CARTRACK
PUTTING YOU IN CONTROL

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2019

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Cartrack Holdings Limited is an investment holding company operating principally within the telematics industry
Directors	Isaias Jose Calisto (Global chief executive officer) Morné Grundlingh (Global chief financial officer) David Brown (non-executive) Thebe Ikalafeng (non-executive) Sharoda Rapeti (non-executive) Kim White (non-executive)
Registered office	Cartrack Corner 11 Keyes Road Rosebank, Johannesburg South Africa 2196
Business address	Cartrack Corner 11 Keyes Road Rosebank, Johannesburg South Africa 2196
Postal address	PO Box 4709 Rivonia 2128
Holding company	One August Holdings Proprietary Limited Incorporated in South Africa
Bankers	Rand Merchant Bank – a division of FirstRand Bank Limited Mercantile Bank Limited Nedbank Limited Standard Bank Limited
Auditors	Grant Thornton Johannesburg Partnership Chartered Accountants (SA) Registered Auditors A South African member firm of Grant Thornton International
Secretary	A De Villiers
Company registration number	2005/036316/06

INDEX

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

Level of assurance

These condensed consolidated interim financial statements have been reviewed in compliance with the applicable requirements of the Companies Act 71 of 2008.

Issued

30 October 2018

DIRECTORS' RESPONSIBILITIES AND APPROVAL

For the interim period 31 August 2018

The directors are required in terms of the Companies Act, 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the condensed consolidated interim financial statements and related financial information included in this report. It is their responsibility to ensure that the condensed consolidated interim financial statements fairly present the state of affairs of the Group as at the end of the financial six months and the results of its operations and cash flows for the six months then ended, in conformity with IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial statements are prepared in accordance with IAS34 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

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

The independent reviewer is responsible for independently reviewing and reporting on the Group's condensed consolidated interim financial statements. The condensed consolidated interim financial statement have been examined by the Group's independent auditor and their report is presented on page 3.

The condensed consolidated interim financial statements set out page 4 to 22, which have been prepared on the going concern basis, were approved by the board on 30 October 2018 and were signed on their behalf by:

Isaias Jose Calisto
(Executive)

Morné Grundlingh
(Executive)

Rosebank
30 October 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

Grant Thornton

Independent Auditor's Review Report on condensed consolidated interim financial statements
To the shareholders of
Cartrack Holdings Limited

We have reviewed the condensed consolidated interim financial statements of Cartrack Holdings Limited , contained in the accompanying interim report, which comprise the condensed consolidated interim statement of financial position as at 31 August 2018 and the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the period then ended, and selected explanatory notes.

Directors' responsibility for the condensed consolidated interim financial statements
The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, as set out in note 1 to the condensed consolidated interim financial statements, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of condensed consolidated interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Cartrack Holdings Limited for the period ended 31 August 2018 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, as set out in note 1 to the condensed consolidated interim financial statements, and the requirements of the Companies Act of South Africa.

Grant Thornton

GRANT THORNTON
Registered Auditors
Practise number: 903485E

J Barradas
Partner
Chartered Accountant (SA)
Registered Auditor

30 October 2018

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CONDENSED REVIEWED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 August 2018

Figures in rand thousands	Notes	Reviewed six months ended 31 August 2018	Unaudited six months ended 31 August 2017	Audited 12 months ended 28 February 2018
ASSETS				
Non-current assets				
Property, plant and equipment	4	**1 006 431**	405 052	516 045
Contract asset	5	**92 793**	–	–
Goodwill	6	**132 904**	117 467	107 597
Deferred tax		**61 137**	50 347	49 488
		1 293 265	572 866	673 130
Current assets				
Inventories		**188 927**	160 348	173 680
Loans to related parties		**1 063**	1 823	2 272
Trade and other receivables	7	**201 140**	164 494	154 952
Current tax receivable		**7 253**	3 320	4 143
Cash and cash equivalents		**51 983**	42 121	69 573
		450 366	372 106	404 620
Total assets		**1 743 631**	944 972	1 077 750
EQUITY AND LIABILITIES				
Equity				
Share capital		**42 488**	42 488	42 488
Treasury shares		**(12 105)**	(12 105)	(12 105)
Reserves		**17 617**	(20 657)	(41 311)
Retained earnings		**729 632**	495 287	601 224
Equity attributable to equity holders of the parent		**777 632**	505 013	590 296
Non-controlling interest		**6 353**	12 871	10 125
		783 985	517 884	600 421
Liabilities				
Non-current liabilities				
Contract liability		**175 130**	–	–
Lease obligation		**91 964**	23 015	28 635
Amounts received in advance		**–**	–	5 253
Deferred tax		**35 887**	2 512	2 316
		302 981	25 527	36 204
Current liabilities				
Loans from related parties		**9 154**	4 693	5 486
Contract liability		**67 122**	–	–
Lease obligation		**57 224**	18 518	27 637
Current tax payable		**51 138**	46 475	55 911
Trade and other payables		**124 089**	95 478	111 722
Provision for warranties		**8 627**	5 928	6 482
Share-based payment liability		**–**	7 022	–
Amounts received in advance		**82 681**	83 325	68 860
Bank overdraft		**256 630**	140 122	165 027
		656 665	401 561	441 125
Total liabilities		**959 646**	427 088	477 329
Total equity and liabilities		**1 743 631**	944 972	1 077 750

CONDENSED REVIEWED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at 31 August 2018

Figures in rand thousands	Notes	Reviewed six months ended 31 August 2018	Unaudited six months ended 31 August 2017	Audited 12 months ended 28 February 2018
Revenue	8	**765 751**	629 866	1 324 245
Cost of sales		**(153 831)**	(141 270)	(304 063)
Gross profit		**611 920**	488 596	1 020 182
Other income		**1 436**	3 782	9 091
Operating expenses	9	**(349 938)**	(292 306)	(594 977)
Operating profit		**263 418**	200 072	434 296
Finance income		**1 748**	1 982	3 641
Finance costs		**(12 595)**	(5 965)	(15 729)
Profit before tax		**252 571**	196 089	422 208
Tax		**(74 276)**	(52 137)	(111 726)
Profit for the six months		**178 295**	143 952	310 482
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified to profit or loss in future periods:				
Exchange differences on translating foreign operations		**60 430**	19 756	(2 795)
Other comprehensive income for the six months net of tax		**60 430**	19 756	(2 795)
Total comprehensive income for the six months		**238 725**	163 708	307 687
Profit attributable to:				
Owners of the parent		**172 856**	139 190	300 146
Non-controlling interest		**5 439**	4 762	10 336
		178 295	143 952	310 482
Total comprehensive income attributable to:				
Owners of the parent		**230 950**	163 084	303 386
Non-controlling interest		**7 775**	624	4 301
		238 725	163 708	307 687
EARNINGS PER SHARE				
Per share information				
Basic earnings per share (cents)	11	**57,9**	46,6	100,5

CONDENSED REVIEWED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 31 August 2018

Figures in rand thousands	Notes	Share capital	Foreign currency translation reserve	Treasury shares	Total reserves	Retained earnings	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance at 28 February 2018 (audited)		42 488	(41 311)	(12 105)	(53 416)	601 224	590 296	10 125	600 421
Adjustment on initial application of IFRS 15 (net of tax)	2.1	–	–	–	–	42 399	42 399	(1 115)	41 284
Adjustment on initial application of IFRS 16 (net of tax)	2.3	–	–	–	–	(3 201)	(3 201)	(116)	(3 317)
Other comprehensive income on initial application of IFRS 15	2.1	–	668	–	668	–	668	366	1 034
Other comprehensive income on initial application of IFRS 16	2.3	–	166	–	166	–	166	92	258
Total adjustment initial application of IFRS15 and IFRS16		–	834	–	834	39 198	40 032	(773)	39 259
Balance at 1 March 2018 (restated)		42 488	(40 477)	(12 105)	(52 582)	640 422	630 328	9 352	639 680
Profit 1 March 2018 to 31 August 2018		–	–	–	–	172 856	172 856	5 439	178 295
Other comprehensive income 1 March 2018 to 31 August 2018		–	58 094	–	58 094	–	58 094	2 336	60 430
Total comprehensive income for the six months: 1 March to 31 August 2018		–	58 094	–	58 094	172 856	230 950	7 775	238 725
Dividends 1 March 2018 to 31 August 2018		–	–	–	–	(83 646)	(83 646)	(10 774)	(94 420)
Total contributions by and distribution to owners of Company recognised directly in equity		–	–	–	–	(83 646)	(83 646)	(10 774)	(94 420)
Balance at 31 August 2018		42 488	17 617	(12 105)	5 512	729 632	777 632	6 353	783 985

CONDENSED REVIEWED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the period ended 31 August 2018

Figures in rand thousands	Notes	Reviewed six months ended 31 August 2018	Unaudited six months ended 31 August 2017	Audited 12 months ended 28 February 2018
Cash flows from operating activities:				
Cash generated from operations		**339 896**	242 623	589 073
Finance income		**1 748**	1 982	3 641
Finance costs		**(7 980)**	(4 658)	(11 819)
Tax paid		**(71 463)**	(61 748)	(113 082)
Net cash from operating activities		**262 201**	178 199	467 813
Cash flows from investing activities:				
Purchase of property, plant and equipment		**(292 007)**	(185 152)	(420 067)
Sale of property, plant and equipment		**720**	2 279	3 432
Acquisition of subsidiaries, net of cash acquired		**270**	(5)	(2 176)
Net cash from investing activities		**(291 017)**	(182 878)	(418 811)
Cash flows from financing activities:				
Increase in loans from related parties		**267**	915	2 011
Decrease in loans to related parties		**1 209**	2 765	2 354
Finance lease receipts		**17 625**	9 643	21 779
Lease payments per IFRS16		**(15 726)**	–	–
Dividends paid		**(94 420)**	(105 233)	(166 041)
Increase in holding of subsidiary		**–**	(192)	(826)
Net cash from financing activities		**(91 045)**	(92 102)	(140 723)
Total cash movements for six months		**(119 861)**	(96 781)	(91 721)
Cash at the beginning of the period		**(95 454)**	(2 227)	(2 227)
Effect of exchange rate movements on cash balances		**10 668**	1 007	(1 506)
Total cash at the end of the six months		**(204 647)**	(98 001)	(95 454)

ACCOUNTING POLICIES

1. PRESENTATION OF GROUP FINANCIAL STATEMENTS

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the requirements of the JSE Listings Requirements, and the requirements of the Companies Act, 71 of 2008, applicable to summary financial statements. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts as a minimum and the measurement and recognition requirements of IFRS, IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The condensed consolidated interim financial statements do not include all the information and disclosures as required in the consolidated annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 28 February 2018.

New accounting standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 28 February 2018, except for the adoption of the new accounting standards effective as of 1 January 2018.

The Group adopted for the first time IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and early adopted IFRS 16 Leases. As required by IAS 34, the nature and the effect of these changes are disclosed in note 2.

The Group implemented a change in accounting policy for the costs capitalised as detailed in note 2.1.4 and a change in accounting estimate in relation to the average expected useful life of capital rental units as detailed in note 2.4.

Basis of measurement

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

Functional and presentation currency

These condensed consolidated interim 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 condensed consolidated interim 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 CONDENSED REVIEWED INTERIM FINANCIAL STATEMENTS

2. CHANGE IN ACCOUNTING POLICIES

The Group has adopted the following new accounting pronouncements as issued by the IASB, which were effective for the Group from 1 January 2018:

- IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")
- IFRS 9 *Financial Instruments* ("IFRS 9")
- IFRS 16 *Leases* (early adopted) ("IFRS 16")

The Group implemented a change in accounting policy for the costs capitalised as detailed in note 2.1.4 and a change in accounting estimate in relation to the average expected useful life of capital rental units as detailed in note 2.4.

2.1 Adoption of IFRS 15

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 Group assessed the delivery of the telematics services and installation of a unit to be complimentary and therefore accounts for only one performance obligation over a period of 12 to 60 months. This is now in line with the expected life cycle of an active unit. Revenue is measured based on the consideration specified in terms of contracts with customers.

The following summarises the impact, net of tax, of transition to IFRS 15 on retained earnings and non-controlling interest ("NCI") at 1 March 2018.

Figures in rand thousands	Notes	Impact of adopting IFRS 15 at 1 March 2018
Retained earnings		
Deferred revenue on cash sales recognised over time	2.1.1	(215 536)
Capitalisation of incremental acquisition cost on cash sales	2.1.2	386 227
Depreciation of incremental acquisition cost on cash sales	2.1.3	(114 349)
Related deferred tax		(13 943)
Impact at 1 March 2018		**42 399**
Non-controlling interests		
Deferred revenue on cash sales recognised over time		5 666
Capitalisation of incremental acquisition cost on cash sales		(10 153)
Depreciation of incremental acquisition costs on cash sales		3 006
Related deferred tax		366
Impact at 1 March 2018		**(1 115)**
Foreign currency translation reserve		
Other comprehensive income		
Owners of the parent		668
Non-controlling interest		366
Impact at 1 March 2018		**1 034**

2. CHANGE IN ACCOUNTING POLICIES (continued)

2.1 Adoption of IFRS 15 (continued)

The nature of the changes in the accounting policies were as follows:

	Type of product/ service	Nature, timing and recognition – under the old accounting standard (IAS 18)	Nature of change in accounting policy – under the new accounting standard (IFRS 15)	Impact
2.1.1	*Revenue in relation to installed units sold for cash*	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 will now defer the revenue over a period of between 12 to 60 months*.	Revenue recognised for the period decreased. A contract liability has been recognised on the deferral of revenue and will unwind over a period of 12 to 60 months.
2.1.2	*Capitalisation of related incremental acquisition cost on cash units*	All related incremental acquisition costs for cash units were expensed when the units were installed.	The costs to obtain and fulfil a contract is capitalised and depreciated over a period of between 12 to 60 months*.	The change has resulted in an increase of capital rental units, recognised in property, plant and equipment, and the recognition of new assets (contract assets) for capitalised incremental costs to obtain a contract.
2.1.3	*Depreciation of related acquisition cost on cash sales*	No depreciation was recognised for cash units as these were expensed.	The Group previously did not anticipate to obtain any further economic benefit from the hardware unit upon installation thereof. The unit will now be capitalised as detailed in note 2.1.2 and depreciated over a period of between 12 to 60 months*.	This change led to an increase of the depreciation for the period.

** This is now in line with the expected life cycle of an active unit.*

2. CHANGE IN ACCOUNTING POLICIES (continued)

2.1 Adoption of IFRS 15 (continued)

2.1.4 Capitalisation of directly attributable sales staff base salaries and related motor vehicle costs

IFRS 15 introduced specific guidance on accounting for incremental costs of obtaining contracts with customers.

In assessing all aspects and requirements of IFRS 15 the Group reviewed all incremental costs for obtaining and renewing contracts and concluded that directly attributable sales staff base salaries and related motor vehicle costs no longer meet the requirements. Under IAS 18, the Group capitalised sales staff base salaries and motor vehicle costs incurred on inception of the contract, but under IFRS 15 these costs will now be expensed.

The impact of this change is not significant and therefore was disclosed together with the impact of IFRS 15. Comparative information is not required to be restated under the transition provisions of IFRS 15.

2.1.5 Transition to IFRS 15

In accordance with the transition provisions in IFRS 15, the Group adopted the standard prospectively under the cumulative effective method and comparative numbers for the 2018 financial year have not been restated. The Group applied practical expedients in the adoption of IFRS 15 and therefore:

- applied the portfolio approach in the application of the five-step model of revenue recognition; and
- the Group did not restate comparatives for contracts that were completed on 1 March 2018.

2.1.6 Presentation and disclosure requirements

Revenue recognised from contracts with customers has been dissagregated according to the nature of the revenue streams – for details of this refer to note 8. For the revenue disaggregated per segment, refer to note 3.

2.2 Adoption of IFRS 9

2.2.1 Classification, initial recognition and subsequent measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of loans and receivables. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets are set out below.

Initial recognition

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost when:

- 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 capital and interest on the capital amount outstanding.

2. CHANGE IN ACCOUNTING POLICIES (continued)

2.2 Adoption of IFRS 9 (continued)

2.2.1 Classification, initial recognition and subsequent measurement (continued)

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

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 effects of adopting IFRS 9 on the carrying amounts of financial assets at 1 March 2018 relate solely to the impairment requirements. The table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 March 2018.

Financial assets Figures in rand thousands	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Trade receivables	Loans and receivables	Amortised cost	200 149	200 149
Loans to related parties	Loans and receivables	Amortised cost	1 063	1 063

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost and contract assets. Financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to the lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. The loss allowance for trade receivables is measured at an amount equal to the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information. Current period loss allowance adjustments are not considered to be material.

2. CHANGE IN ACCOUNTING POLICIES (continued)

2.3 Adoption of IFRS 16

IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019, but was early adopted by the Group from 1 March2018.

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

Figures in rand thousands	Notes	Impact of adopting IFRS 16 at 1 March 2018
Retained earnings		
Reversal of lease payments recognised under IAS 17	2.3.1	64 004
Depreciation of right-of-use assets	2.3.2	(57 849)
Unwinding of finance cost element recognised in capitalised lease liability	2.3.1	(11 019)
Related deferred tax		1 663
Impact at 1 March 2018		(3 201)
Non-controlling interests		
Reversal of lease payments recognised under IAS 17		2 327
Depreciation of right-of-use assets		(2 103)
Unwinding of finance cost element recognised in capitalised lease liability		(401)
Related deferred tax		61
Impact at 1 March 2018		(116)
Foreign currency translation reserve		
Other comprehensive income		
Owners of the parent		166
Non-controlling interest		92
		258

	Type	Nature, timing and recognition – under the old accounting standard IAS 17	Nature of change in accounting policy – under the new accounting standard IFRS 16	Impact
2.3.1	*Lease payment*	The Group recognised payments made in terms of operating leases as an expense immediately in the consolidated statement of profit or loss.	The Group will now recognise right-of-use assets and related lease obligations for all leases accounted for as previously operating leases. On transition, lease liabilities were measured at the present value of remaining lease payments discounted using an incremental borrowing rate.	An increase in property plant and equipment with the value of the right-of-use assets and a related increase in the lease obligation. The unwinding of the lease obligation will increase finance costs recognised.
2.3.2	*Depreciation of right of use assets*	The Group under the old standard recognised lease expenses immediately as described above.	Due to the recognition of right-of-use assets the Group will now depreciate these assets over the term of the lease.	An increase in depreciation recognised in the consolidated statement of financial position.

2. CHANGE IN ACCOUNTING POLICIES (continued)

2.3 Adoption of IFRS 16 (continued)

2.3.3 Transition to IFRS 16

The Group chose 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.

The Group has applied the following practical expedients on the adoption of IFRS 16 and therefore will:

- Apply the portfolio approach in the recognition and measurement of leases from the perspective of the lessee;
- Not reassess the open arrangements in terms of the new definition of a lease under IFRS 16;
- Account for all arrangements that have non-lease components as a lease only. Expense all short-term leases and not apply lease accounting;
- Expense all leases where the underlying assets are of low value;
- Exclude all initial direct costs incurred in the past from the measurement of the right-of-use assets;
- Take into account hindsight when determining the non-cancellable period of a lease in terms of the options to extend and/or terminate.

2.4 Change in accounting estimate in relation to expected useful life of capital rental units

The Group now treats cash sales in the same manner as rental sales by capitalising the cost of the unit and other incremental costs and depreciating these capitalised costs over a period of between 12 to 60 months. This is in line with the expected life cycle of an active unit.

This change will only be reported on prospectively. It does not affect any of the historical depreciation expense or net book values.

Figures in rand thousands	Impact of change for the six months ended 31 August 2018
Statement of profit or loss and other comprehensive income	
Recognition of depreciation over a period of 12 to 60 months	(65 829)
Reversal of depreciation recognised over 36 months	135 350
Reported impact	**69 520**
Statement of financial position	
Increase in net book value of property, plant and equipment	69 520
Reported impact	**69 520**

2. CHANGE IN ACCOUNTING POLICIES (continued)

2.5 Restatement of comparative disclosures

2.5.1 Restatement of cost of sales and operating expenses

The incremental acquisition costs comprising commission, motor vehicle costs and technician salaries were depreciated as part of operating expenses. The Group believes that these costs relate directly to the cost of sales and therefore the depreciation of these costs has been reclassified. The restatement had no impact on profits, cash flows or the financial position, it only affected operating expenses and cost of sales as detailed below:

Figures in rand thousands	Impact of reclassification for the six months ended 31 August 2018	Impact of reclassification for the six months ended 31 August 2017 Restated	Impact of reclassification for the 12 months ended 28 February 2018 Restated
Statement of profit or loss and other comprehensive income			
Operating expenses – depreciation	**68 564**	29 015	70 114
Cost of sales – depreciation	**(68 564)**	(29 015)	(70 114)
Reported impact	**–**	–	–

2. CHANGE IN ACCOUNTING POLICIES (continued)

2.6 Impact on financial statements

The following tables show the restatements recognised for each individual line item. Line items that were not affected by the changes have not been included.

Figures in rand thousands	As reported	Impact in relation to IFRS 15	Impact in relation to IFRS 16	Impact in relation to other changes	Amounts without adoption of IFRS and other changes
Consolidated Statement of Financial Position					
Non-current assets					
Property, plant and equipment	**1 006 431**	(184 813)	(72 925)	(69 520)	679 173
Contract asset	**92 793**	(92 793)	–	–	–
Equity					
Reserves	**18 734**	(441)	616	–	18 909
Retained earnings	**729 632**	(24 352)	3 450	(51 743)	656 987
Non-controlling interest	**5 236**	562	441	1 042	7 281
Liabilities					
Non-current liabilities					
Contract liability	**175 130**	(175 130)	–	–	–
Lease obligation	**91 964**	–	(51 511)	–	40 453
Deferred tax	**35 887**	(11 123)	952	(18 819)	6 897
Current liabilities					
Contract liability	**67 122**	(67 122)	–	–	–
Lease obligation	**57 224**	–	(26 843)	–	30 381

Figures in rand thousands	As reported	Impact in relation to IFRS 15	Impact in relation to IFRS 16	Impact in relation to other changes	Amounts without adoption of IFRS and other changes
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**765 751**	22 587	–	–	788 338
Cost of sales*	**(153 831)**	(7 639)	–	(956)	(162 426)
Operating expenses*	**(349 938)**	6 006	(1 816)	(68 564)	(414 312)
Financing cost	**(12 595)**	–	2 210	–	(10 385)
Profit before tax for the six months	**252 571**	20 954	394	(69 520)	204 399
Tax	**(74 277)**	(4 541)	(101)	18 819	(60 100)

* *In the current year a reclassification of acquisition-related costs was effected from operating expenses to cost of sales as detailed in note 2.5.1.*

3. 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 earnings before interest, tax, depreciation and amortisation ("EBITDA") and is measured consistently with the condensed consolidated interim financial statements.

Figures in rand thousands	South Africa	Africa – Other	Europe	Asia Pacific and Middle East	USA	Total
Segment report – 31 August 2018 (Reviewed)						
Revenue	**566 881**	**55 681**	**67 641**	**73 550**	**1 998**	**765 751**
EBITDA	**316 238**	**23 110**	**26 427**	**20 890**	**(2 762)**	**383 903**
Total tangible assets	**1 124 895**	**145 000**	**173 085**	**160 215**	**7 532**	**1 610 727**
Total liabilities	**673 193**	**109 681**	**84 779**	**91 909**	**84**	**959 646**
Goodwill						**132 904**
Total equity						**783 985**
Segment report – 31 August 2017 (Unaudited)						
Revenue	469 932	53 013	54 559	52 129	233	629 866
EBITDA	243 067	19 122	29 819	8 920	(3 782)	297 146
Total tangible assets	502 820	88 373	120 949	107 673	7 690	827 505
Total liabilities	289 471	40 602	51 096	44 889	1 030	427 088
Goodwill						117 467
Total equity						517 884

Reconciliation of EBITDA to profit before tax for the year

Figures in rand thousands	Segment report 31 August 2018	Segment report 31 August 2017
EBITDA	**383 903**	297 146
Depreciation	**(120 485)**	(97 074)
Operating profit	**263 418**	200 072
Finance income	**1 748**	1 982
Finance costs	**(12 595)**	(5 965)
Profit before taxation	**252 571**	196 089

4. PROPERTY, PLANT AND EQUIPMENT

Figures in rand thousands	31 August 2018 Cost	31 August 2018 Accumulated depreciation	31 August 2018 Carrying value	28 February 2018 Cost	28 February 2018 Accumulated depreciation	28 February 2018 Carrying value
Buildings	4 401	(1 902)	2 499	6 592	(2 305)	4 287
Capital rental units	1 301 458	(487 604)	813 854	761 803	(334 430)	427 373
Computer software	7 893	(2 721)	5 172	5 939	(1 419)	4 520
Furniture and fixtures	9 454	(5 323)	4 131	7 314	(4 381)	2 933
IT equipment	36 828	(22 738)	14 090	35 865	(22 413)	13 452
Leasehold improvements	12 938	(7 929)	5 009	5 333	(4 208)	1 125
Motor vehicles	124 642	(37 947)	86 695	91 964	(31 103)	60 861
Office equipment	5 079	(4 148)	931	3 667	(3 169)	498
Plant and machinery	2 783	(2 218)	565	2 166	(1 469)	697
Right-of-use assets	147 953	(75 029)	72 924	–	–	–
Security equipment	1 024	(463)	561	805	(506)	299
Total	**1 654 453**	**(648 022)**	**1 006 431**	921 448	(405 403)	516 045

5. CONTRACT ASSETS

Figures in rand thousands	31 August 2018 Cost	31 August 2018 Accumulated amortisation	31 August 2018 Carrying value	28 February 2018 Cost	28 February 2018 Accumulated amortisation	28 February 2018 Carrying value
Costs to obtain a contract – commissions	136 597	(43 804)	92 793	–	–	–
Total	**136 597**	**(43 804)**	**92 793**	–	–	–

6. GOODWILL

Figures in rand thousands	31 August 2018 Cost	31 August 2018 Accumulated amortisation	31 August 2018 Carrying value	28 February 2018 Cost	28 February 2018 Accumulated amortisation	28 February 2018 Carrying value
Goodwill	132 904	–	132 904	107 597	–	107 597

Reconciliation of movement in Goodwill

Figures in rand thousands	South Africa	Africa	Europe	Asia	Total
Balance 1 March 2018	1 656	55 980	5 876	44 085	107 597
Revaluation	–	15 627	8 700	730	25 057
Additions	250	–	–	–	250
Closing balance at 31 August 2018	**1 906**	**71 607**	**14 576**	**44 815**	**132 904**

Figures in rand thousands	Reviewed six months ended 31 August 2018	Audited 12 months ended 28 February 2018
7. TRADE RECEIVABLES		
Trade receivables	**204 929**	151 959
Allowance for expected credit losses	**(43 560)**	(30 382)
	161 369	121 577
Prepayments	**21 236**	20 233
Deposits	**3 983**	2 912
Sundry debtors	**13 561**	8 984
Value added taxation receivables	**991**	1 246
	201 140	154 952

Figures in rand thousands	Reviewed six months ended 31 August 2018	Unaudited six months ended 31 August 2017
8. REVENUE		
Disaggregation of revenue		
Annuity revenue	**710 433**	557 238
Sale of hardware	**–**	64 562
Deferred revenue on cash sales	**32 266**	–
Sundry sales	**23 052**	8 066
	765 751	629 866

The nature and effect of initially applying IFRS 15 on the Group's interim financial statements are disclosed in note 2. Refer to note 3 for the disaggregation of revenue by primary geographical markets.

Figures in rand thousands	Reviewed six months ended 31 August 2018	Unaudited six months ended 31 August 2017
9. OPERATING EXPENSES		
Depreciation*	**33 213**	16 596
Employee costs	**184 483**	143 097
Marketing	**27 278**	13 378
Bad debts	**13 837**	15 677
Net operating foreign exchange (gain)/loss	**(2 704)**	1 548
Other operating expenses	**59 693**	73 781
Research and development	**34 138**	28 229
	349 938	292 306

* *Refer to note 2.5.1 for additional information around reclassification of depreciation at incremental acquisition costs.*

Operating (gains)/forex losses result from transactions in the normal course of business. These exchange losses are disclosed as part of operating expenses in the consolidated statement of profit or loss.

10. 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 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. Lease agreements are variable rate instruments which mature over a period of approximately 60 months. It is estimated that the fair value of these agreements materially approximates the carrying amounts of the instruments as disclosed in the statement of financial position.

Figures in rand thousands	Reviewed six months ended 31 August 2018	Unaudited six months ended 31 August 2017
11. EARNINGS PER SHARE		
Basic earnings per share		
Basic earnings per share (cents)	**57,9**	46,6
Weighted average number of ordinary shares ("000) (basic)	**300 000**	300 000
Effect of treasury shares held	**(1 234)**	(1 234)
	298 766	298 766
Basic earnings		
Profit attributable to ordinary shareholders	**172 856**	139 190
Headline earnings per share		
Headline earnings per share (cents)	**57,8**	46,2
Reconciliation between basic earnings and headline earnings		
Basic earnings	**172 856**	139 190
Adjusted for:		
Gain on disposal of assets net of tax	**(88)**	(1 131)
	172 768	138 059

12. COMMITMENTS

Mercantile Bank Limited has provided a facility of R70,0 million to Cartrack (Pty) Ltd. At the end of the period the amount utilised was Rnil (HY18: R55,0 million).

Mercantile Bank Limited has provided a facility of R80,0 million to Cartrack Manufacturing (Pty) Ltd. Cartrack (Pty) Ltd has provided limited suretyship in favour of Mercantile Bank Limited for this facility. At the end of the period, the amount utilised was R49,9 million (HY18: R80,0 million).

Nedbank Limited has provided a facility of R5,0 million (HY18: R5,0 million) to Plexique (Pty) Ltd. Cartrack (Pty) Ltd has provided a limited guarantee for the facility in favour of Nedbank Limited. At the end of the period, the amount utilised was R3,0 million (HY18: R3,0 million).

Rand Merchant Bank Limited has provided a facility of R200,0 million to Cartrack (Pty) Ltd and Cartrack Manufacturing (Pty) Ltd. At the end of the period the amount was fully utilised.

Cartrack Investments UK Limited has provided Cartrack Espana, S.L. with a loan in the amount of Euro 1,4 million (HY18: EUR1,4 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 amounting to the value of R51,2 million in HY19.

13. ACQUISITIONS

Acquisitions occurring during the six months ended 31 August 2018 Drive and Save (Pty) Ltd

In March 2018, the Group acquired 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.