CARTRACK
PUTTING YOU IN CONTROL

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2017

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Cartrack Holdings Limited is an investment holding company operating principally within the telematics industry
Directors	IJ Calisto (executive) JR Edmeston (executive) DJ Brown (non-executive) AT Ikalafeng (non-executive) K White (non-executive)
Registered office	Cartrack Corner Corner Jan Smuts & 7th Avenue Rosebank, Johannesburg South Africa 2196
Business address	Cartrack Corner Corner Jan Smuts & 7th Avenue Rosebank, Johannesburg South Africa 2196
Postal address	PO Box 4709 Rivonia 2128
Holding company	Onecell Holdings Proprietary Limited Incorporated in South Africa
Bankers	First National Bank – a division of FirstRand Bank Limited Mercantile Bank Limited Nedbank Limited Standard Bank Limited
Auditors	Grant Thornton Johannesburg Partnership Chartered Accountants (SA) Registered Auditors A South African member firm of Grant Thornton International
Secretary	A De Villiers
Company registration number	2005/036316/06

INDEX

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

Level of assurance

These consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Preparer

F Hassim CA(SA)

Group reporting accountant

Issued

17 May 2017

DIRECTORS' RESPONSIBILITIES AND APPROVAL

For the year ended 28 February 2017

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the group's cash flow forecast for the year to 31 May 2018 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's consolidated annual financial statements. The consolidated annual financial statements have been examined by the group's external auditors and their report is presented on pages 5 to 8.

The consolidated annual financial statements set out on pages 12 to 45, which have been prepared on the going concern basis, were approved by the board on 15 May 2017 and were signed on their behalf by:

IJ Calisto
(Executive)

JR Edmeston
(Executive)

Rosebank
15 May 2017

GROUP SECRETARY'S CERTIFICATION

For the year ended 28 February 2017

Certificate by group company secretary in accordance with Section 88(2) (e) of the Companies Act 71 of 2008.

I, Anname de Villiers, in my capacity as group company secretary, confirm to the best of my knowledge and belief, that, for the year ended 28 February 2017, Cartrack Holdings Limited has filed the returns and notices required in terms of the provisions of the Act and that all such returns and notices appear to be true, correct and up to date.

A De Villiers
Company secretary

Rosebank
15 May 2017

AUDIT COMMITTEE REPORT

For the year ended 28 February 2017

1. MANDATE AND TERMS OF REFERENCE

The audit and risk committee (ARC) operates within the boundaries of a mandate approved and reviewed annually by the board. In accordance with the requirements of the Companies Act 71 of 2008, the members of the ARC are appointed by shareholders at the annual general meeting.

The primary responsibilities of the ARC are to ensure the integrity of the financial reporting and audit processes as well as that of the internal control system and risk management process. The complete terms of reference are available on www.cartrack.com.

2. MEMBERSHIP AND MEETINGS

Members: K White (chair), DJ Brown, AT Ikalafeng.

The chief executive officer and chief financial officer attend the meetings by invitation, but do not have a vote. The internal and external auditors have unlimited access to the chair of the ARC. The ARC meets with the external auditors at least once a year without the presence of executive management. During this period the ARC met on 7 occasions.

3. INDEPENDENT EXTERNAL AUDIT

Following appointment by the shareholders at the annual general meeting, Grant Thornton Johannesburg Partnership performed an independent and objective audit on the group's annual financial statements. The financial statements are prepared in compliance with the JSE Listings Requirements, International Financial Reporting Standards (IFRS) and the Companies Act 71 of 2008. The ARC is satisfied that Grant Thornton is independent of the group and, after considering the extent of non-audit services provided by them to the company, is satisfied that their independence is not compromised.

4. INTERNAL AUDIT

The group internal audit function reports to the chairman of the ARC. The internal audit function is regarded as being sufficiently independent of the activities being audited. The internal audit plan is reviewed and adjusted on a continual basis to ensure effectiveness and is based on the relevant degree of inherent risk of the business.

5. ANNUAL REVIEWS

The ARC confirms that it has considered and satisfied itself that the current global chief financial officer, JR Edmeston, possesses the appropriate qualifications, expertise and experience required of this position. In accordance with the requirements of King III, the ARC is satisfied with the expertise, resources and experience of the company's finance function. In addition, the ARC has concluded that the risk management function and internal controls are adequate and effective.

6. CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The ARC reviewed the consolidated annual financial statements of the Cartrack group for the year ended 28 February 2017, and specifically:

- confirmed the going concern as the basis of preparation of the annual financial statements;
- ensured that the annual financial statements fairly present the financial position of the group as at the end of the period and the results of operations and cash flows for the financial period;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- reviewed the representation letter relating to the annual financial statements which was signed by management; and
- considered any problems identified that could have a material impact on the annual financial statements.

The ARC is of the view that the annual financial statements comply with the relevant provisions of the Companies Act, JSE Listings Requirements and IFRS in all material respects and fairly presents the financial position at that date, the results of its operations and the cash flows for the year.

The ARC concluded that it had achieved its objectives for the financial year and recommended the consolidated annual financial statements for the year ended 28 February 2017 to the board for approval.

K White
Chair: audit & risk committee

Rosebank
15 May 2017

Grant Thornton

Independent Auditor's Report
To the Shareholders of
Cartrack Holdings Limited

Report on the audit of the financial statements

Opinion
We have audited the consolidated financial statements of Cartrack Holdings Limited and its subsidiaries (the group) as set out on pages 12 to 45, which comprise the consolidated statement of financial position as at 28 February 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 28 February 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following key audit matters relate to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment testing	
At 28 February 2017, the Group has goodwill with carrying values of R102 million, recognised on the acquisition of various subsidiaries in previous periods. In terms of IFRS, management are required to perform an impairment test on goodwill at least annually, and are also required to perform an impairment test if indicators of impairment are identified. We have determined this is a key audit matter due to the judgement required by management in preparing a 'value-in-use' model to satisfy the impairment test. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management, as disclosed in notes 1.4, 1.16 and 4 to the annual financial statements.	In considering the appropriateness of management's judgement and estimation used in the testing of indication of impairment for the goodwill, we performed the following audit procedures: • Reviewed the model for compliance with ISA 36 Impairment of Assets • Assessed the determination of Cash Generating Units based on our understanding of how management monitors the Group's operations and makes decisions about groups of assets that generate independent cash flows • Verified the mathematical accuracy and appropriateness of the methodology applied in the underlying model and calculations • Checked the accuracy and relevance of the input data provided by management based on our knowledge of the business and industry

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Grant Thornton

	• Evaluated the cash flow projections and the process by which they were developed, compared the cash flows to the latest Board approved budgets, and assessed the historical accuracy and reasonableness of the budgeting process • Assessed the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the Group • Performed a sensitivity analysis of the key assumptions applied in the model and considered the potential impact of reasonably possible downside changes in these key assumptions.

Reasonability testing of allowance for impairment of trade receivables As disclosed in notes 1.16, 8 and 29.2.a to the financial statements, the allowance for impairment of trade receivables is considered to be a key matter that requires the application of judgement and use of subjective assumptions by management. The audit procedures on the valuation of trade receivables are evaluated at each component level and evaluated against group expectation. Component auditors are instructed to evaluate the reasonableness of the valuation of these receivables based on the specific trade debtor's circumstances. The component auditors evaluated management assumptions in determining the allowance, including by analysing the ageing and by evaluating specific trade debtor's risks.	The reasonability of the allowance for impairment of trade receivables has been tested as follows: • Verified the mathematical accuracy of the debtors age analysis • Samples were selected to confirm the existence and assessed the valuation of significant receivables as at year end by tracing to subsequent/recent receipts • Assumptions and judgements used in calculating the allowance for impairment of trade receivableswere considered for reasonability, appropriateness and consistent when compared against the previous year's and expectations • Assessed adequacy of the allowance for impairment of trade receivables • Confirmed with the Group's legal counsel concerning any litigation against debtors and their assessment of success of the claim. • Assessed the reasonableness of the methods and assumptions used by the management to estimate the allowance for credit losses. • In addition to those procedures performed locally, we have evaluated, as part of our audit procedures at Group level, the reasonableness of the valuation of receivables following the same approach. • As part of our audit, we also evaluated the adequacy of the Group's disclosures regarding the allowance for impairment of trade receivables.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements
The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Grant Thornton

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Grant Thornton has been the auditor of Cartrack Holdings Limited for six years.

Grant Thornton.

GRANT THORNTON
Registered Auditors
Practice Number: 903485E

J Barradas
Registered Auditor
Chartered Accountant (SA)

15 May 2017

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

DIRECTORS' REPORT

For the year ended 28 February 2017

The directors have pleasure in submitting their report on the consolidated annual financial statements of Cartrack Holdings Limited (Cartrack) for the year ended 28 February 2017. The company annual financial statements have not been included herein as they do not contain any significant additional information. The company annual financial statements are available on the company website: www.cartrack.com.

1. NATURE OF BUSINESS

Cartrack Holdings Limited is incorporated in South Africa and listed under the short code 'CTK' in the Business Support Services sector on the Johannesburg Stock Exchange (JSE). Cartrack is a leading global provider of fleet management (Fleet), stolen vehicle recovery (SVR) and insurance telematics services, with a focus on technology development to enhance customer experience. Cartrack already has an extensive footprint in Africa, Europe, Asia and the Middle East. During the financial year ended 28 February 2017, offices were opened in the United States of America (USA) and New Zealand, expanding its presence to 24 countries. With a base of more than 600 000 active subscribers, the group ranks among the largest telematics companies globally.

2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated annual financial statements.

Cartrack's operations across five continents have delivered strong Normalised Earnings per share results, particularly in the second half of 2017. Operating metrics remain amongst the highest in the industry with a gross profit margin of 80% (2016: 81%), operating profit margin of 32% (2016: 34%) and EBITDA margin of 46% (2016: 46%).

These results were achieved despite a number of key influencing factors:

- Severe economic challenges within the Africa-Other segment contributed to a reduction in sales volumes and profitability;
- Significant investment in the distribution and operating capacity in all segments; and
- Anticipated start-up costs for establishing the USA operation, with minimal revenue due to formal trading not yet having commenced.

The group's global subscriber base grew from 502 849 to 600 610 contracts, representing 19% growth year on year. Asia-Pacific and Europe contributed strongly with 225% and 26% subscriber growth respectively. The South African subscriber base increased by a robust 17%. However, with the challenging economic environment encountered in the rest of Africa, the Africa-Other subscriber base decreased by 2% year on year.

The group achieved subscription revenue growth of 16%, taking annuity income up to 86% of total revenue (2016 – 84%). The current estimate of subscriber longevity in the group is 64 months (2016: 60 months). Total revenue grew by 13% to R1 141 million (2016 – R1 005 million), with all operating segments contributing positively in local currency terms. Average revenue per unit (ARPU) decreased by 4% to R1 854 (2016 – R1 927) largely as a result of a stronger rand resulting in lower consolidated revenue from non-South African operations. Had the exchange rates within the group remained unchanged, ARPU would have decreased by only 2% to R1 896.

Operating profit increased by 7% to R369 million. Operating costs in South Africa increased by only 8% versus the strong revenue increase of 15%, the benefit of the increased investment in distribution channels in the prior year now coming to fruition. The severe economic headwinds experienced in the other African countries necessitated a focus on sustaining the current infrastructure and distribution channels. However, strong investment in distribution and operating capacity continued within Europe and, more particularly, within Asia-Pacific. This, together with the initial operating costs incurred in the USA, resulted in group operating expenses increasing by 12%. Cartrack is confident that these regional investments will deliver meaningful revenue growth in the short to medium term with a commensurate increase in operating profit margins.

3. SHARE CAPITAL

There have been no changes to the authorised or issued share capital during the year under review.

4. DIVIDENDS

The group's dividend policy is to consider an interim and a final dividend in respect of each financial year. The group's revised dividend policy effective from February 2017 is a dividend cover of 1,25 – 2,5 times of headline earnings per share. At its discretion, the board may consider a special dividend, depending on the need to retain funds for expansion or operating purposes.

Dividends paid to shareholders of the group during the year under review amount to R164 321 297.

Subsequent to the financial year ended 28 February 2017, a dividend has been declared in the amount of 35 cents per share, which is payable by 10 July 2017.

DIRECTORS' REPORT (CONTINUED)

For the year ended 28 February 2017

5. DIRECTORATE

The directors in office at the date of this report are as follows:

IJ Calisto (executive)	Global chief executive officer
JR Edmeston (executive)	Global chief financial officer
DJ Brown (non-executive)	Independent chairperson
AT Ikalafeng (non-executive)	Independent
K White (non-executive)	Independent

There have been no changes to the directorate for the year under review.

6. ACQUISITIONS AND NEW OPERATIONS

During the year the group acquired the full control of Cartrack North East Proprietary Limited for a cash consideration of R7 million. Refer to note 26.

The group incorporated two new entities in this financial year. Cartrack USA INC. was incorporated in June 2016 and commenced operations in September 2016, and Cartrack Ireland Limited was incorporated in August 2016. Cartrack Ireland Limited is an investment holding entity.

7. DIRECTORS' INTERESTS IN SHARES

The directors' interests in shares are set out below:

Interests in shares

Shareholders (Indirect shareholding)

	%	Indirect
IJ Calisto (executive)	68%	203 980 424
J Marais (director of associated company)	12%	36 019 576
	80%	240 000 000

8. RELATED PARTY TRANSACTIONS

The details of related party transactions are set out in note 28 of the consolidated annual financial statements.

9. HOLDING COMPANY AND SHAREHOLDING

The group's holding company is Onecell Holdings Proprietary Limited which holds 80% (2016: 80%) of the group's equity. Onecell Holdings Proprietary Limited is incorporated in South Africa.

Shareholding

The following table lists the shareholders of the group:

Shareholders spread	No of shareholders	% of shareholders	Number of shares	% of issued capital
Public shareholders (below 5%)	555	99,80	60 000 000	20,00
Non-public shareholders – (Onecell Holdings Proprietary Limited)	1	0,20	240 000 000	80,00
	556	**100,00**	**300 000 000**	**100,00**
Share range				
1 – 1 000	240	43,17	63 920	0,02
1 001 – 10 000	160	28,78	683 978	0,23
10 001 – 50 000	87	15,65	2 180 225	0,73
50 001 – 100 000	20	3,60	1 579 252	0,53
100 001 – 500 000	22	3,96	4 501 519	1,50
500 001 – 1000 000	9	1,62	6 375 423	2,13
1 000 001 and over	18	3,22	284 615 683	94,86
	556	**100,00**	**300 000 000**	**100,00**

10. EVENTS AFTER THE REPORTING PERIOD

Cartrack Technologies Asia Pte. Limited acquired 51% of the shareholding in Cartrack New Zealand Limited for 510 New Zealand dollars in April 2017, from J De Wet. The group acquired this company in order to achieve economies of scale, standardisation, integration and operational simplification in order to stimulate future growth.

11. LITIGATION STATEMENT

As at the date of this report, the directors are not aware of any existing, pending or threatened litigation proceedings which may have a material effect on the financial position of the group or any subsidiary.

12. GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

13. AUDITORS

Grant Thornton Johannesburg Partnership continued in office as auditors for the company and its subsidiaries for the year ended 28 February 2017.

At the AGM, the shareholders will be requested to reappoint Grant Thornton Johannesburg Partnership as the independent external auditors of the company and its subsidiaries for the 2018 financial year.

14. SECRETARY

The company secretary is A De Villiers.

Business address:

Cartrack Corner
Corner Jan Smuts and 7th Avenue
Rosebank, Johannesburg
South Africa
2196

15. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The consolidated annual financial statements have been authorised for issue by the directors on 15 May 2017. No authority was given to anyone to amend the consolidated annual financial statements after the date of issue.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2017

Figures in rand thousand	Notes	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	3	309 255	207 534
Goodwill	4	102 045	156 011
Deferred taxation	5	41 641	34 517
		452 941	398 062
Current assets			
Inventories	6	123 140	88 318
Loans to related parties	7	4 588	1 624
Trade and other receivables	8	151 438	128 655
Current taxation receivable		1 639	5 500
Cash and cash equivalents	9	70 078	45 181
		350 883	269 278
Total assets		803 824	667 340
EQUITY AND LIABILITIES			
Equity			
Share capital	10	42 488	42 488
Reserves		(56 656)	26 314
Retained income		461 745	375 306
Equity attributable to equity holders of parent		447 577	444 108
Non-controlling interest		14 200	16 387
		461 777	460 495
Liabilities			
Non-current liabilities			
Finance lease obligation	11	18 123	7 789
Deferred taxation	5	2 066	1 040
		20 189	8 829
Current liabilities			
Trade and other payables*	12	173 951	153 585
Loans from related parties	7	3 778	1 478
Finance lease obligation	11	12 461	6 604
Current taxation payable		47 209	26 652
Provisions for warranties*	13	6 124	5 500
Share-based payment liability	14	6 030	4 010
Bank overdraft	9	72 305	187
		321 858	198 016
Total liabilities		342 047	206 845
Total equity and liabilities		803 824	667 340

* *Provisions for warranties, previously included in trade and other payables, have been disclosed separately on the face of the Statement of Financial Position (February 2017: R6 124 000; February 2016: R5 500 000). This presentation fairly presents the financial position of the group.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 28 February 2017

Figures in rand thousand	Notes	2017	2016
Revenue	15	1 140 989	1 005 481
Cost of sales		(228 598)	(186 749)
Gross profit		912 391	818 732
Other income*		6 796	6 062
Operating expenses*	16	(550 356)	(479 988)
Operating profit		368 831	344 806
Investment revenue	17	3 962	6 256
Finance costs	18	(5 775)	(4 463)
Net non-operating foreign exchange gain	19	2 607	15 667
Profit before taxation		369 625	362 266
Taxation	20	(105 451)	(102 779)
Profit for the year		264 174	259 487
Other comprehensive income:			
Items that may be reclassified to profit or loss in future periods:			
Exchange differences on translating foreign operations		(85 716)	3 399
Other comprehensive income for the year net of taxation	21	(85 716)	3 399
Total comprehensive income for the year		178 458	262 886
Profit attributable to:			
Owners of the parent		256 895	239 674
Non-controlling interest		7 279	19 813
		264 174	259 487
Total comprehensive income attributable to:			
Owners of the parent		173 925	245 842
Non-controlling interest		4 533	17 044
		178 458	262 886
Earnings per share			
Per share information			
Basic earnings per share (cents)	32.1	86	80

* *Bad debts recovered, previously included in other income, have been included in operating expenses (February 2017: R5 949 179; February 2016: R6 029 026). This presentation fairly presents the financial performance of the group.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2017

Figures in rand thousand	Share capital	Foreign currency translation reserve	Treasury shares	Total reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance at 1 March 2015	42 488	32 251	–	32 251	285 632	360 371	13 391	373 762
Profit for the year	–	–	–	–	239 674	239 674	19 813	259 487
Other comprehensive income	–	6 168	–	6 168	–	6 168	(2 769)	3 399
Total comprehensive income for the year	–	6 168	–	6 168	239 674	245 842	17 044	262 886
Treasury shares acquired for share incentive scheme	–	–	(12 105)	(12 105)	–	(12 105)	–	(12 105)
Dividends	–	–	–	–	(150 000)	(150 000)	(14 048)	(164 048)
Total contributions by and distributions to owners of company recognised directly in equity	–	–	(12 105)	(12 105)	(150 000)	(162 105)	(14 048)	(176 153)
Balance at 1 March 2016	42 488	38 419	(12 105)	26 314	375 306	444 108	16 387	460 495
Profit for the year	–	–	–	–	256 895	256 895	7 279	264 174
Other comprehensive income	–	(82 970)	–	(82 970)	–	(82 970)	(2 746)	(85 716)
Total comprehensive income for the year	–	(82 970)	–	(82 970)	256 895	173 925	4 533	178 458
Dividends	–	–	–	–	(164 321)	(164 321)	(5 446)	(169 767)
Increase in holding of subsidiary – Cartrack North East Proprietary Limited	–	–	–	–	(6 135)	(6 135)	(865)	(7 000)
Reduction due to capital distribution in Cartrack Polska.SP.ZO.O	–	–	–	–	–	–	(409)	(409)
Total contributions by and distributions to owners of company recognised directly in equity	–	–	–	–	(170 456)	(170 456)	(6 720)	(177 176)
Balance at 28 February 2017	42 488	(44 551)	(12 105)	(56 656)	461 745	447 577	14 200	461 777
Notes	10							

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2017

Figures in rand thousand	Notes	2017	2016
Cash flows from operating activities			
Cash generated from operations	22	473 685	391 752
Interest income		3 962	6 256
Finance costs		(3 865)	(3 502)
Taxation paid	23	(87 131)	(133 120)
Net cash from operating activities		386 651	261 386
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(266 542)	(158 216)
Sale of property, plant and equipment		4 155	3 923
Acquisition of subsidiaries, net of cash acquired		–	(15)
Net cash from investing activities		(262 387)	(154 308)
Cash flows from financing activities			
Increase in loans from related parties		2 300	243
(Increase)/decrease in loans to related parties		(2 964)	3 639
Finance lease receipts/(payments)		14 281	(1 596)
Purchase of shares for share incentive scheme (treasury shares)		–	(12 105)
Dividends paid	24	(169 767)	(164 048)
Increase in holding of subsidiary – Cartrack North East Proprietary Limited		(7 000)	–
Reduction due to capital distribution in Cartrack Polska.SP.ZO.O		(409)	–
Net cash from financing activities		(163 559)	(173 867)
Total cash movement for the year		(39 295)	(66 789)
Cash at the beginning of the period		44 994	109 933
Effect of exchange rate movement on cash balances		(7 926)	1 850
Total cash at end of the year	9	(2 227)	44 994

ACCOUNTING POLICIES

For the year ended 28 February 2017

1. PRESENTATION OF GROUP FINANCIAL STATEMENTS

Reporting entity

Cartrack Holdings Limited is a company domiciled in the Republic of South Africa. These consolidated annual financial statements for the year ended 28 February 2017 comprise the company and its subsidiaries (collectively the "group" and individually "group companies"). The group is primarily involved in the design, development and installation of telematics technology, data collection and analysis and the delivery of fleet and mobile asset management solutions delivered as Software-as-a-Service (SaaS) and the tracking and recovery of vehicles.

Statement of compliance

The consolidated annual financial statements are prepared in compliance with JSE Listings Requirements, International Financial Reporting Standards (IFRS) and Interpretations of those standards, as issued by the International Accounting Standards Board (IASB), the financial reporting pronouncements as issued by the Financial Reporting Standards Council (FRSC) that are relevant to its operations and have been effective for the annual reporting period ending 28 February 2017, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the South African Companies Act 71 of 2008, as amended. The annual financial statements were approved for issue by the board of directors on 15 May 2017 and are subject to approval by the annual general meeting of shareholders, on 20 July 2017.

These accounting policies are consistent with the previous period.

Basis of measurement

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

Functional and presentation currency

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

Going concern

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

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements reflect the financial results of the group. All financial results are consolidated with similar items on a line-by-line basis.

Inter-company transactions, balances and unrealised gains and losses between entities are eliminated on consolidation. To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss of a non-current asset, that loss is charged to the income statement.

Foreign operations

On consolidation, differences arising from the translation of the net investment in a foreign operation are recognised as other comprehensive income and are included in the foreign currency translation reserve. Differences arising from the translation of loans not designated as part of a net investment are recognised as gains/(losses) in the statement of comprehensive income, but do not form part of operating profit; differences arising from the translation of trade receivables and trade payables are recognised as gains/(losses) within operating profit.

On disposal of all or part of the ownership interest in the foreign operation, the proportionate share of the related cumulative gains and losses previously recognised in the foreign currency translation reserve through the statement of comprehensive income are included in determining the profit or loss on disposal of that operation recognised in profit or loss as part of the gain or loss on the disposal.

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial results of subsidiaries are consolidated into the group's results from acquisition date until loss of control.

1.1 Consolidation (continued)

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the group company at exchange rates at the dates of the transactions.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rate at the reporting period.

Non-controlling interest

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as an equity transaction.

1.2 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss.
- Loans and receivables
- Financial liabilities at amortised cost

The classification is dependent on the purpose for which the financial instrument is acquired and the substance of the contractual arrangement. Management determines the classification of its financial assets and liabilities at the time of the initial recognition and re-evaluates such designation at least at each reporting date.

Initial recognition and subsequent measurement

Financial instruments are recognised on the transaction date when the group becomes a party to the contractual provisions of the instruments and are derecognised when these contractual obligations are discharged, cancelled or expired.

Financial instruments are initially recognised and measured at their fair value.

Loans and receivables comprise of loans, trade receivables, cash and cash equivalents and other receivables and are subsequently stated at amortised cost using the effective interest rate method, less accumulated impairment losses.

Financial liabilities consist of trade and other payables and borrowings. These are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets

An assessment is performed at each reporting date to determine whether objective evidence exists that a financial asset is impaired. Objective evidence that financial instruments are impaired includes indications of a debtor or group of debtors experiencing significant financial difficulty, default or delinquency of payments, the probability of a debtor entering bankruptcy, or other observable data indicating a measurable decrease in estimated future cash flows, such as economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are charged to the profit or loss and are included in the allowance against trade and other receivables. When a subsequent event causes the impairment loss to decrease, the impairment loss is reversed in the profit or loss. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 28 February 2017

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

Property, plant and equipment is subsequently carried at historical cost less accumulated depreciation and any impairment losses.

Capital rental units are units installed in customers' vehicles and the associated hardware is provided as part of a fixed term contract. The hardware and customer acquisition cost are capitalised over the duration of the contract which is usually 36 months. The group depreciates capital rental units on a straight-line basis over the term of the customer contract. The hardware, consumable charges and installation charges are depreciated in cost of sales. The acquisition costs comprising commission costs, motor vehicle costs and technician salaries are depreciated as part of operating expenses. If a contract with a customer is cancelled before the expiry of its contract term, the future unamortised cost is recognised immediately in profit and loss.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	20 – 50 Years
Capital rental units	Straight line	3 years
Computer software	Straight line	3 years
Furniture and fixtures	Straight line	5 Years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	3 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	5 years
Plant and equipment	Straight line	5 Years
Security equipment	Straight line	5 years

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

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

1.4 Goodwill

For the measurement of goodwill at initial recognition, refer to accounting policy note 1.1.

Goodwill is measured at cost less any accumulated impairment losses. Impairment losses recognised as an expense in relation to goodwill are not subsequently reversed.

Goodwill is tested annually for impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination giving rise to goodwill. Each unit or group of units to which the goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

On disposal of the relevant cash-generating unit or subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

1.5 Impairment of non-financial assets

The group's non-financial assets, other than deferred taxation assets, are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, to determine whether there is any indication of impairment.

The impairment loss charged to profit or loss is the excess of the carrying amount over the recoverable amount.

Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash inflows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs.

For the purposes of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated such that the level at which impairment is tested reflects the lowest level at which goodwill is monitored internally.

Impairment losses recognised in respect of cash-generating units are first allocated to reduce the carrying amount of the goodwill allocated to the unit and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis relative to their carrying amounts.

1.5 Impairment of non-financial assets (continued)

With the exception of goodwill, a previously recognised impairment loss will be reversed insofar as estimates change as a result of an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

1.6 Taxation

Taxation expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the taxation arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or as equity; or
- a business combination.

In such cases, current and deferred taxes are charged or credited to other comprehensive income.

Dividend withholding taxation is currently payable at a rate of 20% on dividends distributed to equity holders of the group. This taxation is not attributable to the company, but is collected by the company and paid to the taxation authorities on behalf of the shareholder.

On receipt of a dividend by a company from an investment held in a taxation jurisdiction outside that of the company, any dividend withholding taxation payable is recognised as part of the current taxation.

Income taxation assets and liabilities

Income taxation for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Income taxation liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the taxation rates (and taxation laws) that have been enacted or substantively enacted by the end of the reporting period. The amount of current taxation payable or receivable is the best estimate of the taxation amount expected to be paid or received that reflects uncertainty relating to income taxes.

Deferred taxation assets and liabilities

Deferred taxation is provided by using the liability method, on all temporary differences between the carrying amount of assets and liabilities for accounting purposes and the amounts used for taxation purposes.

The provision for deferred taxation is calculated using enacted or substantively enacted taxation rates at the reporting date that are expected to apply when the asset is realised or liability settled. A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxation asset can be realised.

The provision of deferred taxation assets and liabilities reflects the taxation consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities. Deferred taxation assets and liabilities are offset when the related income taxes are levied by the same taxation authority, there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.

Unrecognised deferred taxation assets are reassessed at each reporting date and recognised to the extent that becomes probable that future taxable profits will be available against which they can be used.

1.7 Leases

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

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

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

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Manufacturing costs include an allocated portion of production overheads which are directly attributable to the cost of manufacturing such inventory. The costs attributable to any inefficiencies in the production process are charged to the income statement as incurred.

Cost is determined on a weighted average cost basis. The cost of finished goods includes the cost of manufacturing.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 28 February 2017

1.9 Employee benefits

Short-term and long-term employee benefits

Remuneration of employees is charged to profit or loss. Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short-term employee benefit obligations are measured on an undiscounted basis and are charged to profit or loss as the related service is provided. Long-term employee benefits are those benefits that are expected to be settled more than 12 months after the end of the reporting period in which the services have been rendered, and are discounted to their present value. An accrual is recognised for accumulated leave, incentive bonuses and other employee benefits when the group has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

Defined contribution plans

Such plans are plans under which the group pays fixed contributions into a separate legal entity and has no legal or constructive obligation to pay further amounts. Contributions to defined contribution provident plans are charged to profit or loss as an employee expense in the period in which related services are rendered, by the employee.

Short-term benefits – bonus

The group recognises a liability and an expense for bonuses based on the achievement of defined key performance criteria. An accrual is recognised where the group is contractually obliged or where there is a past practice that has created a constructive obligation.

1.10 Provisions and contingencies

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The group offers stolen vehicle warranties of up to R150 000 in the event of the non-recovery of a vehicle, subject to various terms and conditions. The provision for future warranty claims is based on the average recovery rate, claims histories and probability of theft.

Contingent assets and contingent liabilities are not recognised, but are disclosed.

1.11 Revenue

Revenue is measured at the fair value of consideration received or receivable for the sale of goods and services by the group in the ordinary course of its business activities. Revenue includes amounts earned from the sale of hardware, subscription revenue for vehicle tracking services provided to customers, subscription revenue for fleet management services provided to customers and revenue from the installation of vehicle tracking and fleet management solutions. Revenue is shown net of discounts, value added taxes (both locally and internationally) and after inter-company sales within the group have been eliminated.

The group offers certain arrangements whereby the customer can purchase a combination of the product and services offered by Cartrack, where multiple element revenue arrangements exist, the amount of revenue allocated to each element is based on the fair value of each element. The fair value of each element is determined based on the current market prices of each of the elements when sold separately.

Invoicing for various products and services when sold separately or as part of a multiple revenue arrangement, occurs based on specific contractual terms and conditions.

Hardware and installations

Revenue from the sale of hardware and installation is recognised when:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the amount of revenue can be measured reliably;
- the installation is complete and tested successfully.

Subscription revenue

Subscription-based revenue for vehicle tracking and fleet management and ancillary services is recognised as and when the services are delivered. Amounts invoiced in advance are deferred and recognised in those periods in which the relevant service is delivered. Where hardware is provided as part of a service contract the risk and rewards of ownership do not transfer and service revenue from the rental unit is recognised over the period of the service and is included in subscription revenue.

. *Interest income*

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

Dividend income

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

1.12 Earnings per share and headline earnings per share

Earnings per share

The group presents basic, diluted, headline and normalised earnings per share data for its ordinary shares.

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Headline earnings per share

The calculation of headline earnings per share is based on the net profit attributable to equity holders of the parent, after excluding certain remeasurements in terms of SAICA circular 2-2015, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required for JSE listed companies as defined by the South African Institute of Chartered Accountants. An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in note 32.1.

Normalised earnings per share

The presentation of normalised earnings per share is not an IFRS or JSE requirement. Management presents this measure as a supplementary performance measure. Normalised earnings represents headline earnings plus/(less) any other unusual nonrecurring and non-operating items not already taken into account in headline earnings. An itemised reconciliation of the adjustments to headline earnings is provided in note 32.4.

1.13 Segment reporting

The group is organised into geographical business units that engage in business activities from which they earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. The group has five reportable operating segments, each segment providing essentially the same or similar products and services to a homogenous target market, and for which discrete financial information is available. Segment performance is evaluated regularly by the group's global CFO (deputy CEO) and global CEO to make decisions about resources to be allocated to the segment and to assess its performance.

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

1.14 Measurement of fair values

A number of the group's accounting policies and disclosures require the measurement of fair values, for both financial and non financial assets and liabilities.

When measuring the fair value of an asset or liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

1.15 Share based payments (cash settled scheme)

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

The costs of the Trust are expensed as incurred and the value of the notional units are recognised as an expense pro rata to the vesting period.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 28 February 2017

1.16 Significant judgements and sources of estimation uncertainty

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

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

Loans and receivables

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

For all financial instruments carried at amortised cost where the effects of time value of money are not considered to be material, the instruments are not discounted as their face values approximate their amortised cost. The fair value of loans and receivables is estimated at the present value of future cash flows, discounted at the market interest rate at the reporting date for the purpose of disclosure.

Allowance for slow moving, damaged and obsolete inventory

An allowance to write inventory down to the lower of cost or net realisable value has been provided. Management has made estimates of the selling prices and direct costs to sell on certain inventory items. The write down is included in the inventories note 6.

Goodwill

The group tests goodwill for impairment on an annual basis, in accordance with the accounting policy disclosed in note 1.4.

The recoverable amounts of cash -generating units have been determined based on value-in-use calculations. These calculations are performed internally by the group and require the use of estimates and assumptions.

The input factors most sensitive to change are management estimates of future cash flows based on budgets and forecasts, growth rates and discount rates. Further detail on these assumptions has been disclosed in note 4. The group performs a sensitivity analysis by varying these input factors by a reasonable margin and assessing whether the changes in input factors result in any of the goodwill allocated to appropriate cash-generating units being impaired.

Taxation

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

Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The group also considers the following facts and circumstances in assessing whether it has power over an investee:

(a) Contractual arrangements.
(b) Rights arising from contractual arrangements.
(c) Group's voting rights and potential voting rights.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate changes to the elements of control.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group did not adopt any standards and interpretations as issued by IASB and IFRIC as none of the issued were relevant to its operations.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2017 or later periods:

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding taxation obligations;
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The effective date of the amendment is for years beginning on or after 1 January 2018.

Based an initial assessment, it is unlikely that the amendment will have a material impact on the group's consolidated annual financial statements.

Amendments to IAS 7: Statement of cashflow disclosure initiative
The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 1 January 2017.

The adoption of this amendment is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
The amendments clarify that an entity needs to consider whether taxation law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

The effective date of the amendment is for years beginning on or after 1 January 2017.

It is unlikely that the amendment will have a material impact on the group's consolidated annual financial statements.

IFRS 15 Revenue from Contracts with Customers
In June 2014, the IASB issued IFRS 15: Revenue from Contracts with Customers (IFRS 15). The standard is aimed at improving the financial reporting of revenue and improving the comparability of the top line in financial statements globally. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

The effective date of this standard is 1 January 2018.

The group is in the process of evaluating the impact the standard will have on the group.

ACCOUNTING POLICIES (CONTINUED)

For the year ended 28 February 2017

2.2 Standards and interpretations not yet effective

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16: Leases (IFRS 16). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

The effective date of this standard is 1 January 2018.

The group is in the process of evaluating the impact the standard will have on the group.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the completed version of IFRS 9: Financial Instruments (IFRS 9). The statement addresses the classification and measurement of financial assets and financial liabilities. It also determines the impairment requirements based on an expected credit loss model that replaces IAS 39 incurred loss model. The new hedging model provides for more economic hedging strategies meeting the requirements for hedge accounting. The new standard enhances the ability of investors and other users of financial information to understand the accounting of financial assets and financial liabilities and aims to reduce complexity.

The effective date of this standard is 1 January 2018.

Considering the relief available for short term trade receivables, it is unlikely that the adoption of this standard will have a material impact on the provision of doubtful debt.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2017

Figures in rand thousands	2017 Cost	2017 Accumulated depreciation	2017 Carrying value	2016 Cost	2016 Accumulated depreciation	2016 Carrying value
3. PROPERTY, PLANT AND EQUIPMENT						
Buildings	5 468	(1 234)	4 234	5 234	(942)	4 292
Capital rental units	470 210	(212 133)	258 077	310 267	(144 173)	166 094
Computer software	3 003	(960)	2 043	1 533	(749)	784
Furniture and fixtures	6 326	(3 614)	2 712	6 310	(2 785)	3 525
IT equipment	24 305	(16 618)	7 687	22 218	(13 730)	8 488
Leasehold improvements	4 659	(4 356)	303	5 331	(5 331)	–
Motor vehicles	58 535	(25 626)	32 909	47 318	(24 652)	22 666
Office equipment	3 277	(3 045)	232	3 942	(3 227)	715
Plant and machinery	2 044	(1 291)	753	2 101	(1 211)	890
Security equipment	707	(402)	305	452	(372)	80
	578 534	(269 279)	309 255	404 706	(197 172)	207 534

Reconciliation of property, plant and equipment – 2017

	Opening balance	Additions	Disposals	Transfers and reclass-ification	Translation adjustments	Depreciation	Total
Buildings	4 292	1 987	–	–	(1 516)	(529)	4 234
Capital rental units	166 094	236 772	(330)	–	(7 106)	(137 353)	258 077
Computer software	784	1 552	-	–	(16)	(277)	2 043
Furniture and fixtures	3 525	471	(22)	–	(275)	(987)	2 712
IT equipment	8 488	4 038	(22)	–	(532)	(4 285)	7 687
Leasehold improvements	–	311	–	–	3	(11)	303
Motor vehicles	22 666	20 879	(2 170)	–	(1 072)	(7 394)	32 909
Office equipment	715	179	–	–	(369)	(293)	232
Plant and machinery	890	98	–	(16)	(19)	(200)	753
Security equipment	80	255	–	16	–	(46)	305
	207 534	266 542	(2 544)	–	(10 902)	(151 375)	309 255

Reconciliation of property, plant and equipment – 2016

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers and re-classification	Translation adjustments	Depreciation	Total
Buildings	4 749	–	–	–	–	(45)	(412)	4 292
Capital rental units	115 167	140 554	–	(1 566)	297	3 043	(91 401)	166 094
Computer software	408	610	30	–	–	8	(272)	784
Furniture and fixtures	3 308	836	153	–	–	174	(946)	3 525
IT equipment	5 014	5 576	11	(22)	–	1 195	(3 286)	8 488
Leasehold improvements	56	–	–	–	–	–	(56)	–
Motor vehicles	19 878	8 791	–	(1 317)	–	990	(5 676)	22 666
Office equipment	1 387	763	–	–	–	(1 111)	(324)	715
Plant and machinery	387	817	75	–	(297)	99	(191)	890
Security equipment	176	–	–	–	–	–	(96)	80
	150 530	157 947	269	(2 905)	–	4 353	(102 660)	207 534

When capital rental units are fully depreciated, the cost and accumulated depreciation elements are eliminated from the respective categories disclosed in the summary of property, plant and equipment. Fully depreciated capital rental units amounted to: (February 2017: R138 003 722; February 2016: R106 428 707).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2017

Figures in rand thousands	2017	2016
3. PROPERTY, PLANT AND EQUIPMENT (continued)		
Assets subject to finance lease (net carrying amount)		
The carrying value of assets subject to finance lease agreements (refer note 11) is as follows:		
Motor vehicles	27 241	16 741

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.

4. GOODWILL

Goodwill is allocated to the following cash generating units (CGUs): South Africa, Africa-Other, Europe, Asia-Pacific and Middle East.

	South Africa	Africa-Other	Europe	Asia-Pacific and Middle East	Total
Balance at 1 March 2015	1 499	99 256	41 651	1 863	144 269
Additions	157	–	–	–	157
Translation adjustments	–	(3 074)	14 031	628	11 585
29 February 2016	1 656	96 182	55 682	2 491	156 011
Translation adjustments	–	(42 214)	(11 284)	(468)	(53 966)
28 February 2017	**1 656**	**53 968**	**44 398**	**2 023**	**102 045**

Impairment testing

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

The group considers the relationship between its market capitalisation and its net book value, among other factors, when reviewing for indicators of impairment. At 28 February 2017, the market capitalisation of the group exceeded the value of equity by R2 675 281 336 indicating that Goodwill was unimpaired at a group level.

The recoverable amount of the cash generating units is determined using a discounted cash flow technique, which requires the use of assumptions. Each of the cash flow projections are based on financial budgets and forecasts covering a five year period, which have been approved by senior management. The cash flow projections include specific estimates for five years and a terminal growth rate thereafter.

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

	Region	The average rates
Compound annual growth rate This is the average annual compound growth rate in the subscriber base that is derived from the forecast acquisition of new subscribers less cancellations (churn) from year 1 (the budget period) through to year 5. The growth rate applied for the acquisition of new subscribers is considered to be the main driver of revenue, profitability and hence free cash flow. CGUs are at different maturity levels in their business cycles and hence will reflect considerably different growth rates; the various geographical markets the CGUs operate within also have differences in their economies which have been taken into consideration. The growth rate determined by management is based on historical data from both external and internal sources and is consistent with reported global telematics growth forecasts for the medium to long term and with the assumptions that a market participant would make.	South Africa Africa-Other Europe Asia-Pacific and Middle East	2017: 10%; 2016: 12% 2017: 16%; 2016: 19% 2017: 26%; 2016: 25% 2017: 31%; 2016: 38%
Terminal growth rate The estimated rate of growth after the five-year forecast period. This rate is applied in perpetuity.	South Africa Africa-Other Europe Asia-Pacific and Middle East	2017: 3%; 2016: 2% 2017: 6%; 2016: 3% 2017: 2%; 2016: 2% 2017: 3%; 2016: 2%

4. GOODWILL (continued)

	Region	The average rates
Discount rate The rate reflects the specific risks relating to the country and industry in which the entity operates. These rates were determined using externally available information.	South Africa Africa-Other Europe Asia-Pacific and Middle East	2017:20%; 2016:20% 2017:36%; 2016:34% 2017:13%; 2016:19% 2017: 6%; 2016:10%
Forecast exchange rate Cash flows have been discounted using forecast exchange rates based on externally available information where available. Forecast exchange rates were interpolated based on 15 years of historical data.	Mozambique metical Euro Tanzanian shilling Polish zloty	2017:0,225; 2016:0,327 2017:15,858; 2016:17,474 2017:0,006; 2016:0,007 2017:3,637; 2016:4,008

	Value in use 2017	Value in use 2016
Region		
South Africa	6 620	9 878
Africa-Other	114 168	165 261
Europe	146 723	75 072
Asia-Pacific and Middle East	45 602	28 176
	313 113	278 387
Goodwill	(102 045)	(156 011)
Value in use in excess of goodwill	211 068	122 376

The group has considered a sensitivity analysis by applying:

- a 1% basis point adjustment to all percentage factors; and
- a 1% change in all non-percentage factors.

In all instances there was sufficient headroom.

Figures in rand thousand	2017	2016
5. DEFERRED TAXATION		
The deferred taxation assets and the deferred taxation liability have not been offset.		
The reconciliation is shown below:		
Deferred taxation liability	(2 066)	(1 040)
Deferred taxation asset	41 641	34 517
Total net deferred taxation asset	39 575	33 477
Reconciliation of deferred taxation asset/(liability)		
At beginning of year	33 477	20 174
(Decrease)/increase in income received in advance	(4 424)	3 840
(Decrease)/increase in tangible fixed assets	(3 706)	5 996
Increase in allowances for doubtful debts	1 690	1 182
Increase/(decrease) in accruals	9 952	(518)
Unutilised assessed losses	1 280	768
Assets held under finance leases	1 306	2 035
	39 575	33 477

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2017

5. DEFERRED TAXATION (continued)

Potential deferred taxation assets

The group has not recognised potential deferred taxation assets relating to assessed losses in start-up subsidiaries that have not yet met the recognition criteria. These potential deferred taxation assets will be recognised and utilised in future periods as and when they meet the recognition criteria.

Figures in rand thousands	2017	2016
6. INVENTORIES		
Finished goods	122 773	86 122
Consumables	4 782	3 012
	127 554	89 134
Allowance for obsolete stock	(4 414)	(816)
	123 140	88 318
During the year R3 598 000 (2016: R422 000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.		
Allowance for obsolete stock is calculated on units that have become obsolete due to change in technology.		
7. LOANS TO/(FROM) RELATED PARTIES		
Related parties		
AH Nyimbo	(1 002)	(1 478)
Pro-Fit Fitment Centre Proprietary Limited	1 624	1 624
Cartrack Education Fund (NPO)	200	–
Cartrack New Zealand Limited	2 764	–
J De Wet	(2 776)	–
	810	146
Current assets	4 588	1 624
Current liabilities	(3 778)	(1 478)
	810	146
These loans are unsecured, bear no interest and have no fixed terms of repayment.		
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	157 284	126 272
Allowance for impairment of trade receivables	(33 898)	(19 509)
	123 386	106 763
Prepayments	16 131	12 031
Deposits	2 033	4 616
Sundry debtors	5 846	3 512
Value added taxation receivable	4 042	1 733
	151 438	128 655

Credit quality of trade and other receivables

The credit quality of trade and other receivables can be assessed by reference to historical information. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, legal handover, financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. Information on credit risk management is included in note 29.2.a.

Figures in rand thousands	2017	2016
8. TRADE AND OTHER RECEIVABLES (continued)		
Trade receivables not provided for		
The ageing of amounts not provided for is as follows:		
Not past due	73 036	58 991
1 month past due	17 746	15 719
2 months past due	14 563	11 412
3 months past due	18 041	20 641
	123 386	106 763
Reconciliation of allowance for impairment of trade and other receivables		
Opening balance	(19 509)	(6 649)
Increase in allowance for impairment	(45 728)	(39 071)
Amounts utilised	31 339	26 211
	(33 898)	(19 509)
9. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	173	326
Bank balances	59 163	41 943
Short-term deposits	10 742	2 912
Bank overdraft	(72 305)	(187)
	(2 227)	44 994
Current assets	70 078	45 181
Current liabilities	(72 305)	(187)
	(2 227)	44 994
Information on cash flow management is included in note 29.2.a.		
10. SHARE CAPITAL		
Authorised		
1 000 000 000 ordinary shares of no par value	1 000 000	1 000 000
Reconciliation of number of shares issued:		
Reported as at beginning of the year	300 000	300 000
700 000 000 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting, on 20 July 2017.		
Issued		
300 000 000 ordinary shares of no par value	42 488	42 488

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2017

Figures in rand thousands	2017	2016
11. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
– within one year	13 443	7 599
– in second to fifth year inclusive	20 006	8 288
	33 449	15 887
less: future finance charges	(2 865)	(1 494)
Present value of minimum lease payments	30 584	14 393
Non-current liabilities	18 123	7 789
Current liabilities	12 461	6 604
	30 584	14 393

It is group policy to lease certain motor vehicles under finance leases. The average lease term is three years and the leases bear interest at prime-linked interest rates. The group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Figures in rand thousands	2017	2016
12. TRADE AND OTHER PAYABLES		
Trade payables	46 406	20 589
Accrued expenses	29 551	28 547
Amounts received in advance	79 275	85 488
Sundry creditors	7 393	4 761
Value added taxation payable	11 326	14 200
	173 951	153 585

Information on risk management is included in note 29.2.b.

	Opening balance	Raised during the year	Utilised during the year	Total
13. PROVISIONS FOR WARRANTIES				
Reconciliation of provisions for warranties – 2017				
Provisions for warranties	5 500	6 113	(5 489)	6 124
Reconciliation of provisions for warranties – 2016				
Provisions for warranties	5 230	5 742	(5 472)	5 500

The warranty provision represents management's best estimate of the group's liability in the event of non-recovery of vehicles subject to the limited recovery warranty. The provision was determined based on the following key assumptions:

	Number of vehicles subject to warranty	Historical claims rate	Average pay-out per vehicle
Warranty provision	117 267	0,04%	131 078

		Number	Weighted exercise price	Total value
14.	**SHARE-BASED PAYMENTS (CASH SETTLED SCHEME)**			
	Treasury shares acquired (equivalent notional units available for allocation to beneficiaries of the executive share incentive scheme)	1 234 000	10,50	12 957

Refer to note 1.15 for additional information on the share incentive scheme.

The share-based payment liability is R6 029 499 (2016: R4 010 499). The share based expense is R2 019 000 (2016: R4 010 499).

The amount of the cash payment after three years of service is based on the following assumptions:

- earnings per share and vesting rate is for the year ending 28 February 2018 based on forecast results
- average share price of R10,50 and
- expected recovery rate to be achieved in South Africa.

The assumptions above are management's best estimate of the inputs based on forecast results. The following criteria needs to be achieved for share-based payment to vest as determined by management: targeted earnings per share, subscriber base and recovery rate.

	Figures in rand thousands	2017	2016
15.	**REVENUE**		
	Sale of hardware	144 008	147 360
	Subscription revenue	980 017	842 095
	Sundry sales	16 964	16 026
		1 140 989	1 005 481
16.	**OPERATING EXPENSES**		
	Depreciation in operating expenses	71 794	48 286
	Employee costs	270 312	254 639
	Lease rentals on operating lease	25 504	23 068
	Motor vehicle expenses	34 995	34 251
	Net operating foreign exchange loss/(gain)	1 635	(11 332)
	Other operating expenses	66 190	93 290
	Research and development	79 926	37 786
		550 356	479 988
17.	**INVESTMENT REVENUE**		
	Interest income		
	Cash balances	3 962	6 256
18.	**FINANCE COSTS**		
	Finance leases	1 910	961
	Overdraft	3 865	3 502
		5 775	4 463

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2017

Figures in rand thousands		2017	2016
19.	**NET NON-OPERATING FOREIGN EXCHANGE GAIN**		
	Net non-operating foreign exchange gain	2 607	15 667
		2 607	15 667
	Net non-operating exchange gain comprises: R2 607 500 gain due to capital distribution in Cartrack Polska.SP.ZO.O. In February 2016 net non-operating foreign exchange gain comprises: R20 649 015 gain on settlement of inter-company loan to Cartrack Asia Pte. Limited due to the depreciation of the rand against the Singapore dollar and exchange losses on other inter-company loans totalling R4 982 370.		
20.	**TAXATION**		
	Major components of the taxation expense		
	Current taxation expense		
	Income taxation – current period	111 340	114 547
	Income taxation – prior year	209	1 434
		111 549	115 981
	Deferred taxation income		
	Deferred taxation – current period	(4 289)	(10 060)
	Deferred taxation – prior year	(1 809)	(3 142)
		(6 098)	(13 202)
		105 451	102 779
	Reconciliation of the taxation expense		
	Reconciliation between accounting profit and taxation expense:		
	Accounting profit	369 625	362 266
	Taxation at the applicable taxation rate of 28% (2016: 28%)	103 495	101 434
	Taxation effect of adjustments on taxable income		
	Utilisation of previously unrecognised taxation losses	(1 539)	(1 311)
	Foreign taxation differential	(2 392)	(2 452)
	Non-taxable income	(1 329)	(4 064)
	Non-deductible expenses	614	8 756
	Current year losses for which no deferred taxation asset is recognised (refer note 5)	4 584	2 124
	Prior year deferred taxation adjustment	1 809	(3 142)
	Prior year income taxation adjustment	209	1 434
		105 451	102 779

The income taxation rate for the subsidiaries in South Africa is 28% (2016: 28%) and the foreign owned subsidiaries are taxed at the taxation rate applicable in their countries.

Figures in rand thousands	Foreign currency translation reserve	Non-controlling interest	Net
21. OTHER COMPREHENSIVE INCOME			
Components of other comprehensive income – 2017			
Exchange differences on translation of foreign operations	(82 970)	(2 746)	(85 716)
Components of other comprehensive income – 2016			
Exchange differences on translation of foreign operations	6 168	(2 769)	3 399

	2017	2016
22. CASH GENERATED FROM OPERATIONS		
Profit before taxation	369 625	362 266
Adjustments for:		
Depreciation	151 375	102 660
Gains on disposal of property, plant and equipment	(1 610)	(1 019)
Net operating foreign exchange gain/(loss)	1 635	(11 332)
Investment income	(3 962)	(6 256)
Finance costs	5 775	4 463
Changes in working capital:		
Inventories	(34 822)	(25 786)
Trade and other receivables	(22 783)	(46 950)
Trade and other payables*	20 366	9 533
Share based payment liability	2 020	4 010
Provision for warranties*	624	270
Translation effect of foreign operations**	(14 558)	(107)
	473 685	391 752

* *Provision for warranties, previously included in trade and other payables have been disclosed separately R624 000 (2016: R270 000). This presentation fairly represents the cash flow effects of the group.*

** *Effect of translation in operating activities previously included in movement of trade and other payables have been disclosed separately. R14 558 320 (2016: R107 000). This presentation fairly represents the cash flow effects of the group.*

Figures in rand thousands	2017	2016
23. TAXATION PAID		
Balance at beginning of the year	(21 152)	(38 291)
Current taxation for the year recognised in profit or loss	(111 549)	(115 981)
Balance at end of the year	45 570	21 152
	(87 131)	(133 120)
The balances shown above are the net of current taxation receivable and payable.		
24. DIVIDENDS PAID		
Dividends	(169 767)	(164 048)

The group's dividend policy is to consider an interim and a final dividend in respect of each financial year. The group's revised dividend policy effective from February 2017 is a dividend cover of 1,25 – 2,5 times of headline earnings per share. At its discretion, the board may consider a special dividend, depending on the need to retain funds for expansion or operating purposes.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2017

25. MATERIAL NON-CONTROLLING INTEREST

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

Figures in rand thousands	2017	2016
	Cartrack Limitada	
NCI Percentage	**50%**	**50%**
Principal place of business	Mozambique	Mozambique
Revenue	56 861	86 259
Profit for the year after tax	13 934	17 359
Other comprehensive income	(2 792)	(7 242)
Total comprehensive income	11 142	10 117
Profit attributable to NCI	6 967	8 680
Other comprehensive income attributable to NCI	(1 396)	(3 621)
Total comprehensive income attributable to NCI	5 571	5 059
Non-current assets	7 314	13 980
Current assets	28 835	39 182
Non-current liabilities	–	–
Current liabilities	(21 055)	(33 488)
	15 094	19 674
Net assets attributable to NCI	7 547	9 837
Cash flows from operating activities	15 865	17 337
Cash flows from investing activities	(630)	(125)
Cash flows from financing activities	(9 060)	(31 072)
	6 175	(13 860)
Dividends paid to NCI	(4 249)	(12 038)

26. ACQUISITION OF ADDITIONAL INTEREST

Acquisitions occurring during the February 2017 year-end

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

27. INTERESTS IN SUBSIDIARIES

The following table lists the entities which are controlled by the group.

Name of company	Held by	Country of incorporation	% holding 2017	% holding 2016
Cartrack Proprietary Limited	Cartrack Holdings Limited	South Africa	100,00	100,00
Cartrack Tanzania Limited	Cartrack Holdings Limited	Tanzania	60,00	60,00
Retriever Limited	Cartrack Holdings Limited	Kenya	85,00	85,00
Retriever Rwanda Limited	Cartrack Holdings Limited	Rwanda	60,00	60,00
Cartrack Engineering Technologies Limited	Cartrack Holdings Limited	Nigeria	99,99	99,99
Cartrack Namibia Proprietary Limited	Cartrack Holdings Limited	Namibia	100,00	100,00
Cartrack Technologies Proprietary Limited	Cartrack Holdings Limited	South Africa	100,00	100,00
Cartrack Technologies Asia Pte. Limited	Cartrack Holdings Limited	Singapore	100,00	100,00
Cartrack Manufacturing Proprietary Limited	Cartrack Holdings Limited	South Africa	100,00	100,00
Cartrack Management Services Proprietary Limited	Cartrack Holdings Limited	South Africa	100,00	100,00
PT. Cartrack Technologies Indonesia	Cartrack Technologies Asia Pte. Limited	Indonesia	65,00	65,00
Cartrack Investments UK Limited	Cartrack Technologies Asia Pte. Limited	United Kingdom	100,00	100,00
Cartrack Technologies (China) Limited	Cartrack Technologies Asia Pte. Limited	China	90,00	90,00
Cartrack Malaysia SDN.BHD	Cartrack Technologies Asia Pte. Limited	Malaysia	100,00	100,00
Cartrack Technologies LLC	Cartrack Technologies Asia Pte. Limited	United Arab Emirates	100,00	100,00
Cartrack Technologies PHL.INC	Cartrack Technologies Asia Pte. Limited	Philippines	51,00	51,00
Cartrack Technologies South East Asia Pte. Limited	Cartrack Technologies Asia Pte. Limited	Singapore	100,00	100,00
Cartrack INC.	Cartrack Technologies Asia Pte. Limited	United States of America	100,00	–
Cartrack Ireland Limited	Cartrack Technologies Asia Pte. Limited	Republic of Ireland	100,00	–
Cartrack Technologies (Thailand) Company Limited	Cartrack Technologies Asia Pte. Limited	Thailand	100,00	100,00
Cartrack Limitada	Cartrack Proprietary Limited	Mozambique	50,00	50,00
Cartrack Polska.SP.ZO.O	Cartrack Proprietary Limited	Poland	90,91	90,91
Cartrack Fleet Management Proprietary Limited	Cartrack Proprietary Limited	South Africa	74,00	74,00
Cartrack North East Proprietary Limited	Cartrack Proprietary Limited	South Africa	100,00	75,50
Combined Telematics Services Proprietary Limited	Cartrack Proprietary Limited	South Africa	49,00	49,00
Plexique Proprietary Limited	Cartrack Proprietary Limited	South Africa	100,00	100,00
Zonke Bonke Telecoms Proprietary Limited	Cartrack Proprietary Limited	South Africa	100,00	100,00
Cartrack Europe SGPS, S.A.	Cartrack Investments UK Limited	Portugal	100,00	100,00
Cartrack Capital SGPS, S.A.	Cartrack Investments UK Limited	Portugal	100,00	100,00
Cartrack – Sistema de Controlo e Identificacoa de Veiculos, S.A	Cartrack Europe SGPS, S.A	Portugal	100,00	100,00
Cartrack Espana, S.L	Cartrack Capital SGPS, S.A	Spain	100,00	100,00

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2017

28. RELATED PARTIES

Relationships

Ultimate holding company	Madeira Calisto Family Holdings Proprietary Limited
Holding company	Onecell Holdings Proprietary Limited
Related parties	Onecell Community Phones Proprietary Limited Onecell Community Services Proprietary Limited Onecell Data Solutions Proprietary Limited Onecell Namibia Proprietary Limited Purple Rain Properties No. 444 Proprietary Limited Onecell Proprietary Limited Cartrack Education Fund (NPO) A.H. Nyimbo (shareholder) (Retriever Rwanda Limited and Retriever Limited) J Marais (shareholder) (Cartrack Holdings Limited) P Lim (shareholder) (PT. Cartrack Technologies Indonesia) SM Machel Jr. (shareholder) (Cartrack Limitada) Pro-Fit Fitment Centre Proprietary Limited J De Wet (shareholder) (Cartrack New Zealand Limited) Cartrack New Zealand Limited
Subsidiary companies	Cartrack Proprietary Limited Retriever Limited Cartrack Tanzania Limited Retriever Rwanda Limited Cartrack Engineering Technologies Limited Cartrack Namibia Proprietary Limited Cartrack Technologies Proprietary Limited Cartrack Technologies Asia Pte. Limited Cartrack Management Services Proprietary Limited Cartrack Manufacturing Proprietary Limited Cartrack North East Proprietary Limited Cartrack Limitada Cartrack Polska.SP.ZO.O Cartrack Fleet Management Proprietary Limited Zonke Bonke Telecoms Proprietary Limited Plexique Proprietary Limited Combined Telematics Services Proprietary Limited Cartrack Investments UK Limited Cartrack Malaysia SDN.BHD Cartrack Technologies PHL.INC Cartrack Technologies South East Asia Pte. Limited Cartrack Technologies (China) Limited Cartrack Europe SGPS, S.A Cartrack Capital SGPS, S.A Cartrack Espana, S.L. Cartrack – Sistema de Controlo e Identificacao de Veiculos, S.A PT. Cartrack Technologies Indonesia Cartrack Technologies (Thailand) Company Ltd Cartrack Technologies LLC Cartrack INC. Cartrack Ireland Limited

28. RELATED PARTIES (continued)

Directors	IJ Calisto
	JR Edmeston
	DJ Brown
	AT Ikalafeng
	K White
Prescribed officers	B Debski
	J Marais
	J Matias
	N Namitete
	AH Nyimbo
	E Ong
	C Sanderson
	R Schubert
	M Van Reenen

Figures in rand thousands	2017	2016
Related party balances		
Loan accounts – owing (to)/by related parties		
AH Nyimbo	(1 002)	(1 478)
Pro-Fit Fitment Centre Proprietary Limited	1 623	1 624
Cartrack Education Fund (NPO)	200	–
Cartrack New Zealand Limited	2 765	–
J De Wet	(2 776)	–
	810	146
Amounts included in trade receivable/(trade payable) regarding related parties		
Onecell Proprietary Limited	2 110	3 729
Pro-Fit Fitment Centre Proprietary Limited	4 890	2 486
Onecell Holdings Proprietary Limited	5	–
Pro-Fit Fitment Centre Proprietary Limited	(46)	(79)
Onecell Proprietary Limited	(80)	(31)
Onecell Community Services Proprietary Limited	(369)	(275)
Purple Rain Properties No. 444 Proprietary Limited	(336)	(137)
Onecell Holdings Proprietary Limited	(320)	(115)
	5 854	5 578
Related party transactions		
Sales to related parties		
Onecell Holdings Proprietary Limited	(3)	(17)
Onecell Proprietary Limited	(11 098)	(18 066)
Pro-Fit Fitment Centre Proprietary Limited	(2 159)	(2 546)
	(13 260)	(20 629)
Purchases from related parties		
Onecell Holdings Proprietary Limited	1 233	1 318
Onecell Proprietary Limited	356	311
Onecell Community Phones Proprietary Limited	1 800	1 759
Pro-Fit Fitment Centre Proprietary Limited	4 526	2 998
	7 915	6 386
Rent paid to related parties		
Purple Rain Properties No. 444 Proprietary Limited	3 827	4 236

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2017

29. RISK MANAGEMENT

The board of directors has overall responsibility for the establishment in oversight of the group's risk management framework. The board of directors has established the risk management committee which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risk faced by the group, to set appropriate risk limits, implement controls to enforce limits to monitor risk and adherence to limits.

The audit committee is assisted in its oversight role by internal audit. Internal audit reviews risk and management controls and procedures, the results of which are reported to the audit committee.

29.1 Capital risk management

The group's policy is to maintain a strong capital base, so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors return of the capital, as well as the level of dividends to shareholders.

The capital structure of the group consists of debt, which includes the borrowings disclosed in notes 7 & 11, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

29.2 Financial risk management

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

29.2.a Credit risk

Credit risk is the risk of financial loss to the group if a customer fails to meet its contractual obligations, and arises principally from the group's receivables from customer, cash deposits and cash equivalents.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Trade receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the country in which the customer operates. Details of concentration of revenue are included in note 34.

The maximum exposure to credit risk for trade and other receivables by geographic regions are as follows:

Figures in rand thousands	2017	2016
Currencies		
Rand	70 219	45 586
Singapore dollar	20 158	6 994
Mozambique metical	16 950	28 586
Euro	13 564	13 155
Nigerian naira	1 945	5 295
Kenyan shillings	5 302	8 963
Tanzanian shillings	7 798	8 868
Polish zloty	2 712	6 428
US dollar	2 874	–
Other	9 916	4 780
Total	151 438	128 655

The ageing of trade and other receivables as well as detail on allowances raised and unprovided defaults are included in note 8.

Cash and cash equivalents

The group held cash and cash equivalents of R70 million at 28 February 2017 (2016: R45 million). The cash is held with major banks and financial institutions which are rated and regulated in each country. None of the banks holding deposits show financial strain.

29. RISK MANAGEMENT (continued)

29.2.b Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances.

	Less than 1 year	Between 1 and 2 years
At 28 February 2017		
Finance lease obligation	12 461	18 123
Trade and other payables	162 625	–
Loans from related parties	3 778	–
Bank overdraft	72 305	–
Provision for warranties	6 124	–

	Less than 1 year	Between 1 and 5 years
At 29 February 2016		
Finance lease obligation	6 604	7 789
Trade and other payables	139 385	–
Loans from related parties	1 478	–
Bank overdraft	187	–
Provision for warranties	5 500	–

29.2.c Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates. This will affect the group's income or value of is holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, borrowings and net investments in foreign operations are denominated and the respective functional currencies of group companies. The functional currencies of group companies are primarily the ZAR, US dollar (USD), euro (EUR), Mozambican metical (MZN), the Singapore dollar (SGD) and Polish zloty (PLN).

The group does not apply hedge accounting.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2017

29. RISK MANAGEMENT (continued)

29.2.c *Market risk (continued)*

Exposure to significant currency risk

The summarised quantitative data about the group's exposure to currency risk as reported to the management of the group is as follows:

			28 February 2017		
In thousands of	USD	EURO	MZN	SGD	PLN
Trade receivables	337	702	93 432	1 623	745
Trade payables	–	(606)	(519)	(896)	(391)
Loans to related parties	–	–	–	300	–
Loans from related parties	–	–	–	(299)	–
	337	96	92 913	728	354

			29 February 2016		
In thousands of	USD	EURO	MZN	SGD	PLN
Trade receivables	53	624	87 529	619	592
Trade payables	–	(421)	(5 582)	(180)	(360)
	53	203	81 947	439	232

Sensitivity analysis

A reasonably possible strengthening/weakening of the rand against the Polish zloty (PLN), euro (EUR), Singapore dollar (SGD) and Mozambican metical (MZN), at the 28 February 2017 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant and ignores any impact on sales and purchases. A factor change of 10% has been applied to the exchange rates.

		Profit or (loss) after tax	
	Exchange rate movement	Strengthening of ZAR	Weakening of ZAR
PLN	10%	(668)	668
EUR	10%	(1 896)	1 896
SGD	10%	(1 596)	1 596
MZN	10%	(1 499)	1 499
		(5 659)	5 659

29.2.d *Interest rate risk*

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

The group's exposure to interest rate risk relates primarily to the group's debt obligation with variable interest rates.

Short-term deposits held at banking institution carry interest rates at prevailing market conditions.

Non financial instruments were entered into to mitigate the risk of interest rates.

Interest rate sensitivity

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

Interest rate sensitivity	
Effect of profit before tax (1% increase)	(587)
Effect of profit before tax (1% decrease)	587

30. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy.

28 February 2017

		Carrying amount			Fair value			
R'000	Notes	Loans and receivables	Non-financial instruments	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Loans to related parties	7	4 588	–	4 588	–	–	4 588	4 588
Trade and other receivables	8	131 265	20 173	151 438	–	–	151 438	151 438
Cash and cash equivalents	9	70 078	–	70 078	70 078	–	–	70 078
		205 931	20 173	226 104	70 078	–	156 026	226 104
Financial liabilities								
Loans from related parties	7	3 778	–	3 778	–	–	3 778	3 778
Finance lease obligation	11	30 584	–	30 584	–	–	30 584	30 584
Trade and other payables	12	162 625	11 326	173 951	–	–	173 951	173 951
Bank overdraft	9	72 305	–	72 305	72 305	–	–	72 305
		269 292	11 326	280 618	72 305	–	208 313	280 618

29 February 2016

		Carrying amount			Fair value			
R'000	Notes	Loans and receivables	Non-financial instruments	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Loans to related parties	7	1 624	–	1 624	–	–	1 624	1 624
Trade and other receivables	8	114 891	13 764	128 665	–	–	128 665	128 665
Cash and cash equivalents	9	45 181	–	45 181	45 181	–	–	45 181
		161 696	13 764	175 460	45 181	–	130 279	175 460
Financial liabilities								
Loans from related parties	7	1 478	–	1 478	–	–	1 478	1 478
Finance lease obligation	11	14 393	–	14 393	–	–	14 393	14 393
Trade and other payables	12	139 385	14 200	153 585	–	–	153 585	153 585
Bank overdraft	9	187	–	187	187	–	–	187
		155 443	14 200	169 643	187		169 456	169 643

For the 2017 and 2016 year the loans to and from related parties, trade and other receivables and trade and other payables are short term in nature. The fair value of these financial instruments approximates the carrying amount as disclosed above. Finance lease agreements are variable rate instruments which mature over a period of 60 months. The fair value of these financial instruments approximates the carrying amount as disclosed above. (Refer to note 11).

Provisions for warranties, previously included in trade and other payables, have been disclosed separately on the face of the statement of financial position (February 2017: R6 124 000: February 2016: R5 500 000). This presentation fairly presents the financial position of the group.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2017

31. DIRECTORS' AND PRESCRIBED OFFICERS EMOLUMENTS

	Emoluments	Bonuses	Other benefits	Directors' fees	Total
2017					
Directors name					
IJ Calisto (executive)	2 923	170	40	–	3 133
JR Edmeston (executive)	1 990	1 458	122	–	3 570
DJ Brown (non-executive)	–	–	–	1 014	1 014
AT Ikalafeng (non-executive)	–	–	–	572	572
K White (non-executive)	–	–	–	563	563
	4 913	1 628	162	2 149	8 852

	Emoluments	Bonuses	Other benefits	Total
Prescribed officers				
B Debski	1 144	229	–	1 373
J Marais	1 646	147	137	1 930
J Matias	1 494	–	–	1 494
N Namitete	228	141	–	369
AH Nyimbo	1 165	–	247	1 412
E Ong	888	148	200	1 236
C Sanderson	1 143	378	86	1 607
RJ Schubert	1 398	117	89	1 604
M Van Reenen	800	50	43	893
	9 906	1 210	802	11 918

	Emoluments	Bonuses	Other benefits	Directors' fees	Total
2016					
Directors name					
IJ Calisto (executive)	2 852	160	–	–	3 012
JR Edmeston (executive)	1 872	1 370	102	–	3 344
DJ Brown (non-executive)	–	–	–	957	957
AT Ikalafeng (non-executive)	–	–	–	540	540
K White (non-executive)	–	–	–	531	531
	4 724	1 530	102	2 028	8 384

	Emoluments	Bonuses	Other benefits	Total
Prescribed officers				
J Marais	1 546	139	120	1 805
C Sanderson	1 079	446	66	1 591
RJ Schubert	1 319	104	66	1 489
	3 944	689	252	4 885

Directors and prescribed officers emoluments are paid for through subsidiary companies of the group.

Figures in rand thousands	2017	2016
32. BASIC EARNINGS PER SHARE		
32.1 Basic earnings per share		
The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue.		
Basic earnings per share		
Basic earnings per share (cents)	86	80
Weighted average number of ordinary shares (basic)		
Issued at the beginning of the year	300 000	300 000
Effect of treasury shares held	(1 234)	(51)
	298 766	299 949
Basic earnings		
Profit attributable to ordinary shareholders	256 895	239 674
32.2 Headline earnings per share		
The calculation of headline earnings per share has been based on the following profit attributable to ordinary shareholders computed in terms of note 1.12 and the weighted average number of ordinary shares in issue as determined above in basic earnings per share section.		
Headline earnings per share (cents)	85	81
Reconciliation between basic earnings and headline earnings		
Basic earnings	256 895	239 674
Adjusted for:		
Reversal of bargain purchase	–	3 279
Gain on disposal of assets net of tax	(1 610)	(1 019)
	255 285	241 934
32.3 Diluted earnings per share		
There are no dilutive instruments and therefore diluted earnings per share is the same as basic earnings per share.		
32.4 Normalised earnings per share		
The calculation of normalised earnings per share has been based on the headline earnings profit computed in terms of note 32.2 attributable to ordinary shareholders and the weighted average number of ordinary shares in issue as determined above in the basic earnings per share section.		
Normalised earnings per share (cents)	85	75
Reconciliation between headline earnings and normalised earnings		
Headline earnings	255 285	241 934
Net non-operating foreign exchange gain	(2 607)	(15 667)
	252 678	226 267

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 28 February 2017

Figures in rand thousands	2017	2016
33. COMMITMENTS		
Operating leases		
Minimum lease payments due		
– within one year	18 586	8 684
– in second to fifth year inclusive	29 115	18 665
	47 701	27 349

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

Mercantile Bank Limited has provided a facility of R80 million (2016: R40 million) to Cartrack Manufacturing Proprietary Limited. Cartrack Proprietary Limited has provided limited suretyship in favour of Mercantile Bank Limited for this facility. At the end of the year, the amount utilised was R72 million (2016: R -).

Nedbank Limited has provided a facility of R5 million (2016: R5 million) to Plexique Proprietary Limited. Cartrack Proprietary Limited has provided a limited guarantee for the facility in favour of Nedbank Limited. At the end of the year, the amount utilised was R2,5 million (2016: R1,1 million).

The Private Security Industry Regulatory Authority (PSIRA) requires the directors of Cartrack North East Proprietary Limited (the directors) to provide a suretyship for due payment of any amounts due to the PSIRA pursuant to registration with PSIRA in terms of the Private Security Industry Regulation Act, No 56 of 2001. Cartrack Proprietary Limited has provided an indemnity to the directors, limited to an amount of R20 000 (2016: R20 000), which indemnity will be reviewed on an annual basis.

Cartrack Investments UK Limited has provided Cartrack Espana, S.L with a loan in the amount of euro 1,4 million (2016: euro 1,4 million) (the Loan). Cartrack Technologies Asia Pte. Limited has provided Cartrack Investments UK Limited with a guarantee for repayment of the loan.

The group has signed subordination agreements with all insolvent subsidiaries.

Cartrack Manufacturing Proprietary Limited has a forward exchange contract in the amount R2,7 million (2016: R5,7 million) which expires on the 3 April 2017.

Figures in rand thousands	2017	2016
Cartrack North East Proprietary Limited has provided guarantees to:		
Accelerate Property Fund Limited	76 500	76 500
FPG Holdings Proprietary Limited	250 000	250 000
Janco Property Investments CC	32 729	32 729
SA Post Office Limited	30 000	30 000
Vodacom Service Provider Company	450 000	450 000

34. SEGMENT REPORTING

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

	South Africa	Africa-Other	Europe	Asia-Pacific and Middle East	USA	Total
Segment report – 28 February 2017						
Revenue	861 455	108 610	102 745	68 167	12	1 140 989
Cost of sales	(182 112)	(15 288)	(18 152)	(13 046)	–	(228 598)
Gross profit	679 343	93 322	84 593	55 121	12	912 391
Other income	2 846	516	2 827	607	–	6 796
Net operating foreign exchange (loss)/gain	(4 003)	603	1 689	76	–	(1 635)
Operating expenses*	(364 913)	(54 697)	(69 510)	(55 341)	(4 260)	(548 721)
Operating profit	313 273	39 744	19 599	463	(4 248)	368 831
Financing cost	(5 462)	(67)	(230)	(16)	–	(5 775)
Financing revenue	1 804	2 157	–	1	–	3 962
Net non-operating foreign exchange	2 607	–	–	–	–	2 607
Profit before taxation	312 222	41 834	19 369	448	(4 248)	369 625
Total tangible assets	435 808	75 485	88 998	97 255	4 233	701 779
Total liabilities	(231 325)	(44 922)	(38 274)	(26 288)	(1 238)	(342 047)
Goodwill						102 045
Equity						461 777

	South Africa	Africa-Other	Europe	Asia-Pacific and Middle East	Total
Segment report – 29 February 2016					
Revenue	748 600	139 197	90 037	27 647	1 005 481
Cost of sales	(142 150)	(24 050)	(16 476)	(4 073)	(186 749)
Gross profit	606 450	115 147	73 561	23 574	818 732
Other income	3 822	122	1 673	445	6 062
Net operating foreign exchange gain*	3 133	5 217	498	2 485	11 333
Operating expenses*	(337 321)	(63 966)	(51 529)	(38 505)	(491 321)
Operating profit	276 084	56 520	24 203	(12 001)	344 806
Financing cost	(4 360)	(10)	(78)	(15)	(4 463)
Financing revenue	2 987	3 268	–	1	6 256
Net non-operating foreign exchange gain	–	332	(648)	15 983	15 667
Profit before taxation	274 711	60 110	23 477	3 968	362 266
Total tangible assets	188 102	79 049	83 273	160 905	511 329
Total liabilities	(84 377)	(54 544)	(53 355)	(14 569)	(206 845)
Goodwill					156 011
Equity					460 495

* *Net operating foreign exchange gain/(loss) is disclosed as part of operating expenses in note 16.*

SUPPLEMENTARY INFORMATION

Figures in rand thousand	South Africa	Africa-Other	Europe	Asia-Pacific and Middle East	USA	Total 2017	Total 2016
Constant currency segment report[1]							
Revenue	861 455	140 699	98 975	64 650	12	1 165 790	1 005 481
Cost of sales	(173 222)	(10 480)	(17 843)	(14 561)	–	(216 106)	(186 749)
Gross profit	688 233	130 219	81 132	50 089	12	949 685	818 732
Other income	2 846	579	2 716	576	–	6 717	6 062
Net operating foreign exchange gain/(loss)	(4 003)	405	1 601	73	–	(1 924)	11 333
Operating expenses	(364 913)	(68 580)	(67 152)	(53 330)	(4 260)	(558 235)	(491 321)
Operating profit	322 163	62 623	18 297	(2 592)	(4 248)	396 243	344 806
Financing cost	(5 462)	(67)	(220)	(16)	–	(5 765)	(4 463)
Financing revenue	1 804	3 322	–	1	–	5 128	6 256
Net non-operating foreign exchange gain	2 607	–	–	–	–	2 607	15 667
Profit before taxation	321 112	65 878	18 077	(2 607)	(4 248)	398 212	362 266

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

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

The impact is computed as a combination of the following two calculations:

- *Components included in cost of sales are largely procured in US dollars. The impact of currency fluctuations on cost of sales for the period to 28 February 2017 was recomputed by applying the average exchange rates applicable to the corresponding 29 February 2016 cost of sales, being those rates applicable at the dates of stock procurement. On this basis, the cost of sales for period to 28 February 2017 would have decreased by 25%, and*
- *All other actual 28 February 2017 line items were recalculated at the average exchange rates applied for the period ended 29 February 2016.*