveness and a strong focus on credit management, improved collections processes and prudent provisioning practices that will be maintained.

Notwithstanding the significant and continuing investment in customer acquisition, Cartrack remains highly cash generative with a strong cash flow forecast for the foreseeable future.

COMMENTARY (CONTINUED)

OUTLOOK²

SaaS, within the context of the Internet of Things (IoT), continues to rapidly expand as the digital civilisation comes of age. Cartrack remains at the forefront of the related telematics expansion and continues to drive innovation and application through its interaction with customers and strategic research and development activities.

Cartrack has started experimenting with smart-mobility in partnership with two of the world's leading companies in pay-as-a-service transportation. This reconfirms the value of an eco-system platform for connected vehicles regardless of the vehicle brand. Cartrack sees this as a strengthening of the value proposition of telematics companies and particularly those with stable, proven and dynamic platforms. This will in the future leverage both OEM and third-party telematics devices to provide decision-useful information.

Customers are ever more demanding and reliant on the telematics market to optimise business intelligence relating to assets and people on a global scale. Cartrack will continue to become a more integral part of its current and future customers' lives. This will require a continued and deliberate investment in technology, information management, human resources as well as distribution and operating capacity in current and new markets. Under certain circumstances, this may be achieved through market consolidation to the extent that operational efficiencies can be realised while customer service deepens.

The South African market remains underpenetrated with many opportunities to provide customer-centric solutions to individuals and fleets alike. Further opportunities to provide customer-centric solutions that put Cartrack customers in control will be exploited.

The new management structure, management teams and refreshed distribution and operating capacity strategies for the Africa segment, are expected to positively impact group results over the next 18 months.

The order book in Europe remains strong while new sales are being actively pursued. While subscriber growth and customer service remain the primary focus, cost rationalisation strategies will be implemented to leverage subscriber growth to increase operating profit and margin.

Asia-Pacific continues to gain operational mass as a region, with a strong sales pipeline and many opportunities which are being exploited.

Notwithstanding global economic and foreign exchange volatility, Cartrack expects to continue double-digit subscriber and revenue growth in the foreseeable future.

AUDIT OPINION AND BASIS OF ACCOUNTING

The auditors, Grant Thornton, have issued an unmodified opinion on the consolidated financial statements for the year ended 28 February 2018. The audit was conducted in accordance with the International Standards on Auditing. Copies of their audit report on the consolidated financial statements are available for inspection at Cartrack's registered office. The auditors' report does not necessarily report on all of the information contained in these condensed financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditors' report together with the accompanying financial information from Cartrack's registered office. Any reference to future financial performance or prospects included in this announcement has not been audited or reported on by Cartrack's auditors.

The abridged consolidated financial statements were prepared under the supervision of John Edmeston (CA)SA and present a summary of the complete set of audited consolidated financial statements of Cartrack as approved on 23 April 2018. These abridged consolidated financial statements are extracted from audited information, but are not themselves audited. The complete set of consolidated financial statements is available at www.cartrack.com and at Cartrack's registered office for inspection. The directors take full responsibility and confirm that the abridged information has been correctly extracted from the consolidated financial statements. The abridged consolidated financial statements were prepared in accordance with the requirements of the JSE Limited Listings Requirements for financial reports, and the requirements of the Companies Act, 71 of 2008, applicable to financial statements. The Listings Requirements require financial reports to be prepared in accordance with the framework concepts and the

² Any forecast information included in this section has not been reviewed and reported on by Cartrack's auditor in accordance with 8.40(a) of the JSE Listings Requirements. The directors take sole responsibility for the statements.

measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the abridged consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, apart from the improvements made to the accounting standards and interpretations.

DIVIDEND DECLARATION

Ordinary shareholders are advised that the board of directors has declared a final gross cash dividend of 28 cents per ordinary share (22.4 cents net of dividend withholding tax as applicable) for the year ended 28 February 2018 (the cash dividend). The cash dividend will be paid out of profits of the company.

The group will invest heavily in research and development, data analytical skills and distribution channels to expand and grow the subscriber base significantly. The increased sales are expected to generate a greater number of rental contracts which will require funding. The group will continue to be highly cash generative going forward but will require the retention of funding necessary to enable Cartrack to invest for growth.

Consequently, management has re-evaluated the dividend policy, presently being a targeted cover of between 1.25 and 2.5 times HEPS. The revised dividend policy provides for a target cover of between two and four times HEPS, to be effective for FY19.

Share code	CTK
ISIN	ZAE000198305
Company registration number	2005/036316/06
Company tax reference number	9108121162
Dividend number	8
Gross cash dividend per share	28 cents
Issued share capital as at declaration date	300 000 000
Declaration date	Tuesday, 24 April 2018
Last date to trade cum dividend	Tuesday, 3 July 2018
Shares commence trading ex dividend	Wednesday, 4 July 2018
Record date	Friday, 6 July 2018
Dividend payment date	Monday, 9 July 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 July 2018 and Friday, 6 July 2018, both days inclusive.

TAX IMPLICATIONS

The cash dividend is likely to have tax implications for both resident and non-resident shareholders. Shareholders are therefore encouraged to consult their professional tax advisers should they be in any doubt as to the appropriate action to take.

In terms of the Income Tax Act, the cash dividend will, unless exempt, be subject to dividend withholding tax (DWT). South African resident shareholders that are liable for DWT, will be subject to DWT at a rate of 20% of the cash dividend and this amount will be withheld from the cash dividend. Non-resident shareholders may be subject to DWT at a rate of less than 20% depending on their country of residence and the applicability of any double tax treaty between South Africa and their country of residence.

On behalf of the board

David Brown
Chairman

Johannesburg
24 April 2018

Sponsor

The Standard Bank of South Africa Limited

Zak Calisto
Global Chief Executive Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2018

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

* Amounts received in advance, previously included in trade and other payables, have been disclosed separately on the face of the statement of financial position February 2018 (R74 113 097 February 2017: 79 275 220).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 28 February 2018

Figures in rand thousand	Notes	2018	2017
Revenue	5	1 324 245	1 140 989
Cost of sales		(233 949)	(228 598)
Gross profit		1 090 296	912 391
Other income		9 091	6 796
Operating expenses	6	(665 091)	(550 356)
Operating profit		434 296	368 831
Investment revenue		3 641	3 962
Finance costs		(15 729)	(5 775)
Net non-operating foreign exchange gain		—	2 607
Profit before taxation		422 208	369 625
Taxation		(111 726)	(105 451)
Profit for the year		310 482	264 174
Other comprehensive loss: Items that may be reclassified to profit or loss in future periods:			
Exchange differences on translating foreign operations		(2 795)	(85 716)
Other comprehensive loss for the year net of taxation		(2 795)	(85 716)
Total comprehensive income for the year		307 687	178 458
Profit attributable to:			
Owners of the parent		300 146	256 895
Non-controlling interest		10 336	7 279
		310 482	264 174
Total comprehensive income attributable to:			
Owners of the parent		303 386	173 925
Non-controlling interest		4 301	4 533
		307 687	178 458
Earnings per share			
Per share information			
Basic and diluted earnings per share (cents)	8.1	101	86

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2018

Figures in rand thousand	Share capital	Foreign currency translation reserve	Treasury shares
Balance at 1 March 2016	42 488	38 419	(12 105)
Profit for the year	–	–	–
Other comprehensive income	–	(82 970)	–
Total comprehensive income for the year	–	(82 970)	–
Dividends	–	–	–
Increase in holding of subsidiary – Cartrack North East Proprietary Limited	–	–	–
Reduction due to capital distribution in Cartrack Polska.SPZO.O	–	–	–
Total contributions by and distributions to owners of company recognised directly inequity	–	–	–
Balance at 28 February 2017	42 488	(44 551)	(12 105)
Profit for the year	–	–	–
Other comprehensive loss	–	3 240	–
Total comprehensive income for the year	–	3 240	–
Dividends	–	–	–
Increase in holding of subsidiaries ¹	–	–	–
Acquisition of subsidiary of NCI portion – Cartrack New Zealand Limited	–	–	–
Total contributions by and distributions to owners of company recognised directly in equity	–	–	–
Balance at 28 February 2018	42 488	(41 311)	(12 105)

Notes

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

Total reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
26 314	375 306	444 108	16 387	460 495
– (82 970)	256 895 –	256 895 (82 970)	7 279 (2 746)	264 174 (85 716)
(82 970)	256 895	173 925	4 533	178 458
–	(164 321)	(164 321)	(5 446)	(169 767)
–	(6 135)	(6 135)	(865)	(7 000)
–	–	–	(409)	(409)
–	(170 456)	(170 456)	(6 720)	(177 176)
(56 656)	461 745	447 577	14 200	461 777
– 3 240	300 146 –	300 146 3 240	10 336 (6 035)	310 482 (2 795)
3 240	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)
(53 416)	601 224	590 296	10 125	600 421

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2018

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

ACCOUNTING POLICIES

1. PRESENTATION OF GROUP FINANCIAL STATEMENTS

Reporting entity

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

Statement of compliance

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

These accounting policies are consistent with the previous period.

Basis of measurement

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

Functional and presentation currency

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

Going concern

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

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS

2. SEGMENT REPORTING

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

Figures in rand thousand	South Africa	Africa-Other
Segment report – 28 February 2018		
Revenue	983 690	104 643
Cost of sales	(187 107)	(13 531)
Cost of sales – depreciation	(82 311)	(849)
Cost of sales – other	(104 796)	(12 682)
Gross profit	796 583	91 112
Other income	5 747	206
Net operating foreign exchange (loss)/gain	(3 605)	293
Operating expenses*	(422 570)	(59 803)
Operating expense – depreciation	(64 884)	(2 014)
Operating expenses – other	(357 686)	(57 789)
Operating profit	376 155	31 808
Financing cost	(11 627)	(686)
Financing revenue	270	3 354
Profit before taxation	364 798	34 476
Total tangible assets	625 891	82 745
Total liabilities	(346 091)	(37 812)
Goodwill		
Equity		

	Europe	Asia-Pacific and Middle East	USA	Total
	116263 (13619)	118257 (19174)	1392 (518)	1324245 (233949)
	(16122) 2503	(11073) (8101)	(41) (477)	(110396) (123553)
	102644 1894 834 (86428)	99083 1244 504 (85530)	874 — — (8786)	1090296 9091 (1974) (663117)
	(29461) (56967)	(9565) (75965)	(184) (8602)	(106108) (557009)
	18944 (1161) 17	15301 (2255) —	(7912) — —	434296 (15729) 3641
	17800	13046	(7912)	422208
	150491	101617	9409	970153
	(52089)	(39482)	(1855)	(477329)
				107597
				600421

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS (CONTINUED)

Figures in rand thousand		South Africa	Africa-Other
2. SEGMENT REPORTING (continued)			
Segment report – 28 February 2017			
Revenue		861 455	108 610
Cost of sales		(182 112)	(15 288)
Gross profit		679 343	93 322
Other income		2 846	516
Net operating foreign exchange (loss)/gain		(4 003)	603
Operating expenses		(364 913)	(54 697)
Operating profit		313 273	39 744
Financing cost		(5 462)	(67)
Financing revenue		1 804	2 157
Non-operating foreign exchange gain		2 607	–
Profit before taxation		312 222	41 834
Total tangible assets		435 808	75 485
Total liabilities		(231 325)	(44 922)
Goodwill			
Equity			

Figures in rand thousands	2018		
	Cost	Accumulated depreciation	Carrying value
3. PROPERTY, PLANT AND EQUIPMENT			
Buildings	6 592	(2 305)	4 287
Capital rental units	761 803	(334 430)	427 373
Computer software	5 939	(1 419)	4 520
Furniture and fixtures	7 314	(4 381)	2 933
IT equipment	35 865	(22 413)	13 452
Leasehold improvements	5 333	(4 208)	1 125
Motor vehicles	91 964	(31 103)	60 861
Office equipment	3 667	(3 169)	498
Plant and machinery	2 166	(1 469)	697
Security equipment	805	(506)	299
	921 448	(405 403)	516 045

	Europe	Asia-Pacific and Middle East	USA	Total
	102 745 (18 152)	68 167 (13 046)	12 –	1 140 989 (228 598)
	84 593 2 827	55 121 607	12 –	912 391 6 796
	1 689 (69 510)	76 (55 341)	– (4 260)	(1 635) (548 721)
	19 599 (230) – –	463 (16) 1 –	(4 248) – – –	368 831 (5 775) 3 962 2 607
	19 369	448	(4 248)	369 625
	88 998 (38 274)	97 255 (26 288)	4 233 (1 238)	701 779 (342 047)
				102 045
				461 777

	2017	
Cost	Accumulated depreciation	Carrying value
5 468	(1 234)	4 234
470 210	(212 133)	258 077
3 003	(960)	2 043
6 326	(3 614)	2 712
24 305	(16 618)	7 687
4 659	(4 356)	303
58 535	(25 626)	32 909
3 277	(3 045)	232
2 044	(1 291)	753
707	(402)	305
578 534	(269 279)	309 255

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS (CONTINUED)

Figures in rand thousands	2018	2017
4. TRADE AND OTHER RECEIVABLES		
Trade receivables	151 959	157 284
Allowance for impairment of trade receivables	(30 382)	(33 898)
	121 577	123 386
Prepayments	20 233	16 131
Deposits	2 912	2 033
Sundry debtors	8 984	5 846
Value added taxation receivable	1 246	4 042
	154 952	151 438

Loans and receivables

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

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

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

Figures in rand thousands	2018	2017
5. REVENUE		
Sale of hardware	138 639	144 008
Subscription revenue	1 165 532	980 017
Sundry sales	20 074	16 964
	1 324 245	1 140 989
6. OPERATING EXPENSES		
Depreciation	106 970	71 794
Employee costs	340 429	270 312
Operating lease rentals	30 676	25 504
Motor vehicle expenses	52 548	34 995
Net operating foreign exchange loss	1 974	1 635
Other operating expenses*	78 021	111 696
Research and development*	54 473	34 420
	665 091	550 356

* Expense items have been reallocated to more accurately represent the nature of their cost.

7. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

Financial assets and liabilities are materially short term in nature and settled in the ordinary course of business with the exception of finance lease agreements. The fair values of these short-term financial instruments approximate in all material respects the carrying amounts of the instruments as disclosed in the statement of financial position. Instalment sale agreements are variable rate instruments which mature over a period of approximately 36 months. It is estimated that the fair value of these agreements materially approximate the carrying amounts of the instruments as disclosed in the statement of financial position.

Figures in rand thousands		2018	2017
8.	BASIC EARNINGS PER SHARE		
8.1	Basic earnings per share The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue. Basic earnings per share Basic earnings per share (cents) Weighted average number of ordinary shares (basic) Issued at the beginning of the year Effect of treasury shares held Basic earnings Profit attributable to ordinary shareholders	 101 300 000 (1 234) 298 766 300 146	 86 300 000 (1 234) 298 766 256 895
8.2	Headline earnings per share Headline earnings per share (cents) Reconciliation between basic earnings and headline earnings Basic earnings Adjusted for: Gain on disposal of assets net of tax Normalised earnings per share Normalised earnings per share (cents) Reconciliation between headline earnings and normalised earnings Headline earnings Net non-operating foreign exchange gain	 100 300 146 (929) 299 217 100 299 217 — 299 217	 85 256 895 (1 610) 255 285 85 255 285 (2 607) 252 678

NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS (CONTINUED)

Figures in rand thousands	2018	2017
9. COMMITMENTS		
Operating leases		
Minimum lease payments due		
– within one year	19 124	18 586
– in second to fifth year inclusive	13 056	29 115
	32 180	47 701

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

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

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

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

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

The group has signed subordination agreements with all insolvent subsidiaries.

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

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

10. ACQUISITION OF ADDITIONAL INTEREST

Acquisitions occurring during the year ended 28 February 2018

Cartrack New Zealand Limited

In April 2017, the group acquired 51% interest in Cartrack New Zealand Limited for a cash consideration of 510 New Zealand dollars from Johan De Wet. The group acquired this company in order to achieve economies of scale, standardisation, integration and operational simplification in order to stimulate future growth.

Cartrack Technologies (China) Limited

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

PT. Cartrack Technologies Indonesia

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

Acquisitions occurring during the year ended 28 February 2017

Cartrack North East (Pty) Ltd

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

CONSTANT CURRENCY SEGMENT REPORT

Figures in rand thousand	South Africa	Africa-Other	Europe	Asia-Pacific and Middle East	USA	Total 2018	Total 2017
Constant currency segment report¹							
Revenue	983 690	111 361	118 756	127 260	2 247	1 343 314	1 140 989
Cost of sales	(189 072)	(14 905)	(14 185)	(21 381)	(562)	(240 105)	(228 598)
Gross profit	794 618	96 456	104 571	105 879	1 685	1 103 209	912 391
Other income	5 748	231	1 928	1 312	—	9 219	6 796
Net operating foreign exchange gain/(loss)	(3 605)	296	834	508	—	(1 967)	(1 635)
Operating expenses	(422 570)	(63 557)	(88 032)	(91 074)	(10 469)	(675 702)	(548 721)
Operating profit	374 191	33 426	19 301	16 625	(8 784)	434 759	368 831
Financing cost	(11 627)	(707)	(1 170)	(2 365)	—	(15 869)	(5 775)
Financing revenue	269	3 480	—	17	—	3 766	3 962
Net non-operating foreign exchange gain	—	—	—	—	—	—	2 607
Net profit before tax	362 833	36 199	18 131	14 277	(8 784)	422 656	369 625

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

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

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

CORPORATE INFORMATION

REGISTERED OFFICE

Cartrack Corner
11 Keyes Road
Rosebank
Johannesburg
2196
(PO Box 4709, Rivonia, 2128)

DIRECTORS

Independent non-executive directors

David Brown (independent chairman)
Thebe Ikalafeng
Kim White

Executive directors

Isaias Jose Calisto (global chief executive officer)
John Richard Edmeston (global chief financial officer)

COMPANY SECRETARY

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SPONSOR

The Standard Bank of South Africa Limited
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Rosebank
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(PO Box 61344, Marshalltown, 2107)

TRANSFER SECRETARY

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