

Cartrack Holdings Limited

(Incorporated in the Republic of South Africa)(Registration number 2005/036316/06)

Share code: CTK|SIN: ZAE000198305

("Cartrack" or "the Company" or "the Group")

CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS AND DIVIDEND DECLARATION FOR THE HALF YEAR ENDED 31 AUGUST 2019

YEAR-ON-YEAR HIGHLIGHTS

- » Robust year-on-year subscriber growth of 22% to 1 038 970 (HY19: 849 772)
- » Year-on-year net subscriber additions of 189 198 (HY19: 183 350)

HALF-YEAR FINANCIAL HIGHLIGHTS

- » Subscription revenue up 26% to R897 million (HY19: R710 million)
- » Subscription revenue is 96% of the total revenue and growing (HY19: 90%)
- » Total revenue up 19% to R938 million (HY19: R788 million)
- » Cash generated from operating activities of R 446 million (HY19: R262 million), up 70%
- » EBITDA of R480 million (HY19: R376 million), up 28%
- » EBITDA margin of 51% (HY19: 48%)
- » Operating profit of R316 million (HY19: R255 million), up 24%
- » Operating profit margin of 34% (HY19: 32%)
- » Basic earnings per share ('EPS') of 72.3 cents, up 28%
- » Headline EPS ('HEPS') of 72.2 cents, up 28%
- » Half-year dividend per share of 20 cents (HY19: 18 cents)

COMMENTARY

Zak Calisto, founder and Group Chief Executive Officer, commented, “We are pleased with our interim results which show a continued demand for our technology platforms and the growing trust our customers place in Cartrack. During the reporting period, we surpassed one million subscribers, a significant milestone which places us among a select group of global leaders in mobility solutions. We have consistently delivered double-digit revenue growth and our subscription revenue has now reached a record level of 96% of total revenue. This growth is driven by a vibrant customer-centric sales culture and the increased adoption of our platforms. Our performance in Asia and Europe has augmented the consistent growth and performance of our South African business in delivering this expected result. Regions outside of South Africa now account for 27% of the Group’s revenue, showing increased appetite for sophisticated data and business mobility solutions. We remain firmly committed to long-term profitability by diversifying our customer base, innovating our technology platforms, and scaling international operations.

Our vision remains to achieve leadership in smart mobility as a technology frontrunner by continuously innovating and maintaining a start-up culture.

OPERATIONAL HIGHLIGHTS

- » Newly introduced solutions continue to enhance the customer experience and retention
- » Upgraded proprietary platforms decreased the cost of customer service, improving the operating margin
- » Scale in distribution and the adoption of next generation technology has driven the cost of acquisition lower, while improving value to customers
- » Strengthened back office systems are delivering real-time management information and significant value in credit management and customer satisfaction
- » Artificial Intelligence and data analytics continue to be a significant focus which is delivering tangible results
- » Innovative and novel business practices continue to deliver industry leading results

ACCOUNTING AND FINANCIAL PRESENTATION

As communicated at year-end 2019, the interpretation of IFRS 15, IFRS 9 and IFRS 16 as agreed with the Company’s external auditors for the accounting treatment for year-end 2019 differed from that applied at the half-year 2019 (31 August 2018). The half-year 2019 results were reviewed by our previous auditors. The difference in interpretation for the half-year 2019 had no impact on cashflow and an insignificant impact on earnings per share. The restated figures for half-year 2019 are now aligned with the interpretation applied at year-end 2019.

COMMENTARY (continued)

FINANCIAL PERFORMANCE FOR HALF YEAR ENDED AUGUST 31, 2019

GROUP PERFORMANCE

Cartrack delivered a strong performance across its key-growth-metrics, with subscription revenue growing by 26%, from R710 million to R897 million. Subscription revenue now represents 96% (HY19: 90%) of total revenue and is expected to increase further as the business continues to scale. The number of total subscribers increased by 22% over a one-year period, from 849 772 to 1 038 970. The Group continues to maintain a strong pipeline order book while focusing on fully utilising its expanding distribution footprint.

Cash generation from operating activities is up 70% to R446 million, reinforcing the Group's highly cash generative business model.

Cartrack's margin expansion is in line with management's expectations and objectives. The Group continues to deliver an industry-leading EBITDA margin of 51% (HY19: 48%) and an operating profit margin of 34% (HY19: 32%).

Operating profit increased by 24% to R316m from R255 million at HY19, with a basic EPS of 72.3 cents (HY19: 56.4 cents).

The decision for ongoing investment in pursuit of focused growth coupled with the realisation of economies of scale across business segments will continue to generate robust results in the future. The Group maintains a focus on ensuring a meaningful return on capital invested for its shareholders.

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

SEGMENT OVERVIEW

South Africa

The South African segment delivered strong subscription revenue growth of 26% from R519 million to R655 million, while subscribers grew by 23%. Hardware revenue decreased by 56% compared to HY19 while subscription revenue now accounts for 96% of revenue. EBITDA of R386 million grew 18% which was slightly faster than total revenue growth of 16% from R587 million to R682 million.

The South African business was able to effectively maintain its operating costs as a result of significant investment in back-office systems. These proprietary systems will enable Cartrack to continue to compete and trade effectively in an economy with many untapped opportunities despite significant economic headwinds.

Asia Pacific

Asia Pacific is the second largest revenue contributor and the fastest growing segment in the Group, with subscription revenue up by 46% from R72 million to R105 million after an increase of 39% in subscribers.

While Asia Pacific delivered an EBITDA of R33 million and strong EBITDA growth of 139%, from R14 million in the prior period, management is conscious that it will soon enter a meaningful investment cycle for future growth. The region presents the greatest potential in the long term as markets remain considerably underpenetrated due to fragmented market participants delivering entry-level telematics offerings. Cartrack is able to exploit its sophisticated and more reliable solutions and customer-centric services to outperform local participants.

Europe

The European segment delivered subscriber growth of 16% and subscription revenue growth of 20% from R67 million to R80 million.

The region recorded an EBITDA of R42 million with growth of 98%, at an EBITDA margin of 50%. This achievement is due to the Cartrack proprietary systems which increased productivity and reduced operational cost.

Cartrack continues to evaluate its strategy to expand into the rest of Europe.

Africa (excluding South Africa)

The subscriber base in Africa increased by 9% and subscription revenue grew by 7% from R51 million to R54 million, while total revenue increased by 10% from R54 million to R59 million, driven by an improvement in sales.

The African segment (excluding South Africa) delivered an improved performance after a restructuring process which led to increased operational efficiencies and an improvement in the costs of acquiring subscribers. EBITDA has increased by 43% to R22 million with an EBITDA margin of 37%. This segment continues to generate positive cash flows.

Africa continues to play a critical role in ensuring a high level of service to customers that increasingly do cross-border business.

US

Cartrack's investment in the US continues to yield many key insights that have positively contributed to the Group and remains strategic in nature.

MANAGING OUR BALANCE SHEET

Capital allocation and cash management are particularly important in a high-growth phase with accelerated investment in customer acquisition. Prudent capital management remains a key focus area and is monitored and managed on an ongoing basis.

COMMENTARY (continued)

The new generation smart telematic devices have been engineered with enhanced features at a lower cost allowing the Group to carry a higher device inventory at a lower value than at year-end 2019. These new devices will capture richer data allowing for a further expansion of Cartrack's data offerings as it continues to position itself at the forefront of smart transportation. The inventory levels are prudently optimised to meet distribution and production lead times.

The debtors' days (after prudent provisions for bad debt) have improved to 29 days (HY19: 33 days). This is a key metric indicating the quality of sales, operational effectiveness and a strong focus on credit management.

The change in the current and quick ratios of 1.7 (HY19: 0.8) and 1.1 (HY19: 0.4) respectively is a result of positive cash generation and a focussed drive on working capital management.

Capital is continuously being deployed efficiently across Cartrack's business as evidenced by the Group's high return on equity of 47% and return on assets of 28%. Cartrack's business model delivers very attractive returns on capital employed for shareholders.

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

OUTLOOK¹

Cartrack remains focused on smart mobility, actionable business intelligence and the expansion of the Internet of Things. The Group will continue to drive innovation through interaction with customers as well as strategic research activities. Management expect the second-half 2020 subscription revenue, subscriber growth and earnings to be in line with our first-half 2020 performance and foresee double-digit subscription revenue growth in the foreseeable future.

The Group's long-term growth is driven by four key factors:

- » **Connected Vehicles:** The Group will continue to capitalise on the growth in connected vehicles globally in what is assessed to be a materially underpenetrated market. Cartrack's transformative platforms are brand agnostic and are continuously enhanced to remain relevant and value enhancing in the customers' hands. Cartrack will capitalise on present and future opportunities as leveraging both Original Equipment Manufacturers (OEM) and third-party data sources.
- » **Technology Investment:** Favourable industry dynamics are driving the Group's position in the marketplace as customers become increasingly reliant on intelligent data. As a result, Cartrack continues to invest in technology, information management and human resources, as well as in distribution and operating capacity.

¹ 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 listing requirements. The directors take sole responsibility for the statements.

- » **Increased Demand for Data Analytics:** The Group has seen a notable rise in demand for data across the globe. Even the largest markets in which Cartrack operates remain underpenetrated and there are many opportunities available to provide customer-centric solutions to enterprise customers and individuals. The markets across the globe have a strong need for these services and demand is anticipated to increase for the foreseeable future.
- » **Exciting New Applications:** Cartrack's easy-to-use vehicle cost accounting software, mobile workforce management tool and customer relationship management software are rapidly being adopted by its customers. The Group is also experiencing a convergence in the use of video with the core fleet management offering as well as solutions for smart-transportation for logistics and passengers. As an ongoing commitment to its customers' needs, the Group continues to invest significantly into the enhancement of the current platforms.

GROUP PROFILE

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

Cartrack's impressive organic growth since being launched in 2004 has resulted in an extensive footprint in 23 countries across Africa, Europe, North America, Asia Pacific, and the Middle East. With an active subscriber base now in excess of 1 million, the Group ranks among the largest of its peers companies globally.

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

BASIS OF ACCOUNTING

The unaudited condensed consolidated interim financial statements were prepared under the supervision of Morné Grundlingh (CA)SA, ACA and approved by the directors on 22 October 2019. The directors take full responsibility for the contents and the condensed information in the consolidated interim financial statements have not been reviewed or audited.

COMMENTARY (continued)

The unaudited condensed consolidated interim financial statements were prepared in accordance with the provisions of the Listings Requirements of the JSE Limited 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 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, and should, as a minimum, contain the information required by IAS34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the condensed 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 changes made to the accounting standards and interpretations.

DIVIDEND DECLARATION

Ordinary shareholders are advised that the board of directors has declared an interim gross cash dividend of 20 cents per ordinary share (16 cents net of dividend withholding tax) for the 6 months ended 31 August 2019 (the cash dividend). The cash dividend will be paid out of profits of the Company.

The Group will continue to invest heavily in research and development, data analysis skills and distribution channels to expand and grow the subscriber base significantly. The increased sales are expected to generate a greater number of bundled 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.

The cash dividend is in line with the revised dividend policy, which provides for a cover of between 2 and 6 times HEPS, effective for FY20.

Share code	CTK
ISIN	ZAE000198305
Company registration number	2005/036316/06
Company tax reference number	9108121162
Dividend number	11
Gross cash dividend per share	20 cents
Net cash dividend per share	16 cents
Issued share capital as at declaration date	300 000 000
Declaration date	Wednesday, 23 October, 2019
Last date to trade cum dividend	Tuesday, 7 January, 2020
Shares commence trading ex-dividend	Wednesday, 8 January, 2020
Record date	Friday, 10 January, 2020
Dividend payment date	Monday, 13 January, 2020

Share certificates may not be dematerialised or re-materialised between Wednesday, 8 January, 2020, and Friday, 10 January, 2019, 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

23 October, 2019

Zak Calisto

Group Chief Executive Officer

Sponsor

The Standard Bank of South Africa Limited

STATEMENT OF DIRECTORS' RESPONSIBILITY

for the interim period ended 31 August 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 unaudited condensed consolidated interim financial statements of Cartrack Holdings Limited ("the Company") and its subsidiaries ("the Group"). The unaudited condensed consolidated interim financial statements for the period ended 31 August 2019 have been prepared in accordance of with International Financial Reporting Standard ("IFRS"), IAS 34: Interim financial reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council ("FRSC"), the JSE listings Requirements and the requirements of the South African Companies Act 71 of 2008, as amended. The interim financial statements have not been audited or reviewed by the Group's external auditors.

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 period, and the financial position of the Group, 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 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 period.

The interim financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that 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.

The interim financial statements set out on pages 11 to 35 were approved by the Board of Directors on 22 October 2019 and are signed on its behalf by:

IJ Calisto

Group Chief Executive Officer
Rosebank
22 October 2019

M Grundlingh

Group Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August 2019

Figures in Rand thousands	Notes	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited
Assets				
Non-current assets				
Goodwill		134 396	132 904	122 098
Intangible assets	7	23 280	–	13 636
Property, plant and equipment	5	783 574	684 633	705 974
Contract asset	6	127 512	82 426	108 547
Deferred tax asset		55 364	61 137	98 055
		1 124 126	961 100	1 048 310
Current assets				
Inventories	8	203 451	188 927	206 026
Trade and other receivables	9	205 031	195 817	215 589
Loans to related parties		520	1 063	213
Current tax receivable		2 893	7 253	7 054
Cash and cash equivalents	10	141 069	51 983	51 906
		552 964	445 043	480 788
Total assets		1 677 090	1 406 143	1 529 098
Equity and liabilities				
Equity				
Share capital		42 488	42 488	42 488
Treasury shares		(12 105)	(12 105)	(12 105)
Foreign currency translation reserve		13 869	18 565	(15 462)
Retained earnings		986 396	680 855	806 306
Equity attributable to equity holders of parent		1 030 648	729 803	821 227
Non-controlling interest		21 435	5 382	16 391
		1 052 083	735 185	837 618
Liabilities				
Non-current liabilities				
Term loans	12	184 982	–	218 765
Lease obligations		64 925	55 696	69 256
Amounts received in advance	11	23 321	–	–
Deferred tax liabilities		20 695	25 719	33 197
		293 923	81 415	321 218
Current liabilities				
Term loans	12	5 095	–	20 525
Trade and other payables		154 782	124 089	155 530
Loans from related parties		8 117	9 154	7 716
Lease obligations		43 104	57 224	47 656
Current tax payable		19 453	51 138	42 132
Provision for warranties		3 255	8 627	2 564
Amounts received in advance	11	97 278	82 681	80 377
Bank overdraft	10	–	256 630	13 762
		331 084	589 543	370 262
Total liabilities		625 007	670 958	691 480
Total equity and liabilities		1 677 090	1 406 143	1 529 098

Note

* Refer to note 3 for additional information regarding the restated figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the period ended 31 August 2019

Figures in Rand thousands	Notes	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited
Revenue	13	938 159	788 338	1 692 708
Cost of sales		(282 298)	(184 804)	(484 700)
Gross profit		655 861	603 534	1 208 008
Other income		1 327	1 436	6 279
Expected credit losses on financial assets		(25 353)	(13 837)	(45 171)
Operating expenses		(315 970)	(336 101)	(669 197)
Operating profit		315 865	255 032	499 919
Finance income		1 164	1 748	2 749
Finance costs		(11 009)	(12 595)	(31 438)
Profit before taxation		306 020	244 185	471 230
Taxation		(82 632)	(71 925)	(110 182)
Profit for the year		223 388	172 260	361 048
Profit attributable to:				
Owners of the parent		215 941	168 504	347 806
Non-controlling interest		7 447	3 756	13 242
		223 388	172 260	361 048
Earnings per share	17.1	72,3	56,4	116,4
Basic and diluted earnings per share (cents)				

Note

* Refer to note 3 for additional information regarding the restated figures.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 August 2019

Figures in Rand thousands	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited
Profit for the year	223 388	172 260	361 048
Other comprehensive income			
Items that may be reclassified to profit or loss in future periods:			
Exchange differences on translating foreign operations	35 309	62 188	29 928
Other comprehensive income for the year	35 309	62 188	29 928
Total comprehensive income for the year	258 697	234 448	390 976
Total comprehensive income attributable to:			
Owners of the parent	245 272	228 380	373 655
Non-controlling interest	13 425	6 068	17 321
	258 697	234 448	390 976

Note

* Refer to note 3 for additional information regarding the restated figures.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 August 2019

Figures in Rand thousands	Notes	Share capital	Foreign currency translation reserve*	Treasury shares	Retained earnings*	Total attributable to equity holders of the group	Non-controlling interest*	Total equity
Balance at 1 March 2018 – restated		42 488	(41 311)	(12 105)	595 997	585 069	10 088	595 157
Profit for the year		–	–	–	347 806	347 806	13 242	361 048
Other comprehensive income		–	25 849	–	–	25 849	4 079	29 928
Total comprehensive income for the year		–	25 849	–	347 806	373 655	17 321	390 976
Dividends		–	–	–	(137 497)	(137 497)	(11 018)	(148 515)
Balance at 28 February 2019 – Audited		42 488	(15 462)	(12 105)	806 306	821 227	16 391	837 618
Profit for the interim period – 31 August 2019		–	–	–	215 941	215 941	7 447	223 388
Other comprehensive income for the interim period – 31 August 2019		–	29 331	–	–	29 331	5 978	35 309
Total comprehensive income for the year		–	29 331	–	215 941	245 272	13 425	258 697
Dividends for the interim period – 31 August 2019		–	–	–	(35 851)	(35 851)	(8 381)	(44 232)
Balance at 31 August 2019 – Unaudited		42 488	13 869	(12 105)	986 396	1 030 648	21 435	1 052 083

Note

* Refer to note 3 for additional information regarding the restated figures.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 31 August 2019

Figures in Rand thousands	Notes	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited
Cash flows from operating activities				
Cash generated from operations		531 101	339 896	707 208
Finance income		1 164	1 748	2 749
Finance costs		(4 034)	(7 980)	(23 350)
Taxation paid		(82 697)	(71 463)	(142 895)
Net cash generated from operating activities		445 534	262 201	543 712
Cash flows from investing activities				
Purchase of property, plant and equipment and contract assets		(231 609)	(292 007)	(493 515)
Proceeds on disposal of property, plant and equipment		1 738	720	4 423
Investment in intangible assets		(11 412)	–	(13 636)
(Increase)/Decrease in loans to related parties		(307)	1 209	2 059
Acquisition of subsidiaries, net of cash acquired		–	270	–
Net cash utilised by investing activities		(241 590)	(289 808)	(500 669)
Cash flows from financing activities				
Increase in loans from related parties		401	267	2 230
(Decrease)/Increase in term loans		(49 213)	–	239 290
Net lease obligation (repayments) advances		(12 399)	1 899	(9 599)
Dividends paid		(44 232)	(94 420)	(148 515)
Net cash generated/(utilised by) financing activities		(105 443)	(92 254)	83 406
Total cash movements for year		98 501	(119 861)	126 449
Cash and cash equivalents as at the beginning of the year	10	38 144	(95 454)	(95 454)
Translation differences on cash and cash equivalents		4 424	10 668	7 149
Total cash and cash equivalents at the end of the year		141 069	(204 647)	38 144

ACCOUNTING POLICIES

for the period ended 31 August 2019

1. Presentation of group financial statements

Reporting entity

Cartrack Holdings Limited is a Company domiciled in the Republic of South Africa. These consolidated interim financial statements for the period ended 31 August 2019 comprise the Company and its subsidiaries (collectively the “group” and individually “group companies”). The Group is a leading global Software-as-a-Service provider of mobility solutions for small, medium and large fleets and an insurance analytics, security and safety provider for both businesses and consumers. Data analytics remain the Group’s primary offering while growing its artificial intelligence, and value-added services to deliver a tangible return on investment to its subscribers. The Group is also renowned for its agility and speed in developing innovative, first-to-market solutions that are aimed at further enhancing customer experience.

Statement of compliance

The unaudited condensed consolidated interim financial statements for the period ended 31 August 2019 have been prepared in accordance with International Financial Reporting Standard (“IFRS”), IAS 34: Interim financial reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (“FRSC”), the JSE listings Requirements and the requirements of the South African Companies Act 71 of 2008, as amended. The interim financial statements have not been audited or reviewed by the Group’s external auditors.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures as required in the annual financial statements, and should be read in conjunction with the Group’s consolidated annual financial statements as at 28 February 2019.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated annual financial statements for the year ended 28 February 2019.

The unaudited condensed interim financial statements were prepared under the supervision of the Group Chief Financial Officer, M Grundlingh CA(SA).

Basis of measurement

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

Functional presentation and currency

These unaudited interim condensed interim 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 unaudited condensed interim 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.

2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited 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 2019.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period ended 31 August 2019

3. Restatement

As communicated at year-end 2019, the interpretation of IFRS 15, IFRS 9 and IFRS 16 as agreed with the Company's external auditors for year-end 2019 differed from that applied at the half-year 2019 (31 August 2018). The half-year 2019 results were reviewed by our previous auditors. The difference in interpretation for the half-year 2019 had no impact on cashflow and an insignificant impact on earnings per share. The restated figures for half-year 2019 are now aligned with the interpretation applied at year-end 2019.

IFRS 15 Revenue from contracts with customers

IFRS 15 requires entities to exercise judgement in the application of each of the steps in the revenue recognition model. The key judgement was the determination of the various performance obligations arising from the upfront hardware cash options and subscription rental options arising from contracts with customers as disclosed in the year-end 2019 financial statements. Taking into account the technical advice from our newly appointed auditors and further deliberation on the legal interpretation of our contracts with customers, it was decided to expense, rather than capitalise, certain costs related to contracts. These legal agreements have now been amended to reflect the underlying business arrangements.

This change had an insignificant impact of earnings per share, no impact on the cashflow and had an impact on the statement of financial position as disclosed below.

IFRS 9 Financial instruments

IFRS 9 requires retrospective application of the standard. Based on the judgement exercised at half-year 2019, no adjustment was required. During the preparation of the audited financial statements for year-end 2019, we adjusted our expected credit loss impairment model in accordance with technical advice received to assess the significant number of trade receivables across the various jurisdictions in which the Group operates. The opening retained earnings was restated in line with the revised credit loss model and aligns to the figure reported at year-end 2019.

This change had no impact on earnings per share and cashflow. It had an impact on the statement of financial position as disclosed below.

IFRS 9 requires the disclosure of the expected credit loss on financial assets to be separately disclosed on the statement of profit or loss. At half-year 2019 this was disclosed as part of operating expenses. This has been reclassified and now aligns with the disclosures as reported at year-end 2019.

IFRS 16 Leases

The terms of certain significant property lease agreements had not yet been finalised at half-year 2019 and a prudent approach was taken when results were released. The lease terms of these lease agreements were finalised post the half-year 2019 results on better terms than reported at half-year 2019. The opening retained earnings figure has therefore been restated to correctly reflect these leases and align to the figure reported in the year-end 2019 audited financial statements.

This change had no impact on earnings per share or cashflow. It had an impact on the statement of financial position as disclosed below.

3. Restatement (continued)

Summary of the impact of IFRS 15, IFRS 9 and IFRS 16

The summary of the restatement for IFRS 15, IFRS 9, IFRS 16 and the reclassification of IFRS 9 is as follows:

		August 2018			
Figures in Rand thousand	Previously reported	IFRS 15 adjustment	IFRS 9 adjustment	IFRS 16 adjustment	Restated
Consolidated statement of financial position					
Property, Plant and Equipment	1 006 431	(289 023)	—	(32 775)	684 633
Contract Asset	92 793	(10 367)	—	—	82 426
Trade and other receivables	201 140	—	(5 323)	—	195 817
Retained earnings	(729 632)	46 751	3 922	(1 896)	(680 855)
Non-controlling interest	(6 353)	958	—	13	(5 382)
Contract liability – Long term and short term	(242 252)	242 252	—	—	—
Lease obligation – Long term and short term	(149 188)	—	—	36 268	(112 920)
Deferred tax	(35 887)	10 377	1 401	(1 610)	(25 719)
Reserves	(17 617)	(948)	—	—	(18 565)
Consolidated statement of profit and loss and other comprehensive income					
Revenue	(765 751)	(22 587)	—	—	(788 338)
Cost of sales	153 831	30 973	—	—	184 804
Expected credit losses on financial assets	—	—	13 837	—	13 837
Operating expense	34 938	—	(13 837)	—	336 101
Tax	74 276	(2 351)	—	—	71 925
Profit attributable to owners of parent	(172 856)	4 352	—	—	(168 504)
Profit attributable to non-controlling interest	(5 439)	1 683	—	—	(3 756)
Comprehensive income attributable to owners of parent	(230 950)	2 570	—	—	(228 380)
Comprehensive income attributable to non-controlling interest	(7 775)	1 707	—	—	(6 068)
Basic earnings per share	57,9	(1,5)	—	—	56,4
Headline earnings per share	57,8	(1,5)	—	—	56,3

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the period ended 31 August 2019

4. 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 31 August 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 interim period ended 31 August 2019 is as follows:

Figures in Rand thousands	Subscription revenue	Hardware and other revenue before eliminations	Eliminations	Inter-segment revenue	Hardware and other revenue after eliminations and inter-segment	Total revenue	Depreciation and amortisation	EBITDA
31 August 2019								
<i>Geographical business units</i>								
South Africa	655 137	177 052	(145 916)	(3 812)	27 324	682 461	125 467	385 520
Africa – Other	53 875	1 979	–	3 812	5 791	59 666	2 545	21 958
Europe	80 850	8 678	(5 810)	–	2 868	83 718	19 117	42 059
Asia-Pacific and Middle East	105 036	23 579	(18 218)	–	5 361	110 397	16 410	33 403
USA	1 862	55	–	–	55	1 917	418	(3 118)
Total	896 760	211 343	(169 944)	–	41 399	938 159	163 957	479 822
28 February 2019								
<i>Geographical business units</i>								
South Africa	1 116 829	623 382	(486 604)	(7 861)	128 917	1 245 746	201 988	626 164
Africa – Other	97 605	10 171	–	7 861	18 032	115 637	3 372	41 650
Europe	142 204	11 463	(6 075)	–	5 388	147 592	33 488	60 418
Asia-Pacific and Middle East	159 997	42 896	(23 150)	–	19 746	179 743	22 088	38 404
USA	3 905	6 493	(6 408)	–	85	3 990	575	(5 206)
Total	1 520 540	694 405	(522 237)	–	172 168	1 692 708	261 511	761 430
31 August 2018								
<i>Geographical business units</i>								
South Africa	518 840	321 711	(248 815)	(4 375)	68 521	587 361	93 755	327 753
Africa – Other	50 540	2 145	–	4 375	3 520	54 060	1 513	15 367
Europe	67 331	2 595	(2 323)	–	272	67 603	14 318	21 196
Asia-Pacific and Middle East	71 724	7 941	(5 349)	–	5 592	77 316	10 447	13 964
USA	1 998	4 645	(4 645)	–	–	1 998	452	(2 763)
Total	710 433	339 037	(261 132)	–	77 905	788 338	120 485	375 517

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the period ended 31 August 2019

4. Segment reporting (continued)

Reconciliation of EBITDA to profit tax before taxation

Figures in Rand thousands	August 2019	August 2018	February 2019
EBITDA	479 822	375 517	761 430
Depreciation and amortisation	(163 957)	(120 485)	(261 511)
Operating profit	315 865	255 032	499 919
Finance income	1 164	1 748	2 749
Finance costs	(11 009)	(12 595)	(31 438)
Profit before taxation	306 020	244 185	471 230
Total assets			
South Africa	959 442	875 453	975 638
Africa – Other	211 992	184 495	162 373
Europe	270 003	194 545	217 623
Asia-Pacific and Middle East	225 694	144 118	165 256
USA	9 959	7 532	8 208
Total	1 677 090	1 406 143	1 529 098
Total liabilities			
South Africa	346 710	493 342	493 751
Africa – Other	85 680	73 801	46 923
Europe	95 710	50 223	87 286
Asia-Pacific and Middle East	96 467	53 508	63 364
USA	440	84	156
Total	625 007	670 958	691 480

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the period ended 31 August 2019

5. Property, plant and equipment

	August 2019 – Unaudited			August 2018 – Restated*			February 2019 – Audited		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	2 215	–	2 215	4 401	(1 902)	2 499	1 962	–	1 962
Capitalised telematics devices**	1 281 141	(657 438)	623 703	872 661	(347 830)	524 831	1 091 014	(541 032)	549 982
Computer software	9 390	(5 557)	3 833	7 893	(2 721)	5 172	8 542	(3 720)	4 822
Furniture and fixtures	11 195	(6 874)	4 321	9 454	(5 323)	4 131	9 864	(5 855)	4 009
IT equipment	63 050	(34 741)	28 309	36 828	(22 738)	14 090	58 770	(29 491)	29 279
Leasehold improvements	18 247	(12 804)	5 443	12 938	(7 929)	5 009	15 430	(10 355)	5 075
Motor vehicles	112 441	(44 531)	67 910	124 642	(37 947)	86 695	116 693	(45 733)	70 960
Office equipment	5 980	(4 930)	1 050	5 079	(4 148)	931	4 926	(4 063)	863
Plant and machinery	3 675	(3 011)	664	2 783	(2 218)	565	2 783	(2 481)	302
Right-of-use assets***	71 034	(25 192)	45 842	47 174	(7 025)	40 149	53 365	(15 226)	38 139
Security equipment	609	(325)	284	1 024	(463)	561	1 235	(654)	581
	1 578 977	(795 403)	783 574	1 124 877	(440 244)	684 633	1 364 584	(658 610)	705 974

* Refer to note 3 regarding the restated figures.

Reconciliation of property, plant and equipment – August 2019

Figures in Rand thousands	Opening balance	Additions	Disposals	Disposal of subsidiary	Translation adjustments	Depreciation	Total
Buildings	1 962	–	–	–	253	–	2 215
Capitalised telematics devices	549 982	186 676	–	–	10 816	(123 771)	623 703
Computer software	4 822	806	–	–	(208)	(1 587)	3 833
Furniture and fixtures	4 009	915	(13)	–	173	(763)	4 321
IT equipment	29 279	3 975	(53)	(34)	538	(5 396)	28 309
Leasehold improvements	5 075	1 874	–	–	29	(1 535)	5 443
Motor vehicles	70 960	4 642	(2 153)	(3 623)	601	(2 517)	67 910
Office equipment	863	–	–	–	286	(99)	1 050
Plant and machinery	302	806	–	–	14	(458)	664
Right-of-use assets	38 139	14 876	(1 236)	–	4 037	(9 974)	45 842
Security equipment	581	59	(315)	–	12	(53)	284
	705 974	214 629	(3 770)	(3 657)	16 551	(146 153)	783 574

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the period ended 31 August 2019

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – August 2018 restated

Figures in Rand thousands	Opening balance as previously reported	IFRS 15	IFRS 16	Opening balance restated	Additions	Disposals	Re-classifications	Translation adjustments	Depreciation	Total
Buildings	4 287	–	–	4 287	–	–	(1 967)	422	(243)	2 499
Capitalised telematics devices**	427 373	(58 796)	–	368 577	214 902	–	–	30 371	(89 019)	524 831
Computer software	4 520	–	–	4 520	1 486	–	198	3	(1 035)	5 172
Furniture and fixtures	2 933	–	–	2 933	1 241	(14)	410	234	(673)	4 131
IT equipment	13 452	–	–	13 452	4 965	(70)	(135)	180	(4 302)	14 090
Leasehold improvements	1 125	–	–	1 125	1 822	–	2 999	96	(1 033)	5 009
Motor vehicles	60 861	–	–	60 861	33 272	(312)	(1 616)	3 376	(8 886)	86 695
Office equipment	498	–	–	498	637	–	46	28	(278)	931
Plant and machinery	697	–	–	697	205	–	(147)	47	(237)	565
Right-of-use assets***	–	–	34 128	34 128	8 679	–	–	4 392	(7 050)	40 149
Security equipment	299	–	–	299	126	–	212	–	(76)	561
	516 045	(58 796)	34 128	491 377	267 335	(396)	–	39 149	(112 832)	684 633

Reconciliation of property, plant and equipment – February 2019

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

** In terms of IFRS 15, contract assets (refer to note 6 are disclosed separately. The costs capitalised to contract assets were previously capitalised to 'Capitalised telematics devices' (previously '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.

Assets subject to instalment sale agreements

The carrying value of assets subject to instalment sale agreements is as follows:

Figures in Rand thousands	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited
Motor Vehicles	72 762	84 000	70 530

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the period ended 31 August 2019

6. Contract assets

	August 2019 – Unaudited			August 2018 – Restated*			February 2019 – Audited		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Costs to obtain a contract – sales commission	209 742	(82 230)	127 512	120 314	(37 888)	82 426	178 330	(69 783)	108 547

* Refer to note 3 regarding the restated figures.

Reconciliation of contract assets – August 2019

Figures in Rand thousands	Opening balance	Additions	Translation adjustments	Depreciation	Total
Costs to obtain a contract – sales commission	108 547	31 856	1 638	(14 529)	127 512

Reconciliation of contract assets – August 2018 restated

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 commission	–	58 796	58 796	33 351	(2 068)	(7 653)	82 426

Reconciliation of contract assets – February 2019

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 commission	–	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 'Capitalised telematics devices' (previously 'Capital rental units') 'Property, Plant and equipment' and under IFRS 15 these costs have been capitalised to contract assets.

7. Intangible assets

	August 2019 – Unaudited			August 2018 – Restated*			February 2019 – Audited		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Product development costs	26 714	(3 434)	23 280	–	–	–	13 636	–	13 636

In the interim period, staff costs of 11 412 000 (February 2019: R13 636 000) have been capitalised to product development costs with regard to the development of new generation telematics hardware and platform software which deployed.

Reconciliation of intangible assets – August 2019

	Opening balance	Additions	Translation adjustments	Depreciation	Total
Product development costs	13 636	11 412	1 507	(3 275)	23 280

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the period ended 31 August 2019

8. Inventory

Figures in Rand thousands	August 2019 Unaudited	August 2018 Restated	February 2019 Audited
Uninstalled tracking units	109 996	86 791	119 527
Components	56 117	79 671	58 844
Work in progress	15 674	9 917	12 762
Consumables	22 468	13 331	15 695
	204 255	189 710	206 828
Allowance for obsolete inventory	(804)	(783)	(802)
	203 451	188 927	206 026

During the period, no inventory (February 2019: R10 230 098; August 2018: R5 112 068) was recognised as an expense for inventories carried at net realisable value.

During the period, inventory with a carrying value of R 36 176 000 (February 2019: R119 509 619; August 2018: R42 030 000) was recognised in cost of sales.

9. Trade and other receivables

Figures in Rand thousands	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited
Trade receivables	223 128	204 929	221 956
Expected credit loss provision	(50 344)	(48 883)	(43 670)
	172 784	156 046	178 286
Prepayments	18 645	21 236	21 420
Deposits	4 501	3 983	3 964
Sundry debtors	8 496	13 561	9 218
Value added tax	605	991	2 701
	205 031	195 817	215 589

Loans and receivables

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

The determination of the expected credit loss provision is calculated on a basis specific to each customer grouping and jurisdiction in which the group operates and requires significant judgement.

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

Figures in Rand thousands	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited
Opening balance	(43 670)	(30 382)	(30 382)
Increase in allowance for expected credit losses**	(31 557)	(31 185)	(69 091)
Amounts utilised	24 883	12 684	55 803
Closing balance	(50 344)	(48 883)	(43 670)

Note

* Refer to note 3 for additional information regarding the restated figures.

** Increase in allowance for expected credit losses disclosed in the consolidated statement of profit or loss is shown as net of bad debts recovered.

10. Cash and cash equivalents

Figures in Rand thousands	August 2019 Unaudited	August 2018 Restated	February 2019 Audited
Cash and cash equivalents consist of:			
Cash on hand	258	302	276
Bank Balances	140 811	51 681	51 630
Bank overdrafts	—	(256 630)	(13 762)
	141 069	(204 647)	38 144
Current assets	141 069	51 983	51 906
Current liabilities	—	(256 630)	(13 762)
	141 069	(204 647)	38 144

Refer to note 19 for information on the various facilities available to the Group.

11. Amounts received in advance

Figures in Rand thousands	August 2019 Unaudited	August 2018 Restated	February 2019 Audited
Opening balance	80 377	74 113	74 113
Revenue deferred in current year	109 506	101 762	129 477
Revenue recognised in current year	(74 066)	(102 134)	(129 202)
Translation adjustments	4 782	8 940	5 989
Total	120 599	82 681	80 377
Non-current liabilities	23 321	—	—
Current liabilities	97 278	82 681	80 377
	120 599	82 681	80 377

12. Term loans

Figures in Rand thousands	August 2019 Unaudited	August 2018 Restated	February 2019 Audited
Rand Merchant Bank Limited	167 400	—	215 421
Caixa Geral de Depositos S.A	22 677	—	23 869
Total	190 077	—	239 290
Less: Short term portion	(5 095)	—	(20 525)
	184 982	—	218 765

Rand Merchant Bank has provided a term loan facility of R300 million to Cartrack Proprietary Limited. The facility attracts 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 facility in the 12 months from the balance sheet date. Early repayment is at the option of Cartrack Proprietary Limited. The 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 Limited 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 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the period ended 31 August 2019

13. Revenue

A. Revenue streams

The Group generates revenue from the provision of mobility solutions on a subscription-based model.

Figures in Rand thousands	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited
Revenue from contracts with customers			
Subscription revenue	896 760	710 433	1 520 540
Hardware revenue	33 264	53 754	126 299
Installation revenue	679	1 099	2 578
	930 703	765 286	1 649 417
Other revenue – Miscellaneous rental contract fees	7 456	23 052	43 291
Total revenue	938 159	788 338	1 692 708

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.

	Subscription revenue			Hardware revenue			Installation revenue			Miscellaneous rental contract fees			Total		
Figures in Rand thousands	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited	August 2019 Unaudited	August 2018 Restated*	February 2019 Audited
Primary geographical markets															
South Africa	655 137	518 840	1 116 829	20 326	45 736	84 351	415	935	1 721	6 583	21 850	42 845	682 461	587 361	1 245 746
Africa – Other	53 875	50 540	97 605	5 425	6 300	17 459	111	129	356	255	91	217	59 666	57 060	115 637
Europe	80 850	67 331	142 204	2 811	267	5 207	57	5	107	–	–	74	83 718	67 603	147 592
Asia-Pacific and Middle East	105 036	71 724	159 997	4 671	1 451	19 282	95	30	394	595	1 111	70	110 397	74 316	179 743
USA	1 862	1 998	3 905	31	–	–	1	–	–	23	–	85	1 917	1 998	3 990
	896 760	710 433	1 520 540	33 264	53 754	126 299	679	1 099	2 578	7 456	23 052	43 291	938 159	788 338	1 692 708
Timing of revenue recognition															
Products transferred at a point in time	–	–	–	33 264	53 754	126 299	679	1 099	2 578	7 456	23 052	43 291	41 399	77 905	172 168
Products and services transferred over time	896 760	710 433	1 520 540	–	–	–	–	–	–	–	–	–	896 760	710 433	1 520 540
Total revenue	896 760	710 433	1 520 540	33 264	53 754	126 299	679	1 099	2 578	7 456	23 052	43 291	938 159	788 338	1 692 708

Note

* Refer to note 3 for additional information regarding the restated figures.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the period ended 31 August 2019

14. Operating profit

Operating profit is stated after accounting for the following charges:

Figures in Rand thousands	Notes	August 2019 Unaudited*	August 2018 Restated	February 2019 Audit
Operating profit is stated after accounting for the following charges:				
Auditor remuneration		3 556	1 685	4 841
– Current year (Deloitte)		3 075	–	3 502
– Current year (Other auditors)		481	1 685	1 339
Depreciation of property, plant and equipment	5	146 153	83 936	238 515
Depreciation of contract assets	6	14 529	7 653	22 996
Operating lease charges – premises, vehicles and equipment		12 296	10 929	27 814
Write down of inventory to net realisable value	8	–	5 112	10 230
Research and development		22 980	35 388	48 284
Employee costs		168 607	175 077	356 910
Operating expenses is made up as follows:		315 970	336 101	669 197
Sales and marketing		82 022	72 162	177 351
Administration and other		233 948	263 939	491 846

15. Related parties

Relationships	
Related parties	
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 PHLINC
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 – Autoclub Lda
Cartrack Mozambique LDA	IJ Calisto has a beneficial interest in this company
CFC Sp.Zo.O	B.Debbski is a director
Prime Business B.Debbski	B.Debbski is a director
Karoo Pvt Limited	IJ Calisto has a beneficial interest in this company
Found Proprietary Limited (Previously Plexique Proprietary Limited)*	BEE funded company – Cartrack Proprietary Limited
Veraspan Proprietary Limited	Holding company – Found Proprietary Limited

* From 1 March 2019 Found Proprietary Limited (previously Plexique Proprietary Limited) is no longer a subsidiary as Cartrack Proprietary Limited has disposed of 100% of its interest in the share capital of Found Proprietary Limited to Veraspan Proprietary Limited. Cartrack has a 49% interest in Veraspan Proprietary Limited which is a start-up company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the period ended 31 August 2019

15. Related parties (continued)

	Relationships
Subsidiary companies	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 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 Portugal S.A. PT. Cartrack Technologies Indonesia Cartrack Technologies (Thailand) Company Ltd Cartrack Technologies LLC Cartrack INC. Cartrack Ireland Limited Cartrack New Zealand Limited Auto Club LDA

15. Related parties (continued)

Figures in Rand thousands	August 2019	August 2018	February 2019
Related party balances			
Loan accounts – owing (to)/by related parties			
AH Nyimbo	307	863	–
Pro-Fit Fitment Centre Proprietary Limited	200	200	–
Cartrack Education Fund (NPO)	13	–	200
J Marais	–	(1 081)	13
J De Wet	(5 645)	(5 675)	(5 551)
P Lim	(2 472)	(2 105)	(2 151)
J Marais	–	(264)	–
Onecell Proprietary Limited	–	(29)	(14)
	(7 597)	(8 091)	(7 503)
Amounts included in trade receivables/(trade payables) regarding related parties			
Trade receivables			
Onecell Proprietary Limited	5 485	6 136	6 664
Pro-Fit Fitment Centre Proprietary Limited	–	4 755	–
Onecell Holdings Proprietary Limited	3	3	3
Trade payables			
Onecell Proprietary Limited	–	(42)	(52)
Onecell Community Services Proprietary Limited	–	(261)	(339)
Purple Rain Properties No. 444 Proprietary Limited	(1 397)	(411)	–
Onecell Holdings Proprietary Limited	–	–	(21)
Brick Capital LDA	(2 364)	–	–
	1 727	10 180	6 255
Related party transactions			
Sales to related parties			
Onecell Proprietary Limited	(412)	(894)	(4 042)
CFC.Sp.Zo.O	–	(54)	(114)
Brick Capital Polska SP. ZO.O	–	–	(1)
Prime Business B. Debski	–	–	(44)
	(412)	(948)	(4 201)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the period ended 31 August 2019

15. Related parties (continued)

Figures in Rand thousands	August 2019	August 2018	February 2019
Purchases from related parties			
Onecell Holdings Proprietary Limited	130	–	208
Onecell Proprietary Limited	38	685	467
CFC.Sp.Zo.O	–	2 680	7 601
Prime Business B. Debski	–	–	148
Onecell Community Services Proprietary Limited	726	75	–
Onecell Community Phones Proprietary Limited	309	915	1 819
Found Proprietary Limited	20 118	–	–
Pro-Fit Fitment Centre Proprietary Limited	–	–	–
	21 321	4 355	10 243
Rent paid to related parties			
Purple Rain Properties No. 444 Proprietary Limited	8 588	7 832	17 613
Prime Business B. Debski	488	532	836
Brick Capital Lda	–	2 114	3 921
Brick Capital Polska Sp.Zo.o	833	787	1 694
	9 909	11 265	24 064

16. Analysis of assets and liabilities by financial instrument classification

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

Figures in Rand thousands	Loans and receivables at amortised cost	Non-financial instruments	Total
At 31 August 2019			
Financial assets			
Loans to related parties	520	–	520
Trade and other receivables	185 781	19 250	205 031
Cash and cash equivalents	141 069	–	141 069
	327 370	19 250	346 620
Financial liabilities			
Term loans	190 077	–	190 077
Loans from related parties	8 117	–	8 117
Lease obligation	108 029	–	108 029
Trade and other payables	133 083	21 699	154 782
Amounts received in advance	120 599	–	120 599
	559 905	21 699	581 604

16. Analysis of assets and liabilities by financial instrument classification (continued)

Figures in Rand thousands	Loans and receivables at amortised cost	Non-financial instruments	Total
At 31 August 2018			
Financial assets			
Loans to related parties	1 063	–	1 063
Trade and other receivables	173 590	22 227	195 817
Cash and cash equivalents	51 983	–	51 983
	226 636	22 227	248 863
Financial liabilities			
Loans from related parties	9 154	–	9 154
Lease obligation	112 920	–	112 920
Trade and other payables	108 454	15 635	124 089
Bank overdraft	256 630	–	256 630
Amounts received in advance	82 681	–	82 681
	569 839	15 635	585 474
At 28 February 2019			
Financial assets			
Loans to related parties	213	–	213
Trade and other receivables	191 468	24 121	215 589
Cash and cash equivalents	51 906	–	51 906
	243 587	24 121	267 708
Financial liabilities			
Term 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
	594 889	18 698	613 587

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the period ended 31 August 2019

17. Earnings per share information

17.1 Basic earnings per share

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.

Figures in Rand thousands	August 2019 Unaudited	August 2018 Restated*	February 2019 Audit
Basic earnings per share			
Basic earnings per share (cents)	72,3	56,4	116,4
Weighted average number of ordinary shares ('000)			
Issued at the beginning of the year	300 000	300 000	300 000
Effect of treasury shares held	(1 234)	(1 234)	(1 234)
	298 766	298 766	298 766
Basic earnings			
Profit attributable to ordinary shareholders	215 941	168 504	347 806
17.2 Headline earnings per share			
The calculation of headline earnings per share has been based on the profit attributable to ordinary shareholders computed in terms of SAICA circular 04/2018 and the weighted average number of ordinary shares in issue as determined above in basic earnings per share section.			
Headline earnings per share (cents)	72,2	56,4	115,8
Reconciliation between basic earnings and headline earnings			
Basic earnings	215 941	168 504	347 806
Adjusted for			
Profit on disposal of property, plant and equipment net of tax	(356)	(88)	(1 697)
	215 585	168 416	346 109

Note

* Refer to note 3 for additional information regarding the restated figures.

17.3 Diluted earnings per share

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

18. Commitments

There are no capital commitments after period-end.

19. Funding Facilities

Rand Merchant Bank Limited has provided a term loan facility of R300 million to Cartrack Proprietary Limited. At 31 August 2019 R167.4 million (February 2019: R215.4 million, August 2018: R nil) of the facility was utilised.

The loan from Caixa Geral de Depositos S.A is a Euro denominated loan payable in equal instalments over a 5 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 (February 2019: R50 million, August 2018: R80 million) to Cartrack Manufacturing Proprietary Limited. Cartrack Proprietary Limited has provided a limited suretyship in favour of Mercantile Bank Limited for this facility. At 31 August 2019 none (February 2019: R13.7 million; August 2018 R49.9 million) was utilised.

Mercantile Bank Limited has provided Found (previously Plexique Proprietary Limited) with an instalment credit facility agreement of R15 million (February 2019: R15 million; August 2018: R5million). Cartrack Proprietary Limited has provided limited suretyship in favour of Mercantile Bank Limited for this facility. At 31 August 2019 R2 million (February 2019: R3 million; August 2018: R3 million) was utilised.

20. Events after reporting date

Dividends of 20 cents per share will be declared and paid on 13 January 2020.

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.

21. Minority offer

On 1 March 2019 One August Holdings (Pty) Ltd had entered into an agreement to dispose of 204 500 000 Cartrack shares to Karoo (Pvt) Ltd ("Karoo"), which agreement was implemented on 18 July 2019. Upon implementation, Karoo held in excess of 35% of the issued share capital of Cartrack. In consequence, a mandatory offer in terms of section 123 of the Companies Act was triggered and Karoo had to extend an unconditional cash offer to Cartrack minority shareholders at a price of R13.44 per Cartrack share (the "Offer").

The sole shareholder and director of Karoo is IJ Calisto.

A combined Offer circular to Cartrack shareholders containing full details in respect of the Offer and incorporating the Independent Board's view of the Offer and the Offer consideration was posted to Cartrack shareholders on Thursday, 22 August 2019. The Offer opened on Friday, 23 August 2019 and closed on Friday, 4 October 2019. The results of the Offer was announced on SENS on Monday, 7 October 2019.

Shareholders were advised that the offer was accepted in respect of 28,943 Cartrack Holdings shares, comprising 0.001% of Cartrack issued share capital. Karoo owns 68.18% of the issued share capital of Cartrack.

CORPORATE INFORMATION

Registered office

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

Directors*

Independent Non-Executive Directors

David Brown (Independent Chairman)
Thebe Ikalafeng
Kim White
Sharoda Rapeti

Executive Directors

Isaias Jose Calisto (Group Chief Executive Officer)
Morne Grundlingh (Group Chief Financial Officer)

**There has been no changes to the Board during the period.*

Company Secretary

Annamè de Villiers
Cartrack Corner
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Rosebank
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2196
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Sponsor

The Standard Bank of South Africa Limited
30 Baker Street
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Transfer Secretary

Computershare Investor Services Proprietary Limited
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