PROVISIONAL SUMMARY AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

DigiCore

PROFIT BEFORE TAX
⇧ 114%

EPS
⇧ 112%

NET CASH GENERATED FROM OPERATIONS
⇧ 42%

Always Visible DigiCore | Ctrack

SUMMARY AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

at 30 June 2014

	Notes	30 Jun 14 R'000 (Audited)	30 Jun 13 Restated* R'000	01 Jul 12 Restated* R'000
Assets				
Non-current assets		473 974	452 879	526 636
Property, plant and equipment	4	137 619	162 239	173 039
Goodwill	5	178 332	158 780	220 584
Intangible assets		101 671	85 337	79 487
Investments in associates		11 002	7 939	7 110
Other financial assets		–	–	1 250
Deferred tax		45 350	38 584	45 166
Current assets		286 386	388 031	364 142
Inventories		77 716	89 521	94 769
Current tax receivable		6 883	6 400	2 426
Trade and other receivables		182 520	249 579	225 628
Cash and cash equivalents		19 267	42 531	41 319
Assets held for sale		–	–	28 606
Total assets		760 360	840 910	919 384
Equity and liabilities				
Equity attributable to equity holders of parent		565 978	580 235	598 473
Share capital and premium		166 324	166 324	166 324
Foreign currency translation reserve		14 755	43 182	(524)
Share-based payment reserve		12 661	10 935	9 989
Retained income		372 238	359 794	422 684
Non-controlling interest		(2 505)	15 757	(14 524)
Total equity		563 473	595 992	583 949
Non-current liabilities		26 466	55 712	48 994
Other financial liabilities		14 135	39 461	22 995
Finance lease obligation		7 990	14 481	7 810
Deferred income		–	355	15 954
Deferred tax		4 341	1 415	2 235
Current liabilities		170 421	189 206	189 893
Other financial liabilities		18 235	46 614	10 183
Current tax payable		5 920	4 028	16 222
Finance lease obligation		9 837	5 668	7 111
Trade and other payables		83 332	61 669	66 277
Deferred income		355	13 350	13 686
Provisions		3 019	5 835	6 244
Bank overdraft		49 723	52 042	70 170
Liabilities held for sale		–	–	96 548
Total equity and liabilities		760 360	840 910	919 384

**Refer to the restatements note 3 to the condensed consolidated financial statements.*

SUMMARY AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Notes	30 Jun 14 R'000 (Audited)	30 Jun 13 Restated* R'000
Revenue		891 943	878 578
Cost of sales		(325 189)	(296 176)
Gross profit		566 754	582 402
Other income		41 786	26 347
Operating expenses		(510 050)	(506 573)
Earnings before interest, impairments, taxation, depreciation and amortisation		98 490	102 176
Depreciation and amortisation		(77 878)	(82 597)
Impairment of rental stock		(4 315)	(12 933)
Impairment of goodwill		–	(57 500)
Investment revenue		3 643	216
Income from equity accounted investments		3 064	2 131
Finance costs		(14 345)	(14 378)
Profit before taxation		8 659	(62 885)
Taxation		(864)	3 535
Profit after tax		7 795	(59 350)
Other comprehensive income:			
Exchange differences on translating foreign operations – reclassifiable		(28 427)	43 706
Total comprehensive income for the period		(20 632)	(15 644)
Profit attributable to:			
Owners of the parent		7 036	(59 194)
Non-controlling interest		759	(156)
		7 795	(59 350)
Total comprehensive income for the period			
Attributable to:			
Owners of the parent		(21 391)	(15 488)
Non-controlling interest		759	(156)
		(20 632)	(15 644)
Earnings per share	6		
Earnings per share (cents)		2.94	(24.70)
Diluted earnings per share (cents)		2.83	(24.70)

**Refer to the Restatements Note, Note 3 to the Condensed consolidated financial statements.*

SUMMARY AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2014

	30 Jun 14 R'000 (Audited)	30 Jun 13 Restated* R'000
Share capital and premium		
Share capital and premium at the beginning of the period	166 324	166 324
Share capital and premium at the end of the period	166 324	166 324
Reserves		
Foreign currency translation reserve		
Balance at the beginning of the period	43 182	(524)
Other comprehesive income	(28 427)	43 706
Balance at the end of the period	14 755	43 182
Equity settled share-based payment reserve		
Balance at the beginning of the period	10 935	9 989
Share options cancelled	–	(1 859)
Share-based payment cost for the period	1 726	2 805
Balance at the end of the period	12 661	10 935
Reserves at the end of the period	27 416	54 117
Retained income		
Retained Income at the beginning of the period	359 794	422 684
Profit/(Loss) for the period	7 036	(59 194)
Share options cancelled	–	1 859
Ctrack Latin America S.A – non-controlling interest derecognised	–	13
Buyback of shares in DigiCore Fleet Management SA (Proprietary) Limited	5 408	–
Acquistion of 27% in Ctrack (Proprietary) Limited from outside shareholders	–	(5 568)
Retained income at the end of the period	372 238	359 794
Non-controlling interest		
Balance at the beginning of the period	15 757	(14 524)
Profit for the year	759	(156)
Buyback of shares in DigiCore Fleet Management SA (Proprietary) Limited	(19 021)	–
Acquistion of a further 25% in Alchemist House (Proprietary) Limited	–	(874)
Ctrack Latin America S.A – non-controlling interest derecognised	–	(13)
Sale of Worldmark SA (Proprietary) Limited	–	32 636
Acquistion of 27% in Ctrack (Proprietary) Limited from outside shareholders	–	(1 312)
Balance at the end of the period	(2 505)	15 757

SUMMARY AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended 30 June 2014

	30 Jun 14 R'000	30 Jun 13 R'000
Cash flows from operating activities		
Cash generated from operations	161 793	125 620
Interest income	3 643	216
Finance costs	(14 345)	(14 378)
Tax received/(paid)	(2 125)	(6 861)
Net cash from operating activities	148 966	104 597
Net cash from investing activities	(92 345)	(96 021)
Net cash from financing activities	(80 099)	15 714
Total cash and cash equivalents movement for the period	(23 478)	24 290
Cash and cash equivalents at the beginning of the period	(9 511)	(28 851)
Effect of exchange rate movement on cash balance	2 533	(4 950)
Total cash and cash equivalents at end of the period	(30 456)	(9 511)

AUDITED SUMMARY SEGMENTAL ANALYSIS

for the year ended 30 June 2014

	30 Jun 14 R'000	30 Jun 13 Restated R'000
Total segment revenue		
SA distribution	488 673	521 710
External revenue	522 735	532 381
Internal segment revenue	(34 062)	(10 671)
Foreign distribution	297 063	271 815
External revenue	297 063	285 399
Internal segment revenue		(13 584)
Product development and manufacturing	(57 974)	(100 801)
External revenue	65 698	53 026
Internal segment revenue	(123 672)	(153 827)
Group services	(12 506)	(15 292)
External revenue	6 447	7 772
Internal segment revenue	(18 953)	(23 064)
Total external revenue	891 943	878 578
Eliminations	176 687	201 146
	1 068 630	1 079 724
Profit/(loss) before taxation		
SA distribution	(42 624)	(8 209)
Foreign distribution	24 918	(60 310)
Product development and manufacturing	50 200	16 317
Group services	(23 835)	(10 683)
	8 659	(62 885)
Segment assets		
SA distribution	2 223 343	787 390
Foreign distribution	297 063	373 195
Product development and manufacturing	857 192	353 921
Group services	1 265 862	462 864
	4 643 460	1 977 370
Eliminations	(3 883 100)	(1 136 460)
Total assets	760 360	840 910
Segment liabilities		
SA distribution	(1 850 175)	(221 399)
Foreign distribution	(285 038)	(252 011)
Product development and manufacturing	(620 977)	(20 758)
Group services	(980 728)	(92 611)
	(3 736 918)	(586 779)
Eliminations	3 540 031	341 861
Total liabilities	(196 887)	(244 918)

NOTES TO THE SUMMARY AUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and presentation of financial statements

The summary consolidated financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and contain the information required by IAS 34 *Interim Financial Reporting* as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Limited Listings Requirements, and the requirements of the Companies Act, 2008.

Except as described below, the accounting policies are in terms of IFRS and are consistent with those of the consolidated Annual Financial Statements at 30 June 2014 as issued on 29 September 2014. The accounting policies are supported by reasonable and prudent judgments and estimates.

The board has approved the financial statements which have been summarised for purposes of this report. The financial statements were internally compiled by Mr PJ Grové CA(SA), the Group Chief Financial Officer and Mr V Venkatkumar CA(SA), the Group Financial Manager.

Any reference to future financial performance included in this announcement, the commentary within the Corporate Governance, Sustainability and Corporate Profile headings and the financial and operation commentary have not been audited by our auditors.

Audit opinion

The auditors, Mazars (Gauteng) Inc., have issued their unmodified opinion on the Group's annual financial statements for the year ended 30 June 2014. A copy of the auditor's report together with a copy of the audited financial statements are available for inspection at the Company's registered office.

These summary audited consolidated financial statements have been derived from the Group's annual financial statements .The contents of this announcement are extracted from audited information, although the announcement is not itself audited. The directors take full responsibility for the preparation of the provisional report and the financial information has been correctly extracted from the underlying annual financial statements.

The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

2. Significant pronouncements adopted during the period

The Group adopted the new, revised or amended accounting pronouncements as issued by the International Accounting Standards Board (IASB), which were effective and applicable to the Group from 1 June 2013, none of which had any material impact on the Group's financial results for the year.

IFRS 10 Consolidated Financial Statements

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The Group has revised its accounting policies on the consolidation of subsidiaries and concluded that the adoption of IFRS 10 did not result in any material change in the consolidation of the Group.

IFRS 13: Fair value measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 was adopted and applied prospectively and it was assessed that the adoption did not result in any material impact on the financial results of the Group.

IFRS 12, Disclosure of Interests in other entities

IFRS 12 requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in subsidiaries, entities that are not fully consolidated, including joint arrangements, associates and special purposes entities; and the effects of those interests on its financial position, financial performance and cash flows. The effective date for adoption of this standard is for periods commencing on or after 1 January 2013.

The adoption of IFRS 12 resulted in additional disclosures on interests in associates.

3. Restatement

The audit and risk committee and the board of directors of the group requested that a detailed investigation be performed into the Groups systems and operations as part of a comprehensive business review.

The review included a change of management, an understanding of the costing of products and understanding the process of internal controls and accounting for transactions.

As a result of a detailed operations and system review as requested by the audit and risk committee and the board of directors, the following restatements were identified:

Capitalisation of development cost as part of inventories and rental units

DigiCore provides a tracking solution to its customers through a tracking device paired with tracking software. When revenue is recognised, the resulting cost of sale should also be recognised for the tracking unit and the software used to provide the solution.

This was previously done by the DigiCore owned factory by including a profit margin that recovers all manufacturing and development cost when tracking units were sold to other subsidiaries within the DigiCore group. The group therefore carried these tracking units in inventory and rental assets at a value inclusive of manufacturing cost and the allocated development cost.

Management have performed a detailed review of this process and concluded that a more appropriate basis of capitalising these development costs as part of inventories and rental units would be to capitalise the amortisation of development costs as recognised in the financial period.

This change in the accounting policy changes the manner in which the cost is allocated to inventories and rental units resulting in more relevant and reliable information about the effects of the transactions.

Impairment of rental units

DigiCore rents a tracking solution to customers over a contract period. DigiCore will receive rental income over the duration of the contract period and the unit should be depreciated over the contract period.

The accounting system for the rental units was designed in such a manner that a number of rental units that should have previously been impaired, but could not be identified from the accounting system, as the economic benefit of these assets had been depleted.

The rental units have been impaired using a recoverable amount based on the estimated value in use. Controls have been implemented to improve the manner in which information from the accounting system is obtained and recorded.

Connection incentive bonus

DigiCore previously received a fixed connection incentive bonus (CIB), from the cellular network service providers on activation or renewal of a cellular line contract. Previously this commission was recognised as revenue when received by the group. The cellular providers have subsequently ceased to pay these commissions and as a direct result have significantly reduced the monthly subscription charge.

Due to the availability of this information, management decided to change the accounting policy from recognising the CIB revenue upfront to deferring the revenue over the contract period to reflect the true substance of the transaction.

The aggregate effect of the changes in accounting policy on the group financial statements follows:

Summary Audited Consolidated Statement of Financial Position

30 Jun 13		Effect of restatements			
All figures in R'000	Balance as previously reported	Capitalisation of development costs	Impairment of rental units	CIB revenue	Balance Restated
Property, plant and equipment	201 435	(25 033)	(14 163)	–	162 239
Deferred tax asset	23 593	11 159	–	3 832	38 584
Inventories	104 347	(14 826)	–	–	89 521
Total	329 375	(28 700)	(14 163)	3 832	290 344
Retained income	412 532	(28 699)	(14 163)	(9 876)	359 794
Deferred Income – Long-term portion	–	–	–	355	355
Deferred Income – Short-term portion	–	–	–	13 350	13 350

01 Jul 12		Effect of restatements			
All figures in R'000	Balance as previously reported	Capitalisation of development costs	Impairment of rental units	CIB revenue	Balance Restated
Property, plant and equipment	203 730	(25 826)	(4 865)	–	173 039
Deferred tax asset	29 358	7 509	–	8 299	45 166
Inventories	95 763	(994)	–	–	94 769
Total	328 851	(19 311)	(4 865)	8 299	312 974
Retained income	468 199	(19 308)	(4 865)	(21 342)	422 684
Deferred Income – Long-term portion	–	–	–	15 954	15 954
Deferred Income – Short-term portion	–	–	–	13 686	13 686

Summary Audited Consolidated Statement of Comprehensive Income

Year ended 30 June 2013	Effect of restatements				
All figures in R'000	Balance as previously reported	Capitalisation of development costs	Impairment of rental units	CIB Revenue	Balance Restated
Revenue	862 588			15 990	878 578
Cost of Sales	(270 896)	(25 280)		–	(296 176)
Depreciation and amortization	(98 424)	12 232	3 595		(82 597)
Impairment of rental stock	–		(12 933)		(12 933)
Profit before taxation	(56 489)	(13 048)	(9 338)	15 990	(62 885)
Taxation	4 362	3 650	–	(4 477)	3 535
Profit/(loss) for the period	(52 127)	(9 398)	(9 338)	11 513	(59 350)

Earnings per share Year ended 30 June 2013	Indicator as previously reported	Capitalisation of development costs	Impairment of rental units	CIB Revenue	Indicator Restated
Earnings per share (cents)	(21.69)	(3.79)	(3.87)	4.65	(24.70)
Diluted earnings per share (cents)	(21.69)	(3.79)	(3.87)	4.65	(24.70)
Headline Earnings per share (cents)	3.29	(3.79)	1.24	4.65	5.39
Diluted headline earnings per share (cents)	3.29	(3.79)	1.24	4.65	5.39

4. Property, plant and equipment

The Group has invested R59.4 million into rental assets over the 12-month period to 30 June 2014. R28.1 million worth of rental units that was previously capitalised for the project with Discovery Insure Limited has also been derecognised and sold to Discovery Insure under the revised terms and conditions of the project. Depreciation for the year on rental units amounts to R41.1million (30 June 2013 Restated: R46.3 million)

5. Goodwill

The goodwill amount per the statement of financial position is reconciled as follows:

	R'000
Cost	216 280
Accumulated impairments	(57 500)
Carrying value at 30 June 2013	158 780
Foreign exchange movements	19 552
Carrying value at 30 June 2014	178 332
Cost at 30 June 2014	235 832
Accumulated impairments at 30 June 2014	(57 500)

6. Earnings per share

Earnings per share	Growth %	30 Jun 14	30 Jun 13 Restated*
Earnings per share (cents)	112	2.94	(24.70)
Diluted earnings per share (cents)	111	2.83	(24.70)
Headline Earnings per share (cents)	(3)	5.23	5.39
Diluted headline earnings per share (cents)	(7)	5.04	5.39
Final Dividend per share (cents)		–	–
Earnings per share calculations			
Number of ordinary shares in issue ('000)		247 669	247 669
Weighted average number of ordinary shares in issue ('000)		239 607	239 607
Adjusted for: potentially dilutive impact of share options		9 070	–
Weighted number of shares in issue to be used in the calculation of diluted earnings per share		248 677	239 607
Reconciliation of headline earnings			
Basic and diluted earnings		7 036	(59 194)
Adjusted for:			
Loss on sale of fixed assets		1 638	878
Impairment of fixed assets		4 315	12 933
Loss on sale of Worldmark SA (Proprietary) Limited			1 047
Impairment of goodwill			57 500
		12 989	13 164
Tax effect on adjustments		(459)	(246)
Non-controlling interest in adjustments		–	–
Basic and diluted headline earnings		12 530	12 918

7. Acquisition of non-controlling interest

DigiCore Fleet Management SA (Proprietary) Limited

On 31 March 2014 the Group bought back the 30% shareholding held by the non-controlling shareholders of DigiCore Fleet Management SA (Proprietary) Limited. The fair value purchase consideration was set at R13 612 239.

The total consideration was settled in cash and this took the Group's shareholding in the Company from 70% to 100%. The Group recognised a decrease in non-controlling interest of R19 019 618 and the difference between the non-controlling interest has been recognised in equity.

Fair value of assets acquired and liabilities assumed

	R'000
Non-controlling interest derecognised	19 020
Excess of consideration paid over non-controlling interest recognised in retained earnings	(5 408)
	13 612
Acquisition date fair value of consideration paid	
Cash	13 612

Non-controlling interest is measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

8. Disposal of subsidiary

During the 2013 financial period, the Group sold its shareholding in Worldmark SA (Proprietary) Limited T/A Motor One. Please refer to the results announcement for the year ended 30 June 2013 for further details. In order to reflect the results of the continued operations, the results of the Group for the year ended 30 June 2013 are provided before and after the results for Worldmark SA (Proprietary) Limited as follows:

	30 Jun 14		30 Jun 13		
All figures in R'000	DigiCore Operations	Growth DigiCore Operations 2014 v 2013	DigiCore Operations	Worldmark SA (Pty) Ltd	Balance Restated
Revenue	891 943	6%	844 212	34 366	878 578
Cost of sales	(325 189)		(281 452)	(14 724)	(296 176)
Gross profit	566 754	1%	562 760	19 642	582 402
Other income	41 786		22 339	4 008	26 347
Operating expenses	(510 050)		(485 509)	(21 064)	(506 573)
EBITDA	98 490	(1%)	99 590	2 586	102 176
Depreciation and amortisation	(77 878)		(82 597)	–	(82 597)
Impairment of rental stock	(4 315)		(12 933)	–	(12 933)
Impairment of Goodwill	–		(57 500)	–	(57 500)
Investment Revenue	3 643		216	–	216
(Loss)/Income from equity accounted investments	3 064		2 131	–	2 131
Finance costs	(14 345)		(14 179)	(199)	(14 378)
Profit before taxation	8 659	113%	(65 272)	2 387	(62 885)
Taxation	(864)		3 535	–	3 535
Profit after tax	7 795	113%	(61 737)	2 387	(59 350)

DIVIDEND DECLARATION

No final dividend will be declared and paid to the shareholders. The board agreed to retain cash for future growth. (30 June 2013: nil).

CHANGES TO THE BOARD OF DIRECTORS

Mr D du Rand and Mr MD Rousseau have stepped down as members of the board with effect from 22 May 2014 in order to apply the recommendations set out in King Code of Governance Principles ("King III"), they will continue in their roles as Chief Technology Officer and Chief Operating Officer respectively.

RELATED PARTIES

During the year, certain subsidiaries, in the ordinary course of business entered into loans and transactions with related parties under terms that are no less favourable than those arranged with third parties.

CORPORATE GOVERNANCE

The board of directors aspires to conduct the Group's business with responsibility, accountability, fairness and transparency and strives to be a good corporate citizen.

The directors agree with the spirit and principles of corporate governance set out in the King Report on Governance in South Africa (2009) (King III). The board is committed to applying appropriate corporate governance policies and practices in each Company in the Group.

SUSTAINABILITY

Sustainability forms the cornerstone of our values and is part of our board's mandate. The Group understands that its business is part of the greater environment in which we live, so our actions are shaped by national and international trends in sustainable development. DigiCore is a long-term business and this determines our actions as the Group strive to be a responsible corporate citizen and respect the society and environment in which we operate.

The focus of the Group going forward is to balance financial growth with our focus on people, especially staff satisfaction, while ensuring we remain committed to equal opportunity employment and stakeholder satisfaction. It underpins our approach to attracting, retaining and developing our people. It guides our actions in the contribution we make to preserving our environment. It drives our continued cost-effective growth.

In support of the vision and strategy on sustainability, the Group has adopted the Global Reporting Initiative Framework for which a report has been prepared in accordance with GRI G3.1 guidelines. With the release of the integrated annual report 2013 in October 2013, DigiCore followed the combined assurance model and believes the report meets the requirements of level C. Please refer to the website for further information on sustainability within the Group.

CORPORATE PROFILE

DigiCore is a JSE-listed Group specialising in vehicle tracking, fleet management solutions and insurance telematics for an international client base. With over 28 years of innovation, technical and implementation experience, DigiCore is is a provider of advanced machine-to-machine communication and telematics solutions that add value to its global base of customers with mobile assets.

DigiCore's end-to-end research, design, development, manufacture, sales and support of tailored solutions for customers is serviced by a global network of staff and team members in more than 50 countries. The Company's technology and electronic division designs and develops a range of asset management and monitoring systems using GPS satellite positioning, GSM cellular communication systems and other advanced communication and sensory technologies. The result is products and solutions ranging from basic track-and-trace with stolen vehicle response services for the consumer market to complete integrated enterprise-level solutions for large fleet owners such as the Royal Mail (UK), the South African Police Service, eThekwini Metro, BHP Billiton (global) and many others under the Ctrack brand.

Operations span six continents with over 1,000 employees and close to 800,000 systems sold.

COMMENTARY

The 12 months to June 2014 were challenging but rewarding in the progress we made in various spheres of our business.

In the second half of the year, the new management team continued to optimise our business, launched new products, rebuilt and created new relationships with clients which all bodes well for future growth.

As part of this process, we have changed our policies on defining obsolete stock and arrears debtors accounts, as well as providing for and writing off bad debt. At the same time we put measures in place to prevent similar losses in future.

Several new product developments were initiated for the fleet and consumer/insurance markets, some already launched and others to be launched early in the new year. We believe the investment in research and development R&D will position us well to win more contracts in the coming year.

After restructuring and repositioning the management team, we have recorded a significant improvement in customer service from our call centre, sales, technical and finance divisions.

The sales model, in terms of cash or externally funded deals, is now bedded down and part of our normal sales process into the fleet market. This strategy allowed us to improve our cash flow and settle finance facilities of R80 million last year.

Development of the interactive business intelligence and bureau-reporting environment has been completed. This system enables Ctrack customers to receive automated reports as well as dynamic key performance indicator reporting on drivers and vehicles respectively. This allows business decisions to optimise fleet size and performance, and improve behaviour for safety and lower maintenance costs.

The international operations have been reviewed in order to concentrate on those markets offering most potential. As a result, certain markets have been exited. Management is confident that, going forward, the international businesses will contribute positively.

Purchasing decisions were delayed as a result of the election and strikes in South Africa which impacted business in our second half.

FINANCIAL OVERVIEW

The audit and risk committee and board of directors of the Group requested a detailed investigation of the Group's systems and operations as part of a comprehensive business review. This review included a change of management, an understanding of costing products and familiarisation with the process of internal controls and accounting for transactions.

Following this review, these results include a restatement of the prior-period financial statements. Management believes this restatement will set a base line for more reliable and relevant information on DigiCore's performance and financial position. For a detailed analysis of the restatement, refer to note 3.

Profit/loss after tax for the Group turned from a loss of R59,3 million to a profit of R7,8 million for the financial period. This result, however, includes adjustments that management expects to be non-recurring in future. These adjustments cover an additional provision for bad debts of R56,6 million, impaired deposits of R8,8 million and impaired stock of R33,1 million. A positive currency adjustment of R35,3 million was raised due to the conversion of pound- and euro-exposed loans to rand. The nature of these loans was changed subsequent to the end of the financial period which eliminates any foreign currency exposure in profit and loss on these loans. In total, the results include non-recurring adverse adjustments totalling R63,2 million that is not necessarily expected to recur in future.

Cash from operating activities of R148,9 million was generated and used to fund investment activities of R92,3 million. The cash generated was used to repay loan and overdraft facilities previously used to finance the Group.

TECHNOLOGY REVIEW

Ctrack's new-generation iS platform has received very positive feedback from both distributors and end-users and is a significant development for our sales teams and clients.

Ctrack On-the-Road, a touch-screen terminal based on smartphone technology, has been well received in the market. The product is manufactured in China. The latest upgrade includes a forward-looking video camera for driver behaviour and accident investigations, fully integrated into the Ctrack Maxx reporting environment and allowing remote access to the video. Adding high-volume video data to Ctrack's cloud-based environment required tripling our storage capacity.

Ctrack released its new multi-communications module allowing seamless and cost-effective Ctrack operations in and outside GSM areas, switching automatically to satellite communication when necessary. This innovative module allows combinations of wifi, satellite communications and even high-security private digital radio networks such as TETRA. Ctrack's least-cost and message priority algorithms allow the client full control, per vehicle, over wireless communication costs.

Ctrack signed two global agreements. The first is a mapping agreement that gives Ctrack global direct access to up-to-date, cloud-based map databases providing clients with maps, satellite images and real-time traffic data. Secondly, we signed a technology partnership agreement with a USA Company to strengthen Ctrack's OBD-II plug-and-play technology.

OPERATIONAL REVIEW

South Africa

Ctrack

Sales skills have been expanded through a mixture of training and recruitment to meet the challenges of a more demanding marketplace. Much emphasis was placed on developing our human capital/sales staff.

We have launched our Fleet Protector product that provides a range of cover for fleet owners, drivers and users of Company vehicles. The product is underwritten by Hollard and will be sold into the fleet base in the next financial year.

The launch of Ctrack On-the-Road has generated interest among transporters wanting to optimise their fleet productivity and efficiencies. A continued strategic partnership with VSC Solutions is assisting in selling a total fleet solution to our customers in the logistics sector and will continue to increase our market share. Our Fleet Connect software continues to be improved and pulls information from third parties such as financial institutions and includes fuel data, toll and maintenance costs to assist customers with decision-making via our bureau services. New fleet business intelligence tools have been introduced to give our customers convenient and easy-to-use systems to access their own accurate, relevant information/data.

The successful deployment of Ctrack's Mobile Resource Management (MRM) solution has improved customer service as well as productivity at the installation stage. Currently there is a concerted effort to automate various other processes in our business value chain and we have started to see the financial benefits of this technology in our own environment, along with convenience and speed from a customer perspective.

The retention team remains focused on retaining the existing customer base and our sales channel strategy, ie third-party call centres etc, is contributing to new business acquisition in the consumer market. An agreement with International-SOS (Digicall) is providing the opportunity to sell value-added services, such as medical support and roadside assistance (Advanced Protector), to the consumer customer base.

Discovery Insure installations have increased to around 5,000 Ctrack insurance telematics systems per month with a total of 77,000 installations to date. The concept of rewarding better and safer driving habits is being accelerated and complemented by other technologies entering the market.

In supporting the Action for Response system of the South African Police Service (SAPS), we rolled out the call-taking and dispatch system in conjunction with Aurecon to over 20 response centres nationally. Published figures from SAPS show that both operational turnaround time to incidents logged on 10111 and fleet operating costs have substantially reduced. Ctrack's current agreement with SAPS has been extended until December 2014.

Tap-i-Fare

Tap-i-Fare continues to work closely with the South African taxi industry as well as public transport owners in neighbouring countries. We are currently engaged in a proof-of-concept phase for both telematics and fare collection which runs until the end of 2014.

Ctrack Mzansi

Ctrack Mzansi is in its third year of operation and moved from a level 4 to level 1 BBBEE (broad-based black economic empowerment) contributor in 2013. The Department of Labour, Aveng Trident Steel and Barloworld Equipment were significant contract wins in the period and we await the outcome of other fleet tenders submitted.

INTERNATIONAL

Europe and UK

The economic climate in Europe improved in the second half of this year, which had a positive impact on results in the final quarter. The restructuring has been embedded in the various operations; this has improved efficiency and kept costs well under control.

The insurance telematics market is progressing in Europe and the UK and improved results are expected in the new year. The UK fleet business performed very well in the third and fourth quarters, winning a number of council tenders. The Netherlands operation has remained under gross profit pressures, but good results have been realised. Our distributors in Europe have improved their support of the Ctrack products, recording good growth in those countries.

Management remains confident about the growth prospects of this region.

Africa

There are currently 18 distributors in Africa, representing as many countries. Growth has been slower than expected, but the final quarter showed some improvement. The mining sector in Africa was under pressure during the year, including the continual pressures of the health and safety environment critical to these companies. We have concluded a memorandum of understanding with a global, multinational Company to further our footprint and service offering on the continent and build a more sustainable business model; this will eventually represent us in 27 African countries.

Australia and New Zealand

Ctrack has recorded good growth in this region during the year, especially in the fleet industry. Australia is a highly regulated environment, which posed a few challenges; Ctrack has successfully met these challenges with approvals received for all our products. We look forward to a buoyant year ahead by accessing this market to a greater degree. The trial for insurance telematics with an international vehicle insurance underwriter has progressed to the next generation of the technology. We expect to launch this service in the third quarter of 2015. Australia remained profitable during the year.

Asia

We have closed our own office and partnered with a Malaysian Company, Mega Fortris Ctrack Solutions, which has opened offices in Malaysia, China, Thailand, Singapore and Indonesia. We have therefore consolidated our Malaysian operation into this partnership. The Asian market has a keen interest in the software capability of Ctrack solutions and we are recording sales with international clients such as Tyco and TNT. We are now ready to support all the requirements of the Transported Asset Protection Association (TAPA). First-level support will be provided from our Australian office's sales and technical departments.

Middle East

Our partnership established in Dubai has grown progressively in the region. We are securing a growing number of contracts, supported by new legislation being formalised by the Roads & Transport Authority (RTA), which is responsible for transport planning, in preparation for the World Expo in Dubai in 2020 when 25 million visitors are expected over the six-month period. Complementary to this opportunity, there are a number of good prospects with municipal business and the oil and gas industry.

Pakistan

Unit sales to Pakistan were disappointing, although TPL Trakker was profitable for the year and contributed R3,1 million to this year's profit. Our share in TPL Trakker is still held for sale with a market value of around R49 million.

INDUSTRY COMMENTS

DigiCore has progressed well with the requirement from medium to large fleet operators for a more information-based services and subscription model, allowing third-party information such as routing and scheduling, fuel card transactions, etc to be incorporated in our reporting software. The integration with other systems gives operators, at a glance, the full status of their operation on one report.

With the launch of cMe, a track-and-trace unit, we are able to fulfil the needs of most consumers at a very attractive price in a competitive market. The fact that cMe provides more information, features and benefits to consumers should allow us to improve our market share over time in this segment.

The strategic and special projects division continues to identify and define innovative application and future telematics trends. As a result, DigiCore maintains its leadership in insurance telematics and today operates over 80,000 driver behaviour-based insurance telematics systems. Under the Ctrack brand, DigiCore was ranked as *best telematics technology provider and telematics service provider* in Asia, Latin America and other continents, including Africa and Australasia, in the 2013 Insurance Telematics Supplier Ranking Study by Ptolemeus Consulting Group which helps insurers select their partners.

Working on a number of other telematics initiatives outside the traditional vehicle and fleet management areas is a key part of DigiCore's strategy to be a leader in reshaping the telematics industry. As example, our integrated RFID despatch and monitoring solution with Mega Fortris, a global security seal manufacturing Company, and our Thripp Container research strategy won the Department of Trade and Industry's technology prize, and is now being rolled out worldwide.

Electronic fare collection on taxis and public transport is imminent in South Africa, but probably not before next year. New opportunities in Africa seem more viable to us than the South African market for now. With our products and software already upgraded, no further R&D spend is required until firm orders are received.

OUTLOOK

We are excited to start the new year with a proverbial clean slate after optimising our business in the second half of the year.

Systems, controls and strategies to manage stock, debtors and cash flow more effectively are in place, allowing the management team to focus externally on relationships, sales and marketing and to identify new opportunities for growth.

We are cautiously optimistic that financial results will continue to improve.

For and on behalf of the board

N H Vlok
Chief executive officer

P J Grove
Chief financial officer

29 September 2014
Centurion

Digicore
Company registration number: 1998/012601/06
JSE code: DGC ISIN: ZAE000016945
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Non-executives
G Pretorius (Chairman), B Marx, SS Ntsaluba, JD Wiese

Company secretary
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