CARTRACK
PUTTING YOU IN CONTROL

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 2019

FOR THE SIX MONTHS ENDED 31 AUGUST 2018

CONTENTS

SALIENT FEATURES

28%

- Robust subscriber growth of 28% to 849,772
- Annuity revenue up 27% to R710 million

27%

- Annuity revenue is 93% of total revenue
- Total revenue up 22% to R766 million

29%

- EBITDA of R384 million, up 29%
- EBITDA margin of 50% up from 47%

50%

- Operating margin of 34%, up from 32% despite continued investment for growth
- Basic earnings per share ("EPS") of 57,9 cents, up 24%
- Headline EPS ("HEPS") of 57,8 cents, up 25%

25%

- Return on equity of 55%

55%

- Interim dividend per share of 18 cents
- Cash generated from operating activities of R262 million, up 47%

COMMENTARY

GROUP PROFILE

Cartrack is a leading global provider of data analytic solutions for mobile asset management, asset recovery and workforce optimisation based on a proven Software-as-a-Service platform ("SaaS"). Fleet Management ("Fleet"), Stolen Vehicle Recovery ("SVR") and insurance telematics remain its primary offerings. The annuity-based model is underpinned by real-time actionable business intelligence that is delivered as Software-as-a-Service. Cartrack is also renowned for developing innovative, first-to-market solutions that are aimed at further enhancing the Cartrack customer experience.

Cartrack, with an active subscriber base of more than 849,772, ranks amongst of the largest telematics companies globally. The Group's impressive growth since its inception in 2004 has resulted in the development of an extensive footprint in 24 countries across Africa, Europe, North America, Asia Pacific and the Middle East.

Cartrack's success is attributed to its status as a service-centric organisation that focuses on the in-house design, development, production and installation of telematics technology and data analytics products.

The Group's technology is widely accepted by motor manufacturers and insurers. Cartrack's customer telematics web interface provides a comprehensive set of features, thereby ensuring the optimisation of its customers' fleet and human resources. As an expansion of its integrated service offering, Cartrack also provides driver risk-assessment offerings in the insurance telematics field.

Cartrack is a leader in the area of vehicle tracking and recovery, with an industry-leading audited recovery rate of 91% as of 28 February 2018, reflecting the superior quality of its technology and services.

CARTRACK'S VISION AND MISSION

Cartrack's vision is to provide the global technology platform of choice for users seeking intelligent data.

Cartrack's mission is to understand its customers' and partners' needs for smart-transportation and to fulfil these needs through advanced data management and outstanding customer service.

NEW REPORTING STANDARDS

The HY19 results are the first set of interim results of the Group where the new IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases will be applied. Most significantly, 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 therefore depreciate these capitalised costs over a period of between 12 to 60 months. Similarly, revenue is recognised over a period of between 12 to 60 months, irrespective of whether it is a rental or a cash sale. This is now in line with the expected life cycle of an active unit.

With the adoption of the new accounting standards comparisons to HY18 are not entirely analogous. However, the new accounting standards better align the reporting of Cartrack's results to its competitors and will allow for substantially improved year-on-year comparisons due to depreciation now aligning revenue over the life expectancy of the installation. The previous accounting standards did not adequately align revenue with associated costs and depreciation and hence distorted year-on-year profit comparisons for high-growth companies like Cartrack.

GROUP PERFORMANCE

Cartrack delivered strong interim results with EPS increasing by 24% (FY18: 17% and HY18: 21%). These robust results were achieved due to strong subscriber and annuity revenue growth, while maintaining industry-leading operating profit and EBITDA margins of 34% (FY18: 33% and HY18: 32%) and 50% (FY18: 49% and HY18: 47%), respectively.

The Group achieved subscriber growth of 28% (FY18: 25% and HY18: 21%), with the number of subscribers increasing from 666,422 to 849,772. The Group continues to maintain a strong order book while focusing efforts on research and development, customer experience and distribution.

Annuity revenue now represents 93% of total revenue and increased by 27%.

Notwithstanding the substantial increase in investing for future growth, operating profit increased from R200,1 million to R263,4 million. Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") increased by 29% from R297,1 million to R383,9 million.

Cartrack has strong predictable future annuity revenue as 73% of the subscriber base joined Cartrack in the past 36 months. This high percentage is primarily due to the increased investment in distribution in order to meet demand. In terms of the old accounting standards, the accelerated growth negatively impacted on margins. However, this will largely be ironed out by the adoption of the new accounting standards.

EPS increased by 24% to 57,9 cents (HY18: 21% to 46,6 cents). HEPS increased by 25% to 57,8 cents (HY18: 46,2 cents). Return on equity of 55% (HY18: 58%) and return on assets of 27% (HY18: 33%) indicate that capital was efficiently applied across the Group.

As the demand for telematics data continues to increase, there will be lucrative growth opportunities to market across all channels and in each operating region. As such, opportunities to develop further vertically aligned revenue streams remain at the forefront of Cartrack management's short and medium-term strategy.

SEGMENT OVERVIEW

South Africa

The South Africa segment delivered particularly strong results, with annuity revenue increasing by 26% from R410,4 million to R518,8 million (HY18: 19%) and subscribers grew by 30% (HY18: 19%) over the same period. The primary contributors to this organic growth were the realisation of a strong sales pipeline, investment in operating capacity and an effective distribution strategy.

In line with expectations, the sales mix in HY19 as in FY18 shifted to include significantly more rental sales than cash sales.

The South African market remains underpenetrated in both the corporate and consumer segments, despite South Africa having one of the highest telematic penetration rates in the world.

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

The South Africa segment is expected to deliver stronger bottom-line results in the next 18 months as it is currently deploying an upgraded proprietary customer-centric platform which allows for improved efficiencies to deal with the current accelerated growth.

Africa

The Africa segment delivered a resilient performance, notwithstanding sluggish regional economic performance. It also continues to play a critical role in ensuring a high cross-border stolen vehicle recovery rate and improved service to customers who engage in cross-border travel.

The subscriber base in Africa decreased by 2%, while annuity revenue increased by 7% from R47,2 million to R50,5 million, primarily as a result of a weaker rand. If exchange rates had remained unchanged, revenue would be flat.

Financial hardship experienced by consumers and commercial customers alike is the major factor contributing to the lacklustre sales levels. However, Cartrack has reason to believe that sales will increase in the near future owing to the investment in local talent.

The segment remains profitable and generates strong positive cash flows.

Europe

The Europe segment delivered strong subscriber growth of 23% (HY18: 24%), largely as a result of an investment in distribution and operating capacity over the past two years. The annuity revenue increased by 28% from R52,8 million to R67,3 million.

The continued investment in distribution and operating capacity for future growth led to a consistent year-on-year operating profit of R9,2 million.

Europe presents lucrative growth opportunities to provide telematics offerings and related value-added services and Cartrack is now well positioned to capitalise on these opportunities.

Asia Pacific

Asia Pacific is now the second largest segment in the Group based on revenue contribution, with the annuity revenue up 54% from R46,7 million to R71,7 million (HY18: 112%). These results are due to an increase in subscribers of 43% (HY18: 122%).

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

USA

The investment to date has largely been in research and development, which has been expensed in terms of the Group Policy.

Cartrack is experiencing delays in fully rolling out its services in the region primarily due to unforeseen delays in the development of the machine-to-machine devices that operate on the USA 4G frequency spectrum.

The good news is that Cartrack has now completed the development of both the machine-to-machine devices and a sophisticated electronic logging device ("ELD"). Cartrack is now positioned to roll out in the USA and to capitalise on the 3G sunset which is expected to occur in 2020. The vast majority of the existing competitors' subscribers are currently using 3G machine-to-machine devices which will soon be obsolete.

Annuity revenue was R2,0 million from 1,400 subscribers in HY19.

MANAGING OUR BALANCE SHEET

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

The higher levels of rental sales and the corresponding increase in capitalised rental units, planned and continued investment in distribution and operating capacity of the Group, as well as the increase in inventory levels to ensure the uninterrupted realisation of the sales pipeline, have resulted in the reinvestment of cash flows generated from operating activities.

Cartrack has received a term sheet from a respected South African bank for a 5-year term facility of R600 million to finance the capitalisation of customer acquisition costs derived from organic growth.

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

OUTLOOK[2]

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

Cartrack's commitment to an eco-system platform for connected-cars that is vehicle brand agnostic has been reconfirmed by its experimentation in smart-mobility in partnership with two of the world's leading companies offering pay-as-a-service transportation. Cartrack views this development as a strengthening of telematics companies' value proposition, particularly those companies with stable, proven and dynamic platforms that will be able to provide decision-useful information to customers in the future by leveraging both Original Equipment Manufacturer and third-party telematics devices.

Increasingly, customers are relying on the telematics market to optimise business intelligence relating to assets and people on a global scale. Cartrack will continue to evolve as a more integral part of its current and future customers' lives.

Achieving this aim will require a continued and deliberate investment in technology, information management, human resources and in the distribution and operating capacity of current and new markets. Cartrack has in the past looked at possible market consolidation opportunities. In the past 18 months Cartrack decided to focus on growing the business organically, unless an attractive opportunity comes along.

It should be noted that the South African market remains underpenetrated, with many opportunities available to provide customer-centric solutions to individuals, customers and fleets alike.

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

BASIS OF ACCOUNTING

Grant Thornton, the Group's independent auditor, has reviewed the condensed consolidated interim financial information for the period ended 31 August 2018 (pages 46 to 67) and have expressed an unmodified review conclusion thereon. A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial information identified in the auditor's report. The auditor's review report does not necessarily report on all the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's review report together with the accompanying financial information from the Company's registered office.

The directors take full responsibility for the preparation of these financial results.

The condensed consolidated interim financial statements were prepared under the supervision of Morné Grundlingh CA(SA), ACA and present a summary of the complete set of reviewed consolidated interim financial statements of Cartrack as approved on 30 October 2018. The complete set of reviewed consolidated financial statements is available at www.cartrack.com and at Cartrack's registered office for inspection. The directors take full responsibility and confirm that the condensed information has been correctly extracted from the consolidated interim financial statements.

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.

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

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.

DIVIDEND DECLARATION

Ordinary shareholders are advised that the Board of directors has declared an interim gross cash dividend of 18 cents (HY18: 18 cents) per ordinary share (14,4 cents net of dividend withholding tax) for the six months ended 31 August 2018 (the cash dividend). The cash dividend will be paid out of profits of the Company.

Share code	CTK
ISIN	ZAE000198305
Company registration number	2005/036316/06
Company tax reference number	9108121162
Dividend number	9
Gross cash dividend per share	18 cents
Issued share capital as at declaration date	300 000 000
Declaration date	Wednesday, 31 October, 2018
Last date to trade cum dividend	Tuesday, 4 December 2018
Shares commence trading ex-dividend	Wednesday, 5 December 2018
Record date	Friday, 7 December 2018
Dividend payment date	Monday, 10 December 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 December, 2018, and Friday, 7 December, 2018, both days inclusive.

TAX IMPLICATIONS

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

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

On behalf of the Board

David Brown
Chairman

Zak Calisto
Global Chief Executive Officer

Johannesburg
31 October 2018

Sponsor
The Standard Bank of South Africa Limited

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
Balance at 28 February 2018 (audited)		42 488	(41 311)	(12 105)
Adjustment on initial application of IFRS 15 (net of tax)	2.1	–	–	–
Adjustment on initial application of IFRS 16 (net of tax)	2.3	–	–	–
Other comprehensive income on initial application of IFRS 15	2.1	–	**668**	–
Other comprehensive income on initial application of IFRS 16	2.3	–	**166**	–
Total adjustment on initial application of IFRS15 and IFRS16		–	**834**	–
Balance at 1 March 2018 (restated)		**42 488**	**(40 477)**	**(12 105)**
Profit 1 March 2018 to 31 August 2018		–	–	–
Other comprehensive income 1 March 2018 to 31 August 2018		–	**58 094**	–
Total comprehensive income for the six months: 1 March to 31 August 2018		–	**58 094**	–
Dividends 1 March 2018 to 31 August 2018		–	–	–
Total contributions by and distribution to owners of Company recognised directly in equity		–	–	–
Balance at 31 August 2018		**42 488**	**17 617**	**(12 105)**

	Total reserves	Retained earnings	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
	(53 416)	601 224	590 296	10 125	600 421
	–	42 399	42 399	(1 115)	41 284
	–	(3 201)	(3 201)	(116)	(3 317)
	668	–	668	366	1 034
	166	–	166	92	258
	834	39 198	40 032	(773)	39 259
	(52 582)	640 422	630 328	9 352	639 680
	–	172 856	172 856	5 439	178 295
	58 094	–	58 094	2 336	60 430
	58 094	172 856	230 950	7 775	238 725
	–	(83 646)	(83 646)	(10 774)	(94 420)
	–	(83 646)	(83 646)	(10 774)	(94 420)
	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.*

NOTES TO THE CONDENSED REVIEWED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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 disaggregated 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 is 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 March 2018.

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 previously as 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)	18819	(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.*

NOTES TO THE CONDENSED REVIEWED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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
Segment report – 31 August 2018 (Reviewed)		
Revenue	**566 881**	**55 681**
EBITDA	**316 238**	**23 110**
Total tangible assets	**1 124 895**	**145 000**
Total liabilities	**673 193**	**109 681**
Goodwill		
Total equity		
Segment report – 31 August 2017 (Unaudited)		
Revenue	469 932	53 013
EBITDA	243 067	19 122
Total tangible assets	502 820	88 373
Total liabilities	289 471	40 602
Goodwill		
Total equity		

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

	Europe	Asia Pacific and Middle East	USA	Total
	67 641	**73 550**	**1 998**	**765 751**
	26 427	**20 890**	**(2 762)**	**383 903**
	173 085	**160 215**	**7 532**	**1 610 727**
	84 779	**91 909**	**84**	**959 646**
				132 904
				783 985
	54 559	52 129	233	629 866
	29 819	8 920	(3 782)	297 146
	120 949	107 673	7 690	827 505
	51 096	44 889	1 030	427 088
				117 467
				517 884

NOTES TO THE CONDENSED REVIEWED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Figures in rand thousands	31 August 2018 Cost	Accumulated depreciation	Carrying value
4. PROPERTY, PLANT AND EQUIPMENT			
Buildings	4 401	(1 902)	2 499
Capital rental units	1 301 458	(487 604)	813 854
Computer software	7 893	(2 721)	5 172
Furniture and fixtures	9 454	(5 323)	4 131
IT equipment	36 828	(22 738)	14 090
Leasehold improvements	12 938	(7 929)	5 009
Motor vehicles	124 642	(37 947)	86 695
Office equipment	5 079	(4 148)	931
Plant and machinery	2 783	(2 218)	565
Right-of-use assets	147 953	(75 029)	72 924
Security equipment	1 024	(463)	561
Total	1 654 453	(648 022)	1 006 431

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

Figures in rand thousands	31 August 2018 Cost	Accumulated amortisation	Carrying value
6. GOODWILL			
Goodwill	132 904	–	132 904

Reconciliation of movement in Goodwill

Figures in rand thousands	South Africa	Africa	Europe
Balance 1 March 2018	1 656	55 980	5 876
Revaluation	–	15 627	8 700
Additions	250	–	–
Closing balance at 31 August 2018	1 906	71 607	14 576

	28 February 2018		
	Cost	Accumulated depreciation	Carrying value
	6 592	(2 305)	4 287
	761 803	(334 430)	427 373
	5 939	(1 419)	4 520
	7 314	(4 381)	2 933
	35 865	(22 413)	13 452
	5 333	(4 208)	1 125
	91 964	(31 103)	60 861
	3 667	(3 169)	498
	2 166	(1 469)	697
	–	–	–
	805	(506)	299
	921 448	(405 403)	516 045

	28 February 2018		
	Cost	Accumulated amortisation	Carrying value
	–	–	–
	–	–	–

	28 February 2018		
	Cost	Accumulated amortisation	Carrying value
	107 597	–	107 597

	Asia	Total
	44 085	107 597
	730	25 057
	–	250
	44 815	132 904

NOTES TO THE CONDENSED REVIEWED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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.

NOTES TO THE CONDENSED REVIEWED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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 EUR1,4 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.

CORPORATE INFORMATION

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Thebe Ikalafeng
Sharoda Rapeti
Kim White

Executive directors
Isaias Jose Calisto (global chief executive officer)
Morné Grundlingh (global chief financial officer)

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