



# INTEGRATED ANNUAL REPORT

**2018**

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Cartrack's considerable experience, knowledge and skills in the telematics field, has allowed us to grow at an accelerating pace to create a wide-ranging and meaningful impact in this sector. This growth can largely be attributed to our growing reputation as the telematics industry's most trusted partner in safety and security, mobile asset management, asset recovery, workforce optimisation and data analytics based on a proven telematics platform. With a strong, revenue producing balance sheet, broad distribution network and world-class operating platform, Cartrack is geared for growth.

## Approval of the integrated annual report

The board of directors acknowledges its responsibility to ensure the integrity of this report. The directors confirm that they have collectively assessed the content of the integrated annual report and believe it addresses the material issues and is a fair representation of the integrated performance of the group. The board of directors has therefore approved the 2018 integrated annual report for publication.

On behalf of the board:



**David Brown**  
*Chairman*



**Zak Calisto**  
*Chief executive officer*

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# ABOUT THIS REPORT

Our integrated annual report is published with the aim to communicate with all Cartrack's stakeholders on the material activities of the group. All previous integrated annual reports are available on our website at [www.cartrack.co.za/investor-relations/financial-reports](http://www.cartrack.co.za/investor-relations/financial-reports)

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## Scope and boundary

This report consists of the integrated annual report and the condensed audited consolidated annual financial statements for the year ended 28 February 2018. All subsidiaries are included in the consolidated financial information. The 2018 integrated annual report covers relevant aspects of all the operations of Cartrack. There has been no change in the scope and boundary of this report, relative to our previous report, nor have there been significant changes in the size, structure or ownership during the current reporting period. Although new jurisdictions are constantly being added to the group's regional base, no new offices were opened in the past year.

There was no substantive restatement of information provided in earlier reports. Where historical data has been adjusted in this report, the relevant numbers have been annotated and a brief explanation included at the bottom of the tables.

## Materiality

The selection of material issues to be covered in this report was informed by inputs from our stakeholders, including our capital providers, and was further refined through a review of:

- the matters covered by the board and the audit and risk committee;
- matters of strategic importance; and
- engagement with executive management and the board of directors.

The information in this report has been selected to provide for the interests of stakeholders who require a broad overview of the present and future direction and prospects of Cartrack – shareholders, funders, regulators, prospective employees, suppliers and community members, among others.

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For more information, please contact annamè de villiers at [annam.devilliers@cartrack.com](mailto:annam.devilliers@cartrack.com)

Stakeholders with more in-depth needs are invited to contact Cartrack directly or visit our website for further information.

## Frameworks

The content and structure of our integrated annual report are guided by the principles of the King IV Report on Corporate Governance for South Africa (King IV) and the framework endorsed by the Integrated Reporting Committee of South Africa. Cartrack fully complies with the JSE Listings Requirements, the Companies Act of South Africa, 71 of 2008, as amended (the Companies Act) and the International Financial Reporting Standards (IFRS) and is committed to embracing best practice in reporting to ensure transparency and improve stakeholder engagement.

## Assurance

The Cartrack board of directors and its subcommittees have reviewed the report and have satisfied themselves of the materiality, accuracy and balance of disclosures in this report. The board has not sought independent assurance of the report, other than for the annual financial statements.

Assurances of our business practices, governance and financial information are provided through compliance with internal and external audit processes and oversight from a number of regulatory organisations, as indicated below:

Assurance provided by	Aspects assured	Nature of assurance
Grant Thornton	Annual financial statements	Financial audit
Internal Audit	Business processes, risk management	Targeted internal audit according to annual audit plan approved by the board
JSE (through Sponsor and Company Secretary)	Compliance with JSE Listings Requirements	Confirmation of compliance with continuing obligations; regular monitoring of financial reporting; SENS publications
FSB	Compliance with the FAIS Act	Review of compulsory annual reporting
SARB	Compliance with exchange control regulations	Oversight and approval of submissions
PSIRA	Compliance with provisions of the PSIRA	Oversight of submissions; regular review of registrations
SARS	Tax compliance	Tax assessment
VESA	Hardware and installation processes for SVR purposes	Verification
ICASA, FCC (and similar)	Hardware and system security	Ensure the products comply with Safety Standards, Electrical Standards, Radio Frequency Radiation Standards and Hazardous Material Standards. A set of global standards under ISO (International Organisation of Standards) ensure the correct procedures and testing are carried out based on the product application. In various countries a group of Testing Laboratories is used to perform and certify the products against the ISO Standard. The Test Laboratories are approved by the Regulatory Bodies in the respective regions.

### Supplementary information

The integrated report forms part of and should be read in conjunction with additional reports available online on our website at [www.cartrack.co.za](http://www.cartrack.co.za). Other reports available include:

- Annual Financial Statements for 2018
- A King IV compliance register
- Analyst Booklet
- SENS announcements

### Forward-looking statements

There may be statements in this report that constitute “forward-looking statements”. Such forward-looking

statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Cartrack and its subsidiaries to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements.

The company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These statements have not been reviewed or reported on by the group’s auditors.

# CORPORATE PROFILE

We are a **leading global provider** of solutions for mobile asset management, asset recovery, workforce optimisation and data analytics, underpinned by a proven telematics platform.

Fleet management ('Fleet'), stolen vehicle recovery ('SVR') and insurance telematics services remain our primary offerings while we continue to develop innovative, first-to-market solutions, aimed at further enhancing our customers' experience.

Cartrack is a service-centric organisation focusing on in-house design, development, production and installation of telematics technology and data analytics. It provides fleet, mobile asset and workforce management solutions, underpinned by real-time actionable business intelligence, delivered as Software-as-a-Service ('SaaS'), as well as the tracking and recovery of stolen vehicles.

## OUR PROMISE TO CUSTOMERS

Cartrack's technology is widely accepted by motor manufacturers and insurers



INCREASED FLEET PRODUCTIVITY



INCREASED WORKFORCE EFFICIENCY



INCREASED CUSTOMER SERVICE



INCREASED SAFETY AND SECURITY



REDUCED OPERATIONAL COSTS



INCREASED REVENUE



REGULATORY COMPLIANCE

## VALUES

Our 2 025 staff members across five continents live one culture by ascribing to these core values

● ACCOUNTABILITY

● INTEGRITY

● SERVICE ORIENTATION

● RELATIONSHIPS

● ENTREPRENEURIAL LEADERSHIP

# VISION

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

# MISSION

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



# OUR INVESTMENT CASE

A history of strong cash flow generation and cash conversion, low financial leverage and strong dividends



A WELL-ESTABLISHED AND PROVEN PLATFORM FOR GROWTH IN A HIGH-GROWTH INDUSTRY

58%

DEBT: EQUITY



A LARGE AND GEOGRAPHICALLY DIVERSE SUBSCRIBER BASE

106%

CASH CONVERSION



ANNUITY-BASED BUSINESS MODEL PROVIDES STRONG VISIBILITY OF EARNINGS

88%

OF REVENUE FROM ANNUITY INCOME



A PROVEN TRACK RECORD OF PROFITABILITY AND STRONG FINANCIAL METRICS

33%

ROA



STRONGLY INNOVATIVE, FOCUSED ON DEVELOPING UNDERPENETRATED MARKETS

58%

ROE



AN EXPERIENCED AND STABLE MANAGEMENT TEAM

## AMONGST THE LARGEST TELEMATICS COMPANIES GLOBALLY

751 380  
SUBSCRIBERS

24  
COUNTRIES

5  
CONTINENTS

> 20 000  
VEHICLES  
RECOVERED

91% AUDITED  
RECOVERY RATE



### Accelerating growth in subscribers

Net additional subscribers since listing

200 000

150 000

100 000

50 000

0

2015

2016

2017

**2018**

Revenue lags subscriber growth – the full benefit follows in the financial year after the initial sale

### Six-year compound subscriber growth

Growth of 21% per annum

800 000

700 000

600 000

500 000

400 000

300 000

200 000

100 000

0

2012

2013

2014

2015

2016

2017

**2018**

### Earnings and dividends (cents)

100

80

60

40

20

0

2015

2016

2017

**2018**

HEPS

DPS

### Six-year compound subscription revenue growth

Growth of 24% per annum

1400

1200

1000

800

600

400

200

0

2012

2013

2014

2015

2016

2017

**2018**

Revenue

Subscription revenue

### Consistent industry leading margins (%)

100

80

60

40

20

0

2015

2016

2017

**2018**

Gross margin %

EBITDA %

Operating profit %

### Six-year compound EBITDA growth

Growth of 25% per annum

700

600

500

400

300

200

100

0

2012

2013

2014

2015

2016

2017

**2018**

#### TOTAL REVENUE

R1 324 million **+16%**

(2017: R1 141 million)

#### ANNUITY REVENUE

R1 166 million **+19%**

(2017: R980 million)

#### EBITDA

R652 million **+25%**

(2017: R523 million)

#### HEADLINE EARNINGS

100.0 cents per share **+17%**

(2017: 85.4 cents)

## 2018 HIGHLIGHTS

#### CASH FLOW FROM OPERATIONS

R467 million **+21%**

(2017: R387 million)

#### ANNUAL DIVIDEND

46 cents **-16%**

(2017: 55 CENTS)

#### NET NEW SUBSCRIBERS

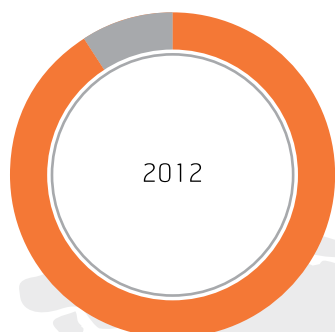
150 770 **+54%**

(2017: 97 761)

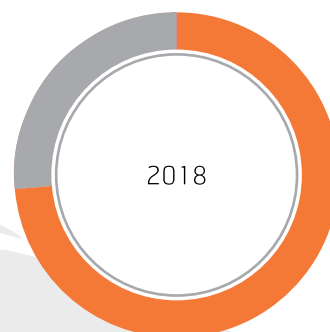
#### EMPLOYEES

2 025 **+24%**

(2017: 1 631)

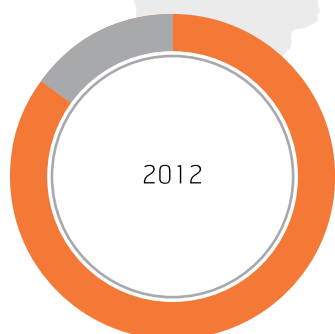


## REVENUE

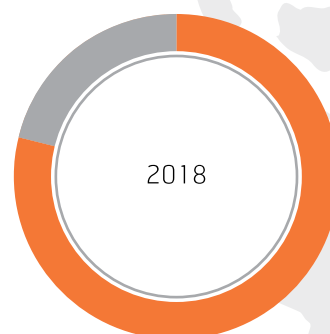


South Africa — **91%**  
Rest of world — **9%**

South Africa — **74%**  
Rest of world — **26%**



## EBITDA



South Africa — **85%**  
Rest of world — **15%**

South Africa — **79%**  
Rest of world — **21%**

# BUSINESS MODEL

Cartrack has positioned itself as a premium service provider for high-volume telematics through a Software-as-a-Service platform. This enables economies of scale across its business and allows newly established operations to achieve profitability in a relatively short space of time and at a low investment cost and exposure.

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The current foundation of Cartrack's business model is a stable and scalable Software-as-a-Service platform that enables the collection and processing of real-time telematics data to provide decision-useful information. Over time the collection medium and use for the data have evolved, but a software platform that is able to leverage diverse sources of telematics data has remained the bedrock of the business model.

Over the past 14 years, Cartrack has evolved from a hardware manufacturing, stolen vehicle recovery business to a telematics data intelligence business. This evolution has closely tracked improvements in data collection technologies and advances in software capacity and capability driven by a greater demand for and adoption of data driven technologies within the growing Internet-of-Things.

As a result of this legacy, Cartrack typically designs and develops proprietary hardware and software for mainstream applications and deploys the technology in all the global markets it serves. The hardware has historically been required to facilitate the collection of data and, while not a core element of the long-term business plan, has been necessary to execute the business model to date. The control of the supply chain from design to service provision has enabled Cartrack to manage service delivery levels effectively.

However, as telematics devices become more embedded in OEM products, Cartrack's Software-as-a-Service platform is the foundation for accelerated growth as it is able to collect data from any source. Having said that, OEM products will not be fit for all applications and purposes. In particular, security, specialised fleet management and regulatory compliance will inevitably require Cartrack to continue to design and develop proprietary hardware.

Cartrack has positioned itself as a premium service provider to mainstream high-volume telematics markets through standardised products and services, offered from a common platform. This enables economies of scale across its business and allows newly established operations to achieve profitability in a relatively short space of time and at low investment cost and exposure.

The target customer base has also evolved with time. Initially being the mass stolen vehicle recovery market, it expanded to include corporate fleets. Today, Cartrack targets any moveable asset, whether capital in nature or workforce driven, within the generalised telematics market.

The critical inputs into the business model remain human capital and research and development. The execution of the business model requires adaptable executives and highly motivated staff supported by software solutions. The annuity nature of the business results in stable forecastable revenues, while the cost base is manageable. Once higher penetration levels are achieved, lower distribution costs will result in margin expansion.

This business model is designed to take maximum advantage of the digital business era through:

- an annuity-based financial model whereby subscribers pay an recurring subscription fee;
- a strong technology platform that is readily deployable for expansion into new regions and scalable for growth;
- continuous innovation through Cartrack's in-house R&D department;
- low fixed infrastructure cost; and
- a wide range of reliable services with appropriate features to service the needs of a geographically diverse range of markets.

## OUR INPUTS



FINANCIAL CAPITAL CONSISTS OF OUR SHAREHOLDERS' EQUITY AND LIMITED DEBT



OUR HUMAN CAPITAL COMPRISES THE STAKEHOLDERS WE ENGAGE WITH



THE COMMUNITIES IN WHICH WE OPERATE FORM THE CORE OF OUR SOCIAL CAPITAL



OUR BRAND, TRADE SECRETS AND MANAGEMENT EXPERIENCE IS CORE TO OUR INTELLECTUAL CAPITAL

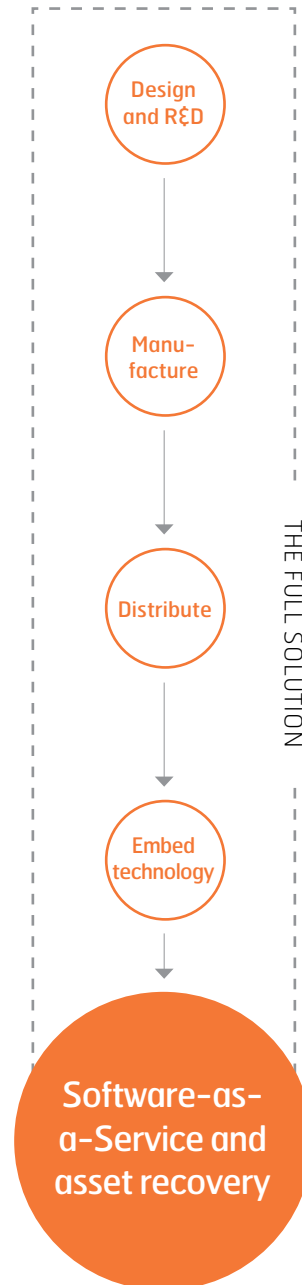


OUR MANUFACTURED CAPITAL COMPRISES THE RESEARCH AND DEVELOPMENT OF TELEMATICS TECHNOLOGY, THE EMBEDDING OF THAT TECHNOLOGY AND THE BUSINESS INTELLIGENCE GENERATED BY THAT TECHNOLOGY



RADIO SPECTRUM, RENEWABLE ENERGY, AIR AND LAND CONSTITUTE OUR NATURAL CAPITAL

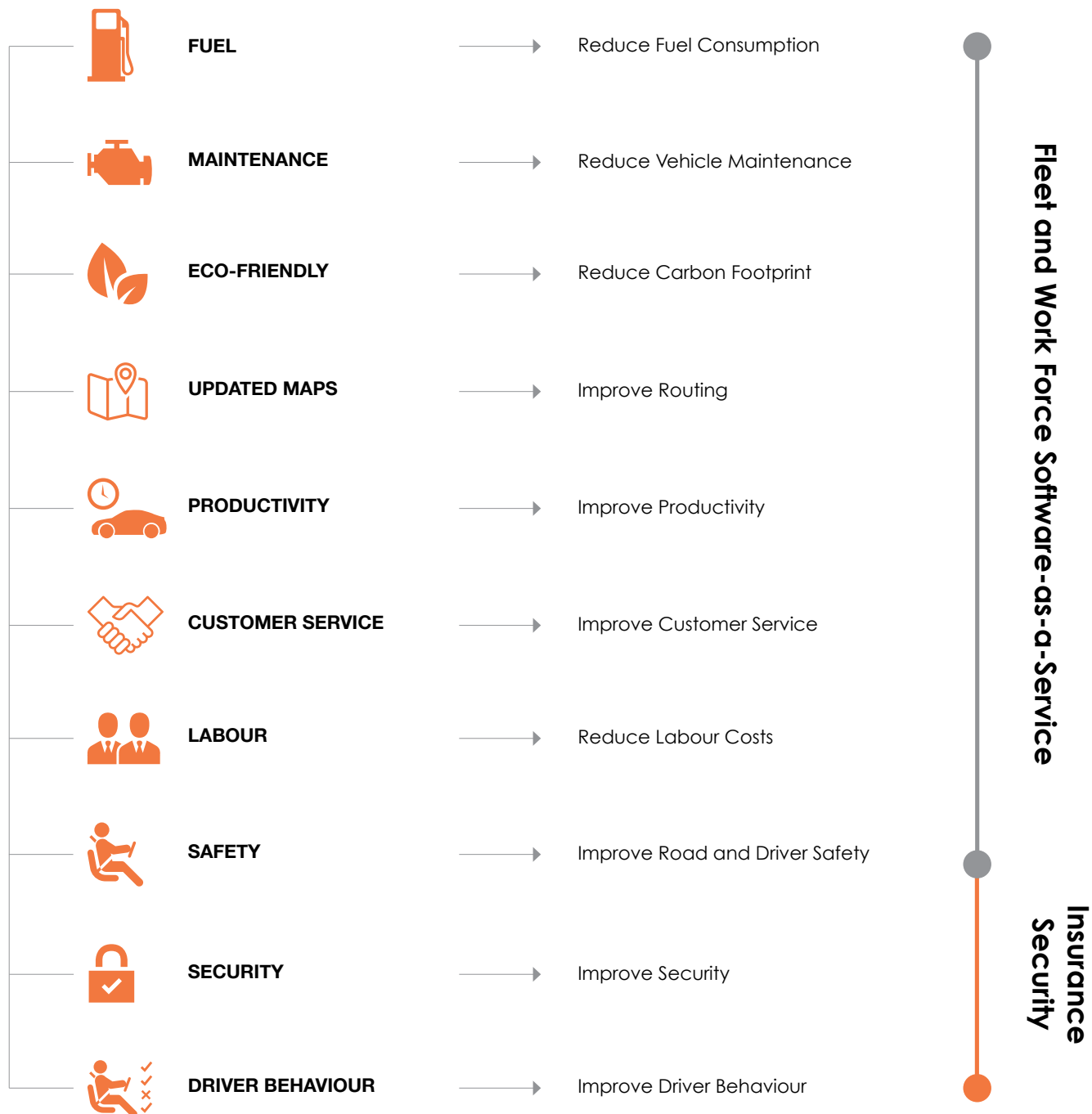
## Vertical integration protects margins



Highly scalable technology platform

Strong governance and oversight

## OUR VALUE PROPOSITION





## OUR OUTPUTS

STOLEN VEHICLE RECOVERY

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FLEET MANAGEMENT

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INSURANCE TELEMATICS

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WORKFORCE OPTIMISATION

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MOBILE ASSET SOLUTIONS

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BIG DATA MANAGEMENT

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VALUE ADDED PRODUCTS

## OUR OUTCOMES

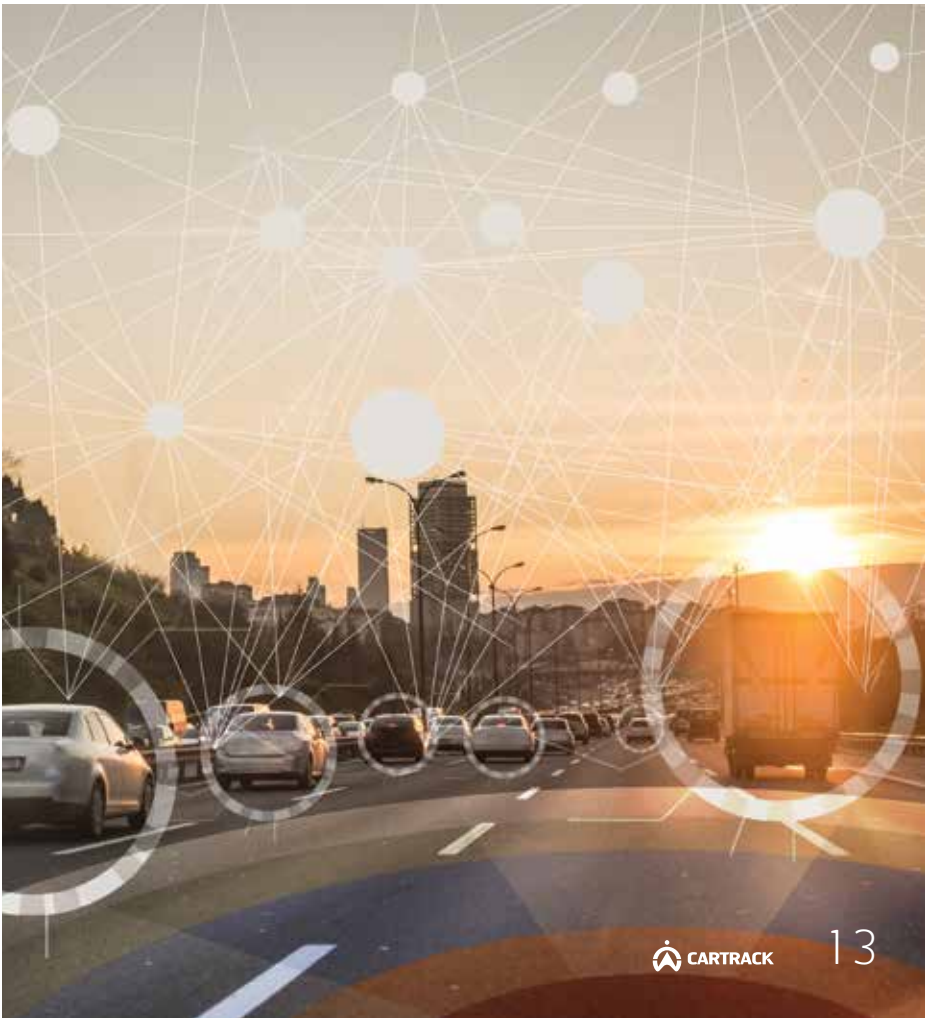
### Internal

- Employee satisfaction
- Strengthened organisational reputation
- Job creation
- Training and development

### External

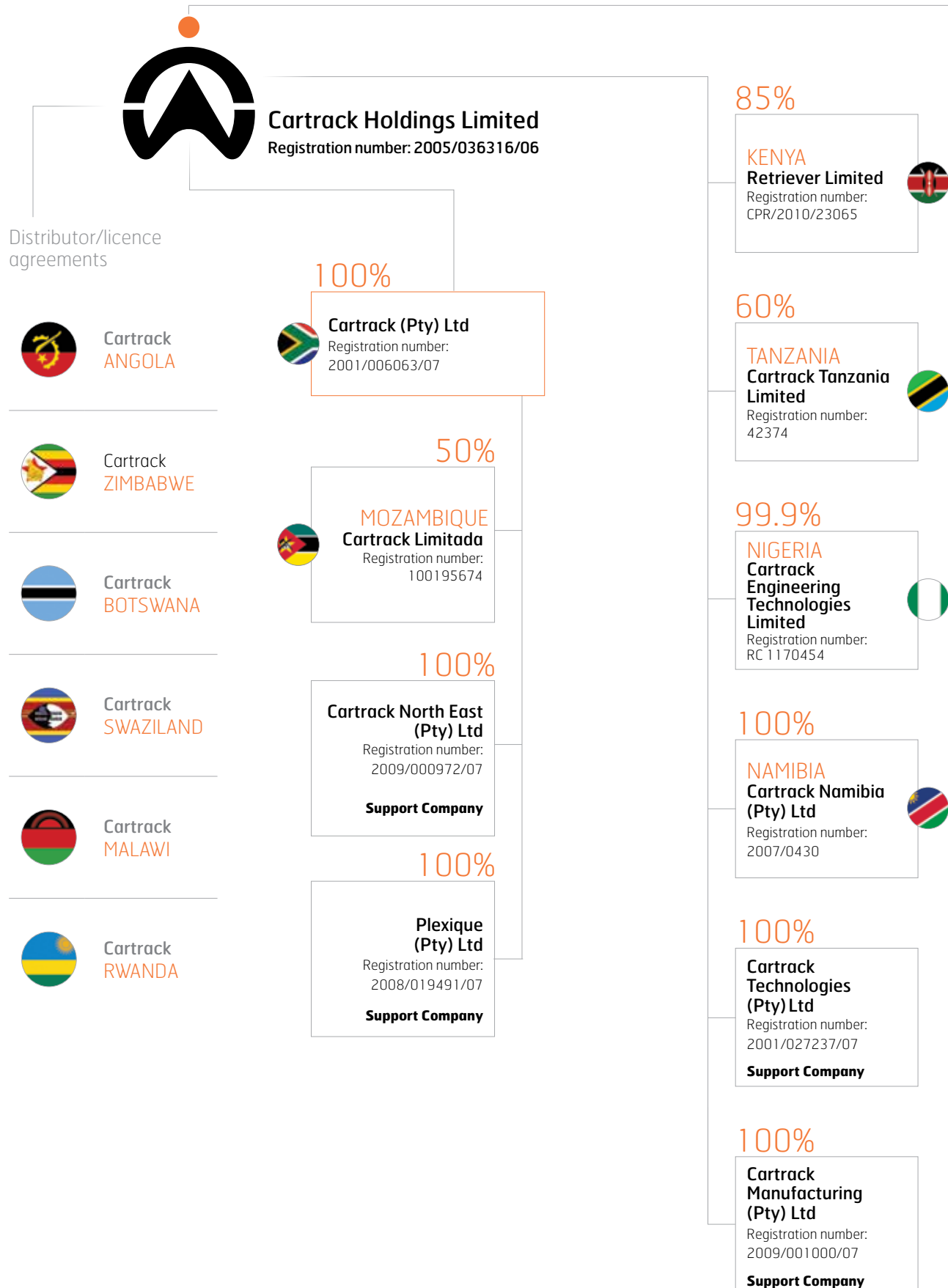
- Customer satisfaction
- Brand loyalty
- Positive environmental impact
- Social responsibility
- Strong customer base
- Wealth creation for a range of stakeholders
- Safety and security

Refer to page  16.





# GROUP OPERATIONAL STRUCTURE





# ADDING VALUE FOR OUR STAKEHOLDERS

## OUR EMPLOYEES

We invest time, effort and resources in the development of our staff. We offer:

- Market-related remuneration
- Training and career development via internal and external curricula
- A culture that supports and rewards good performance

2 025 employees

• South Africa	1 382
• Africa	180
• Europe	189
• Asia	256
• United States	18
TOTAL NUMBER OF STAFF QUALIFIED THROUGH THE CARTRACK ACADEMY DURING THE YEAR	91
TOTAL REMUNERATION	R358 million

## LOCAL COMMUNITIES

We support local communities through:

- Improving safety and security
- Employment opportunities and job creation
- Educational initiatives and sponsorship
- Social programmes
- Responsible corporate citizenship
- Business development and skills transfer

Key performance indicators

• Number of incidents responded to	5 930
• Value of vehicles recovered (Rm)	747
• Audited recovery rate	91%
SOCIAL SPONSORSHIP	R2 million
MONEY SPENT ON BURSARIES	R1,25 million

## PARTNERS AND SUPPLIERS

We continuously strive for transparent and ethical procurement practices. We offer:

- Ongoing business for the provision of goods and services
- Long-term relationships
- Payments in line with agreed terms
- Market growth in line with our growth

WEALTH CREATED	R295 million
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## GOVERNMENT AND REGULATORS

We support government's efforts to keep its citizens healthy, safe and secure by:

- Payment of taxes
- Assisting with road safety and eco compliance
- Improving security for motorists
- Creating employment and growing the economy

WEALTH CREATED	R113 million
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*At Cartrack we believe that sustained value creation is built on ethical and values driven business practices supported by continuous focus on strong governance*

## SHAREHOLDERS AND FUNDERS

We focus on maintaining sustainable returns for our investors with:

- Consistent strong financial performance
- Dividend income
- Interest payments
- Delivering sustainable long-term shareholder value

### Key performance indicators

TOTAL SHAREHOLDER RETURN	R310 million
DIVIDEND	R165 million
SHARE PRICE AS AT YEAR END	2 100 cps

## CUSTOMERS

We focus on continuously improving our service delivery and systems efficiency by offering:

- Efficient and easily accessible software platform
- Innovative and effective products
- Excellent service
- Safety and security services
- Regulatory compliance software tools
- Improved productivity, efficiency and profit margins

### Key performance indicators

TOTAL NUMBER OF SUBSCRIBERS	751 380
CUSTOMER LIFE CYCLE (MONTHS)	average of 64

## ENVIRONMENT

- Our products may improve fuel consumption and lower CO<sub>2</sub> emissions across our subscriber base of more than 750 000
- Our fleet management software improves routing and reduces traffic congestion
- Our fleet management software lowers wear and tear on both roads and vehicles, resulting in a lower environmental impact

## STAKEHOLDER WEALTH CREATION

**R1 078 million in 2018**

GOVERNMENT (CORPORATE TAXES)	R113 million
PARTNERS AND SUPPLIERS	R295 million
EMPLOYEES (REMUNERATION)	R358 million
COMMUNITIES (CSI)	R2 million
SHAREHOLDERS	R310 million

### CARTRACK ADDS VALUE TO MAN AUTOMOTIVE SOUTH AFRICA

Original Equipment Manufacturer (OEM) MAN Automotive South Africa (locally representing both VW and MAN heavy commercial vehicle brands) has demonstrated the overarching value that can be derived through establishing cross-market partnerships, specifically in the telematics industry.

As a business that supplies high-quality vehicles to fleet managers operating across the commercial spectrum, MAN hasn't traditionally been involved in end-customers' use of telematics systems. Purchasers of MAN and VW vehicles have made use of a variety of third-party telematics and fleet management systems, while MAN itself only used fleet management systems to track stock vehicles for Stolen Vehicle Recovery (SVR) and insurance purposes.

In 2015, this paradigm changed when MAN entered a partnership with Cartrack and introduced advanced telematics technology in the chassis production process and extended business solution model. The move has boosted MAN Truck SA's business by offering new value to end-users.

Today, MAN offers fleet management systems to customers as an essential part of the vehicle purchase, resulting in customers acquiring more than a truck. Included in their purchase are crucial telematics business support services such as MAN ServiceCare® SA and MAN TeleMatics® SA.

These solutions support MAN's philosophy of delivering appropriate fleet solutions to companies operating in the unique Southern African context. Through partnering with a single telematics supplier from the vehicle assembly stage, MAN now gives customers access to a range of long-term benefits, thanks to the optimal use of information sent from the vehicle's Controller Area Network.

MAN believes that building telematics into the construction of the vehicle and offering a single solution to clients, has driven value for its business as a whole. The suite of supporting products offered by the manufacturer is often a direct reason why the professional transporter chooses the MAN brand in the first place and it also encourages repeat business.

Fleet owners soon see the bottom-line benefits of a strong telematics system in their business metrics, including better fuel consumption and reduced maintenance costs, along with reduced downtime and fast in-field assistance.

There are also a range of important performance aspects at play, including improved productivity from analysing fleet performance constraints, improved driver training and better driver behaviour with MAN ScoreCards, as well as improved trade-in values from meeting service requirements. Collectively, these aspects improve the health, wellness and growth of the fleet manager's business.

The partnership allows MAN to offer a superior telematics solution that meets all local requirements, and which features strong local support. The pay-off for MAN is clear: customer satisfaction through vehicle and driver optimisation and integrated asset risk management.

The success of MAN partnership with Cartrack offers insight into likely future business models in the trucking and transport space. Market-leading OEMs offer value beyond simply supplying equipment, and in effect, increasingly act as business partners to their clients. MAN has been at the forefront of this evolution, and their innovation has demonstrated the value for their brand in offering tailor-made business solutions that support their core product. Today's complex economy requires teamwork between operator, service provider and the OEM, and MAN's working model is a great example of the success that can be achieved."

**Eren Gunduz, Head of Truck Sales at MAN Automotive SA.**

# STAKEHOLDER ENGAGEMENT

Creating and managing stakeholder value are Cartrack's overarching strategic objectives and essential to the long-term performance and sustainability of the group. Strong stakeholder relationships are fundamental to this process. Engagement with stakeholders assists the group in the formulation of its strategies and the continuous adaptation of its value creation model to remain relevant and have a positive impact on the environment in which it operates.

## STAKEHOLDER GROUPS

STAKEHOLDER ENGAGEMENT ASSISTS CARTRACK WITH THE FORMULATION OF STRATEGIES AND THE ADOPTION OF ITS VALUE CREATION MODEL.

### Investment community

- Formal announcement of results
- Investor events
- Informal meetings
- SENS announcements

### Government and regulators

- Statutory compliance
- Communication through industry forums and directly with appropriate government bodies

### Customers

- Face-to-face meetings, telephone and e-mail
- Social media and website
- Public media releases, advertising newsletters and events

### Partners and suppliers

- One-to-one communication
- Regular meetings
- Site visits and workshops

### Employees

- Bi-annual performance appraisals
- Training and development
- Employee functions
- Formal and informal meetings
- Intranet
- Wellness days

### Media

- Shareholder reporting and announcements
- Meetings and events
- Media releases on topical development

### Local communities

- Direct engagement through community projects
- Business enterprise
- Skills transfer

## STAKEHOLDER ENGAGEMENT (continued)

Stakeholder	Requirements	Focus areas
<b>Investment community</b>	<ul style="list-style-type: none"> <li>• Sustainable returns and dividend flow</li> <li>• Adequate and consistent disclosure of operating and financial performance</li> <li>• Clarity on our strategy</li> <li>• Sound governance practices</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible organic and global expansion</li> <li>• Governance and ethics</li> <li>• Competition and price pressure</li> <li>• OEM involvement in telematics</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Competitive pay</li> <li>• Fair labour practices</li> <li>• Skills development and training</li> </ul>	<ul style="list-style-type: none"> <li>• Training, sharing and standardisation of practices across multiple countries</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Quality products</li> <li>• Strong after-sales support</li> <li>• Safety and security</li> <li>• Value for money</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent service quality to a high volume of customers</li> <li>• Continuous adaptation and innovation to meet dynamic market needs in different global regions</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Clear and transparent reporting</li> <li>• Keeping stakeholders informed</li> <li>• Access to key spokesmen and decision makers</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance awareness and understanding of Cartrack and our services globally</li> </ul>
<b>Partners and suppliers</b>	<ul style="list-style-type: none"> <li>• Professional procurement practices</li> <li>• Participation in Cartrack's business opportunities and developments</li> <li>• Long-term sustainable partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to procure quality products/ services at right prices and terms</li> <li>• Lead times for component procurement</li> <li>• Communication network quality</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>• Responsible corporate citizenship</li> <li>• Investment in communities in which business is conducted</li> <li>• Social upliftment</li> </ul>	<ul style="list-style-type: none"> <li>• Growing needs of communities</li> <li>• Skills shortages</li> <li>• Unemployment</li> </ul>
<b>Governments and regulators</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Good corporate citizenship</li> <li>• Responsible engagement in fighting vehicle theft</li> <li>• Provision of Cartrack services to government fleets</li> </ul>	<ul style="list-style-type: none"> <li>• Access and engagement difficult</li> <li>• Government tender process inconsistent and not transparent</li> </ul>



Risks and opportunities	Management approach	Strength of relationship
<ul style="list-style-type: none"> <li>• A well-informed and broad investor base will support demand for the share</li> <li>• Illiquid shares may detract from investment case</li> </ul>	<ul style="list-style-type: none"> <li>• Support access to management and the board</li> <li>• Continue to broaden the potential investor base</li> <li>• Provide clear and transparent reporting</li> <li>• Focus on maintaining sustainable returns</li> </ul>	<ul style="list-style-type: none"> <li>• Good management access and robust discussions</li> </ul>
<ul style="list-style-type: none"> <li>• Our apprenticeship programme provides opportunities of employment</li> <li>• Skills shortage may restrict growth and expansion</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on recruitment process and job profiling</li> <li>• Training and development through both e-learning and classroom methods</li> <li>• Investment in external tertiary qualifications</li> <li>• Ongoing alignment of skills to operational structures</li> </ul>	<ul style="list-style-type: none"> <li>• Strong, evidenced by low turnover of key staff</li> </ul>
<ul style="list-style-type: none"> <li>• Extended customer retention improves profitability</li> <li>• Innovative products launched will attract a previously untapped customer base</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous improvement in service delivery and investment in research and development</li> <li>• Investment in innovation and development</li> <li>• System efficiency improvement and simplification of processes</li> </ul>	<ul style="list-style-type: none"> <li>• Strong customer growth and high customer retention</li> </ul>
<ul style="list-style-type: none"> <li>• Increased exposure will promote the brand</li> <li>• Uninformed or inaccurate reporting can damage the brand</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure good access to Cartrack management</li> <li>• Arrangement of interviews, site visits and special events</li> <li>• Distribution of press releases for publication</li> </ul>	<ul style="list-style-type: none"> <li>• Moderate exposure</li> <li>• Continuous endeavours to strengthen relationships</li> </ul>
<ul style="list-style-type: none"> <li>• Strong relationships may provide access to opportunities</li> <li>• Interrupted supply and long lead times may create business risks</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent and ethical procurement practices</li> <li>• Partnership approach</li> <li>• Selection of suppliers with values and objectives aligned with those of Cartrack</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term relationships</li> </ul>
<ul style="list-style-type: none"> <li>• Negative perceptions may impact on brand reputation</li> <li>• Cartrack's growth will create new employment opportunities</li> <li>• Sponsorship initiatives create future brand ambassadors</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate social investment (CSI) spend</li> <li>• Provide education initiatives</li> <li>• Offer employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Focused brand and reputation management and strategic investment</li> </ul>
<ul style="list-style-type: none"> <li>• Increased regulations create further demand for telematics services</li> <li>• Cooperation with law enforcement authorities improves safety and security efforts</li> <li>• Non-compliance may cause reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on governance and compliance</li> <li>• Tender submission process and compliance</li> <li>• Maximise stolen vehicle recovery rate and police relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Strong compliance</li> <li>• Supportive working relationship with law enforcement authorities</li> </ul>

# OPERATING CONTEXT AND MATTERS MATERIAL TO CARTRACK



## Global telematics operating context

Cartrack operates in developed and emerging markets across five continents. The telematics industry is growing strongly globally and industry penetration is relatively low in all markets. While initially confined to vehicle tracking, the application of telematics data is rapidly finding traction in a broader range of asset classes and industries.

## Market size and growth prospects

Wireless communications and mobile connectivity, in the form of technology such as the internet, mobile phone applications, wearable devices and connected cars and homes, are revolutionising human interaction and daily functioning. The Internet-of-Things is rapidly gaining traction and broader acceptance globally. As the demand for better and increased connectivity gains significant momentum, there is also a need for more complex software and broader applications that can maximise the utility of available data. Telematics is playing a dominant role in this evolution.

The cost of devices and communication has reduced significantly, resulting in the increasing adoption of this technology among consumers and fleet owners. In South Africa and many other developing markets worldwide, the crime rate stimulates demand for SVR services.

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*Original Equipment Manufacturer (OEM) embedded telematic devices accounted for more than 12 million units across the globe in 2016, which is expected to grow at a compound annual growth rate of 20,9%.*

**Goldstein Research**

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# A large and rapidly expanding telematics market globally

North America remains the largest and most mature market, followed by Europe, Middle East and Africa (EMEA), and the Asia-Pacific (APAC) region. APAC is set to grow rapidly, due to the increasing number of vehicles in use, an increase in the popularity of fleet services and the accelerating rate of adoption and use of the Internet-of-Things.

Varying forecasts for growth in the telematics industry exist, among them the forecast from Goldstein Research that estimates that global automotive telematics market will expand at a compound annual growth rate of 20,9% from 2016 to 2024, and Gartner Inc. that forecasts revenue in the

commercial fleet telematics market to increase to \$55 billion by 2021 (almost twice the current market revenue).

Regardless of the forecast favoured, they all point to a diverse and compelling range of industry drivers that should underpin the substantial growth expectations for the industry over the next couple of years in this rapidly evolving industry.

## Business drivers

The business case for telematics applications is expanding rapidly, driven by, among others, growing regulatory compliance requirements, enhanced profitability and customer service, improved safety and security.

## The most important demand drivers are:

### Commercial demand

The use of telematics products can achieve significant gains in productivity, efficiency, cost control and compliance. The maturing and consolidating fleet management market also has a growing awareness of the benefits of fleet management technology to enhance customer service. The ability to transform raw data into actionable information is a critical success factor.

### Autonomous vehicles and smart transportation

Globally, there is growing acceptance of electric and self-driven vehicles as a solution to the need for advanced safety features and smart mobility. All these vehicles require technology to manage the vehicle and collect and interpret the data.

### Regulatory requirements

Government regulations to improve safety on the roads are creating significant demand for telematics. These regulations serve to manage hours worked by drivers in the transport sector, roadworthiness of vehicles, implement road taxes per distances travelled and control carbon emissions, among others.

Examples are Europe's E-Call initiative to install automatic emergency call devices, the CONTRAN 245 mandate in Brazil to install vehicle tracking devices in all new vehicles sold and the ELD mandate in the USA. Similar requirements are found in many other jurisdictions.

### Data and new applications of technology

The Internet-of-Things is generating an enormous and growing set of data. The ability to turn raw data into actionable information is a critical success factor for software and technology concerns. This growing data set increases the need to continually innovate and develop new applications.

## OPERATING CONTEXT AND MATTERS MATERIAL TO CARTRACK (continued)

### OEM

Manufacturers seek to enhance customer service and manage vehicle warranties through remote diagnostics, monitoring service due dates, providing accident and breakdown assistance and satisfying the demand for fleet management solutions.

### Crime

SVR services protect assets and result in lower insurance costs and increased levels of personal security in the event of a hijack. SVR is especially in demand in developing economies in Africa, South America and Asia.

### Consumer demand

Consumer demand for telematics devices is also expanding rapidly, driven by reducing costs of telematics services, increasing awareness of insurance telematics, increases in availability and reduced cost of broadband and the growing adoption of technology products and applications that require in-vehicle connectivity and services.

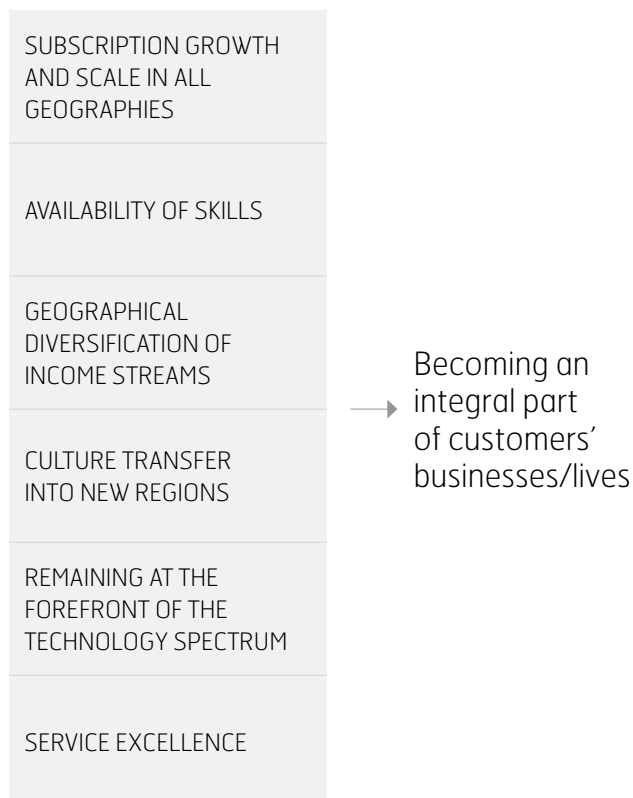
### Insurance telematics

Insurance companies are adopting telematics data at a rapid rate to assist with assessing driver risk and tailor premiums to an individual's risk profile. The data is also utilised to reconstruct accident scenes and evaluate claims.

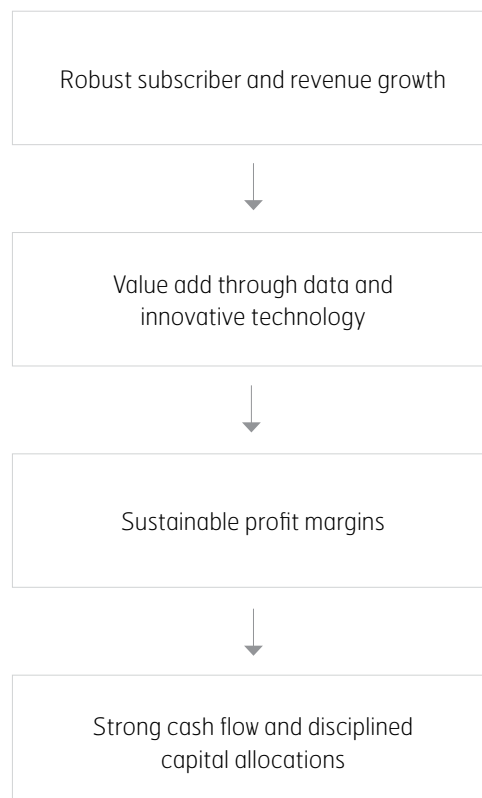
For Cartrack to derive maximum benefit from the abundance of growth opportunities, it is imperative that we continue to carefully select the opportunities.

*Cartrack has an industry-leading audited recovery rate of 91% which reflects the superior quality of its technology and services. The technology and infrastructure required for the recovery of stolen vehicles is a key barrier to entry for competitors looking to enter the telematics industry in any high crime region.*

## OUR MATERIAL MATTERS



### Highly scalable business model



## Cartrack's operating context

### Subscription growth and scale in all geographies

Our business is annuity income driven, with 88% of revenue generated from subscription income. Growing the number of subscribers is key to long term sustainable value creation.

Geographical expansion is costly and only creates value if sufficient scale is achieved for the businesses to be profitable. Cartrack has a proven expansion model with well-established operations across a number of countries, as well as greenfield developments in regions such as Asia and the USA. There is a strong focus on growing these newly established businesses to scale as quickly as possible.

### Availability of skills

Significant growth comes with additional requirements for distribution infrastructure and skills. In South Africa specifically, the challenge is to find the technical skills to keep up with the demand. We established the Cartrack Academy three years ago to develop these skills and have also started an apprenticeship programme to meet this demand.

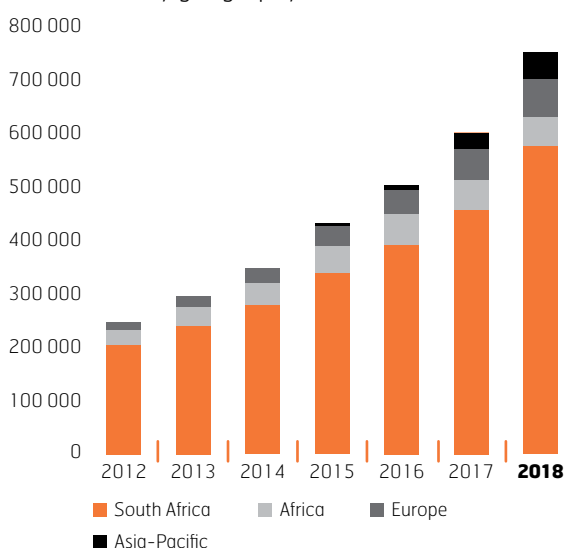
### Geographical diversification of income streams

Geographical diversification improves the resilience of our business by reducing Cartrack's dependency on the vagaries of individual economies and customer groups.

Cartrack has a strong focus on extending its subscriber base and, at the same time, continuing to diversify the base across a range of dimensions. These include diversification across the types of subscriber, the types of income from subscribers, as well as the geographies covered.

The graph below indicates the extent of the diversification since 2012.

Subscribers by geography (Number)



### Culture transfer into new regions

As we continue to expand globally, it is imperative to instil a universal set of values and way of doing business across all operations. Cultural fit is considered during the recruitment process. Our policies and processes apply globally and regular awareness sessions and training are done, both face-to-face and electronically. Senior management undergoes induction training in South Africa and general training is offered in-country. Senior management and key staff attend annual workshops. Risk and compliance reports are regularly submitted to the board.

### Remaining at the forefront of the technology spectrum and utilising data to provide a competitive edge

In an industry where new application of technology and data are among key growth drivers, a deep understanding of emerging trends and continuous innovation are critical ingredients for successful value creation. Cartrack's customer proposition, competitive positioning and capacity to expand globally are strongly linked to its technological platform. Cartrack invests heavily in R&D and technology platforms undergo continuous evolution to adapt to new compliance requirements, customer demands and developing trends. Our participation in sophisticated international markets with complex logistical and regulatory requirements which demand an advanced level of functionality, is stimulating Cartrack's development of innovative technologies. Cartrack has been able to develop and apply such learnings globally.

We have developed an extensive competitive database of behavioural and technical data over a number of years. Data analytics have the potential to add substantial new revenue streams to Cartrack and additional value-added services for customers. The launch in 2018 of our R9,99 insurance product is a good example of how data can be utilised to give Cartrack a competitive edge.

### Service excellence and customer retention

Cartrack maintains a strong focus on exceptional service from every customer facing aspect of its business. As a result, customer retention is high, with the average lifecycle per customer currently at more than 64 months. This compares favourably to capitalised rental units which are depreciated over 36 months, indicating a substantial increase in profitability in the period post depreciation. Keeping customers for longer through service excellence and a superior product offering is, therefore, highly beneficial to the long-term profitability of the company.

# STRATEGY, OBJECTIVES AND PERFORMANCE

Cartrack is a leading global provider of solutions for mobile asset management, asset recovery, workforce optimisation and data analytics based on a proven telematics platform.

Fleet management, stolen vehicle recovery and insurance telematics services remain its primary offerings while it continues to develop innovative, first-to-market solutions aimed at further enhancing its customers' experience.

Our strategy has remained consistent. We drive stakeholder value through robust growth in our subscriber base, continuous innovation through R&D and an unrelenting focus on delivering sustainable profit margins. Cartrack's technology platforms are essential to attaining these goals as they provide the backbone for products that are technologically sound and reliable and therefore attractive to our customers. Maintaining strong financial discipline and prudent investment provide the platform from which to fulfil our growth aspirations.

## A CONSISTENT STRATEGY

### From tracking data

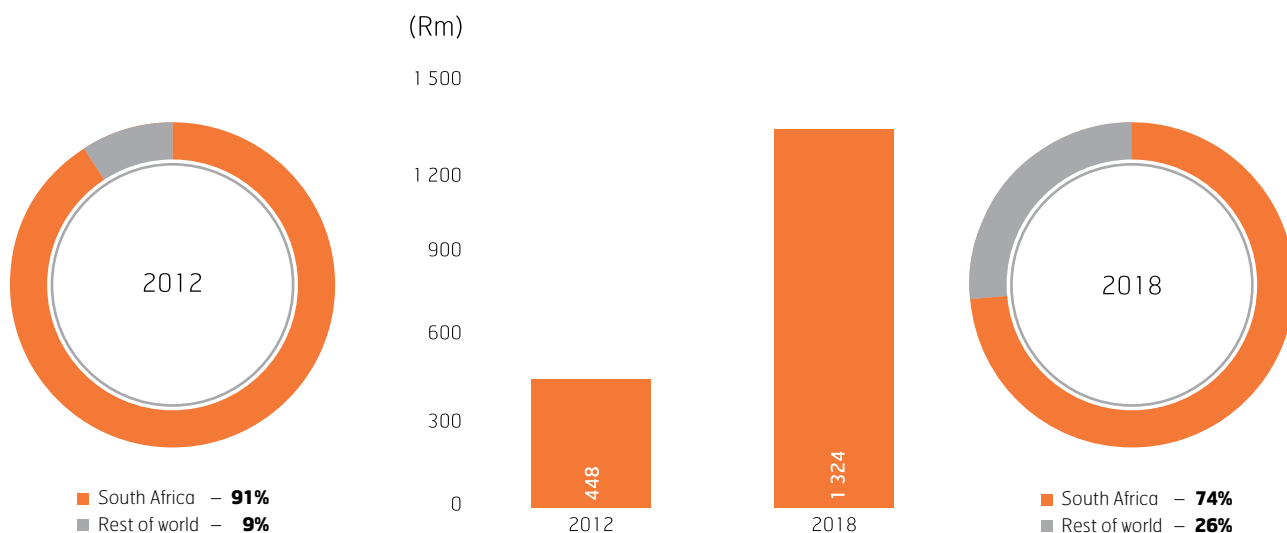


to an integral part of  
our customers' lives

### Key strategic principles

- VIGOROUS SUBSCRIBER ACQUISITION
- CONTINUOUS INNOVATION
- MARGIN MANAGEMENT THROUGH VERTICAL INTEGRATION
- STRONG CASH FLOW
- DISCIPLINED CAPITAL INVESTMENT

## REVENUE



Our aim is to deliver ever increasing value across different aspects of our customers' lives, thereby becoming a more integral part of their own value creation process and a long-term partner in their growth.

The key strategic focus areas at this time are capacity expansion in infrastructure and distribution, continuous innovative product development through rigorous research and development, robust customer partnership development and the development and delivery of new revenue streams. These focus areas, our achievements and objectives for 2019 are summarised in the table below.

Strategy	Strategic initiatives	2018 achievements	2019 objectives	Cross reference
<b>Build sufficient infrastructure and distribution capacity</b>	<ul style="list-style-type: none"> <li>• Increase distribution substantially</li> <li>• Develop new channels to market</li> <li>• Customer relationship management (CRM)</li> <li>• Expand training facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Significant expenditure on operational, distribution and service capacity</li> <li>• Management team strengthened</li> <li>• Training processes and courses enhanced, new training implemented</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to expand distribution and operating capacity</li> <li>• Leverage previous investments to generate greater earnings</li> <li>• Further strengthen training and development of employees</li> </ul>	Refer to the CEO's report for more detail
<b>Product development</b>	<ul style="list-style-type: none"> <li>• Triple the spend on R&amp;D</li> <li>• Systems integration</li> <li>• Workflow management</li> <li>• Customer-centric/entrenchment</li> <li>• Mobile apps</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous improvements to technology platform</li> <li>• USA product in final stages of being approved</li> <li>• Exciting new applications</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage global learnings in localised applications</li> <li>• Expand and enhance technology platforms and interfaces</li> <li>• Deliver new application to market</li> </ul>	
<b>Build customer partnerships</b>	<ul style="list-style-type: none"> <li>• Integrate customer partnerships</li> <li>• Product evolution and features</li> <li>• Data analytics</li> <li>• Complete in-field business solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Further strengthening of value proposition for fleet products</li> <li>• Established relationships with two major global OEM</li> </ul>	<ul style="list-style-type: none"> <li>• Expand customer data beneficiation and monetisation through insurance telematics</li> <li>• Build on OEM and corporate customer relationships through integration</li> </ul>	
<b>New revenue streams</b>	<ul style="list-style-type: none"> <li>• Monetisation of telematics data through innovative first to market applications</li> </ul>	<ul style="list-style-type: none"> <li>• New insurance product launched for uninsured market</li> <li>• Launch of CarGuard product</li> <li>• Investment in skills and infrastructure to facilitate new product</li> </ul>	<ul style="list-style-type: none"> <li>• Further monetisation of insurance data across more geographies</li> <li>• Roll out of new first-to-market applications</li> </ul>	



# CHAIRMAN'S AND CEO'S REVIEW

In an industry where new application of technology and data are among key growth drivers, a deep understanding of emerging trends and continuous innovation are critical ingredients for sustained value creation.

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## **Robust growth in an innovation-driven landscape**

Cartrack's vision is to achieve global leadership in the telematics industry by ensuring that we are the solution of choice to manage fleet, workforce and consumer telematics data. In an operating environment increasingly marked by exponential technological progress, our sustained growth relies on our continued innovation in products and services. Cartrack's consistent results and position as a leading global telematics provider are testament to our proven ability to deliver innovative, first-to-market solutions.

This has come about as a direct result of our substantial investment in our people, research and development, and of the strategic value of our operations internationally.

In an industry where new applications of technology and data are among key growth drivers, a deep understanding of emerging trends and continuous innovation are critical ingredients for successful value creation. Our participation in advanced international markets with complex logistical, security, safety and regulatory requirements which demand an advanced level of functionality, is stimulating the company's development of innovative technologies. Cartrack continues to be able to develop and apply such learnings globally for the benefit of all customers.

Lucrative growth opportunities are evident across all channels to market and in each operating region as the demand for telematics data continues to increase. A case in point is our recently launched, first-to-market innovative insurance offering for vehicle theft, which targets the previously uninsured market in South Africa.

Cartrack has leveraged its industry-leading recovery rate, wealth of insurance telematics data and investment in research and development, to offer theft-only car insurance at a nominal fee subject to a Cartrack telematics subscription. The launch of this product coincides with the significant value that insurance telematics is bringing to the insurance industry. It also places Cartrack in a unique position to offer

customers of this theft-only insurance product the best comprehensive insurance premiums by providing insurance companies with the necessary driver analytics, thereby enabling them to offer the optimal insurance quote. This step-change in innovation comprises an additional revenue stream off a relatively unchanged cost base and the strong value-add for customers should further improve customer retention. A key differentiator from other insurance telematics products in the market, is that Cartrack customers own their data and are therefore in control of their insurance provider and the related costs and benefits.

SaaS, within the context of the IoT, continues to rapidly expand as the digital civilisation continues to mature. We remain at the forefront of the related telematics expansion and continue to drive innovation and application through our interaction with customers and strategic research and development activities.

The complex logistical requirements of fleet managers, especially in advanced economies, are driving demand for our products and stimulating our development of innovative technologies. Our responsibility at Cartrack is to continue to develop innovative new applications that can support our customers to remain ahead of the curve. To this end, we recently introduced Live Vision, a real-time vehicle video system that will considerably aid the safety of drivers through live video event recording and streaming technology.

Cartrack has also begun experimenting with smart-mobility in partnership with two of the world's leading companies in pay-as-a-service transportation. This reconfirms the value of an eco-system platform for connected vehicles and smart-transportation, regardless of the vehicle brand. We see this as a strengthening of the value proposition of telematics companies and particularly those with stable, proven and dynamic platforms. This will in the future leverage both OEM and third-party telematics devices to provide decision-useful information using the Cartrack SaaS platform.



**Zak Calisto**  
Global Chief Executive Officer



**David Brown**  
Chairman

## Financial performance

We are pleased to once again report results in keeping with our track record of delivering double digit year-on-year growth in subscriber base and profitability.

Cartrack has achieved an industry-leading operating profit margin of 33%, industry leading EBITDA margin of 49%, 106% cash conversion, and compound five-year revenue growth of 21% and EBITDA growth of 22%.

These results are indicative of the strong performance of the annuity-based revenue model in a growth environment, and have been achieved despite strong investment in operational, distribution and service capacity, as well as accelerated investment in research and development.

They also indicate the success of our highly scalable business model and management adaptability to the market forces, a proven ability to distribute and a vertically integrated business model that protects our margins. Opportunities to develop further vertically aligned revenue streams remain at the forefront of management's short and medium-term strategy.

We have achieved compound five-year subscriber base growth of 21% and compound five-year subscription revenue growth of 26%. Annuity income now makes up 88% of total revenue. This is testament to our exceptional service and product offering, further evidenced by our strong customer retention.

Our total subscriber base is now over 750 000 subscribers globally. Subscriber growth has been accelerating as our continuous investment in the regions we target have started to pay off and key greenfield markets such as Asia have started to mature. South Africa, Europe and Asia-Pacific all contributed positively to the growth, while the Africa segment showed a decrease in subscribers due to the challenging economic conditions across this segment. The group continues to maintain a strong order book while focusing efforts on channel and market development.

## CHAIRMAN'S AND CEO'S REVIEW (continued)

### Segment overview

#### South Africa

The South Africa segment delivered particularly strong results over the past year. Subscription revenue increased by 18% year on year, while subscribers grew 26% over the same period. The realisation of a strong sales pipeline, investment in operating capacity and an effective distribution strategy are the primary contributors to this organic growth.

The South African market remains underpenetrated with many opportunities to provide customer-centric solutions to individuals and fleets alike. As the subscriber base continues to grow, Cartrack continues to identify and exploit opportunities to realise economies of scale and operating efficiencies.

#### Africa

The Africa segment delivered a resilient performance, notwithstanding sluggish regional economic performance. The subscriber base decreased by 2%, while revenue decreased by 4% from R109 million to R105 million, primarily as a result of a stronger rand.

Financial hardship, experienced by private and commercial customers alike, is the major factor contributing to the lacklustre sales levels. However, all subsidiaries in this segment remain profitable in local currency terms and continue to generate positive cash flows. In addition, this segment continues to play a critical role in ensuring a high cross-border stolen vehicle recovery rate.

The new management structure, management teams and refreshed distribution and operating strategies for the Africa segment are expected to positively impact group results over the next 18 months.

#### Europe

The Europe segment delivered strong subscriber growth of 26%, largely as a result of our investment in distribution and operating capacity over the past two years. The order book in Europe remains strong, and new sales are being actively pursued. While subscriber growth and customer service remain the primary focus, cost rationalisation strategies will be implemented to leverage subscriber growth to increase operating profit and margin.

The investment in distribution and operating capacity will continue as new channels to market are established. In particular, the insurance telematics and individual retail markets, particularly driver safety and security elements, remain underpenetrated. These markets present lucrative growth opportunities to provide telematics offerings and related value-added services.

#### Asia Pacific

Asia-Pacific continues to gain operational mass as a region, with a strong sales pipeline and many opportunities which are being exploited. Asia Pacific is now the second-largest segment in the group based on revenue contribution, with total revenue up 73% from R68 million to R118 million and subscription revenue up 80% as a result of subscribers increasing by 59%.

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

#### USA

Cartrack's investment in the USA has largely been in research and development, which has been expensed in terms of the group policy. This investment continues to be strategic in nature.

### Capacity, proprietary knowledge and skills development

To realise the massive opportunities available to us, we continue to build sufficient infrastructure, distribution capacity, service capacity and product development.

We insist on strengthening local knowledge and capacity and develop our technologies in-house. More than 60 new technologies have been developed by our research and development department, with more spend imminent. The reliance of the industry on skilled labour and technological innovation has resulted in us playing a meaningful role in bolstering South Africa's pool of scarce skills. This year alone, we granted 13 bursaries for students studying at tertiary institutions in fields of value to the automotive-technology industry.

We reconfigured the way we recruit and train to reduce bottle necks. We have started a training college, the Cartrack Way, to equip our staff with technical and social skills and to strengthen our corporate culture. We also have a Sales Training academy and a Cartrack Academy for technicians. We are proud to report that the Cartrack Academy has trained more than 250 technicians in the last 3 years.

Our new insurance business has required additional investment in special skills in respect of statisticians, actuaries and chartered accountants, and we have implemented an accelerated training programme for young chartered accountants. Using data for the benefit of our customers is a key focus. We are investing in resources to ensure that we fully leverage the opportunities in insurance telematics to contribute further to our long-term growth.

#### Cartrack cares

We recognise that education is the key enabler to empower individuals in a skills-driven, technology-oriented landscape. In addition to the continued good work of the Cartrack Education Fund, which provides primary, secondary and tertiary education opportunities to children from impoverished communities and to our employees and their children, we have continued to roll out apprenticeship programmes, study-assistance programmes, and distance-learning opportunities for employees.

Cartrack acknowledges its responsibility to help address South Africa's societal needs. Amongst others, Cartrack supports the fight to reunite missing children with their loved ones, assists the Wheel Well and the Car Seats for Kids campaign, and sponsors a Rapid Intervention Unit, known as "Kwagga", which helps secure the scene of an accident and offers support to paramedics and fire personnel.

### Sustainable business

A focus on long-term business sustainability underpins our operations and their governance. The implementation of strong governance and risk management practices are essential to ensure the long-term sustainability of the group, and our governance practices have been benchmarked against the revised King IV Report on Corporate Governance for South Africa, 2016, during the past year.

Technology forms the backbone of our product offering and our brand and the identification and mitigation of risks related to our platforms therefore requires additional prominence. Our IT steering committee oversees this critical function.

### Appreciation

Our continued growth in subscriber base and profitability could not have come about were it not for the hard work of our employees, and the support and input of our customers and investors. We would like to extend our thanks to them all.

We would also like to acknowledge and appreciate the guidance of our board, and the continued faith shown in us by our shareholders.

### Outlook

Cartrack's considerable experience, knowledge and skills in the telematics field, has allowed us to grow at a swift pace over our 14-year history and forge a wide-ranging and meaningful impact in this sector. This growth can largely be attributed to our growing reputation as the tracking and telematics industry's most trusted partner in safety and security with a world-class vehicle recovery, fleet management and insurance telematics service. Notwithstanding global economic and foreign exchange volatility, Cartrack expects to continue double-digit subscriber and revenue growth in the foreseeable future.

Customers are ever more demanding and reliant on the telematics market to optimise business intelligence relating to assets and people on a global scale. As a result of our continued and deliberate investment in technology, information management, human resources, distribution and operating capacity in current and new markets, Cartrack will continue to become a more integral part of its current and future customers' lives.

## ADDING VALUE TO CLIENTS IN THE PHARMACEUTICAL SECTOR

During 2018, Cartrack Poland assisted a long-standing client in the pharmaceutical sector with a 250-vehicle fleet, with a driver safety programme to increase the safety of employees and reduce the operating costs of the vehicle fleet.

Cartrack's Ecodriving test was utilised for the programme. The Ecodriving test was developed by a Cartrack project team in cooperation with managers of large and small fleets, where over 74 000 vehicles were examined to create the EcoDriving report, an innovative three-part report which provides a single measure to determine driver behaviour. The 8-parameter driving style criteria which have the greatest impact on safety have been selected for the report. The parameters necessary to create the report come from the GPS signal, the vehicle's CAN bus and the accelerometer.

Each driver was tested and scored according to the programme and improvements were suggested. The implementation of reports from the Ecodriving group has brought a significant improvement in drivers' driving style.

Project results:

- Improved driver safety from improving driving styles
- Reduced the number of drivers with an unacceptable driving style by 25%
- Increased the number of drivers with safe driving style by 20%
- A significant decrease in the loss ratio in the entire fleet
- Measurable savings in fleet service and fuel consumption



# CHIEF FINANCIAL OFFICER'S REPORT

FY18 saw the initial realisation of the benefits to be derived from the deliberate strategic investment in operating and distribution capacity over the past two years. Accelerated subscriber growth, together with continued double digit returns on a rapidly increasing revenue and profit base, give testimony to this.

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In particular, this investment has repositioned the Group's ability to acquire and retain subscribers on an ongoing basis. This in turn will result in sustainable revenue and profit growth in the medium-term given that recent history shows that Cartrack retains its customers for more than 60 months, on average.

During the year Cartrack geared itself further for growth in FY18 and beyond, simultaneously delivering a robust set of annual results: EPS growth of 17% while maintaining industry leading operating profit and EBITDA margins of 33% (FY17: 32%) and 49% (FY17: 46%) respectively. These figures are indicative of the strong performance of the annuity-based revenue model in a growth environment and have been achieved despite strong investment in operational, distribution and service capacity, as well as accelerated investment in research and development. The decision for ongoing investment in pursuit of sensible growth, and the realisation of economies of scale across businesses and segments, is expected to generate further robust results into the future.

## Group performance

The group achieved subscriber growth of 25%, increasing from 600 610 to 751 380 subscribers. South Africa, Europe and Asia Pacific all contributed positively to the growth, while the Africa segment showed a decrease in subscribers of 2% as a result of the challenging economic conditions across this segment. The group continues to maintain a strong order book while focussing efforts on channel and market development.

Revenue increased by 16% from R1 141 million to R1 324 million. Annuity revenue increased by 19% and represents 88% of total revenue. The increase in revenue can primarily be attributed to strong subscriber growth. Revenue was negatively impacted on consolidation by the strengthening rand. Had exchange rates remained unchanged, revenue would have increased by 18% to R1 343 million.

The group continued to invest in operational, distribution and service capacity, while also accelerating its investment in research and development. This resulted in operating expense growth of 21%. Operating profit increased by 18% from R369 million to R434 million. EBITDA increased by 25% from R523 million to R652 million largely as a result of the increased depreciation charged related to increased rental sales.

EPS increased by 17% to 100.5 cents (FY17: 86.0 cents). HEPS and NEPS increased by 17% and 18% to 100.0 cents (FY17: 85.4 cents) and 100.0 cents (FY17: 84.6 cents) respectively. Return on equity of 58% (FY17: 55%) and return on assets of 33% (FY17: 35%) remain indicative of the efficient application of capital across the group.

Lucrative growth opportunities are evident across all channels to market and in each operating region as the demand for telematics data continues to increase. Opportunities to develop further vertically aligned revenue streams remain at the forefront of management's short and medium-term strategy. The Group therefore expects to continue to deliver comparable results in the short- and medium-term.





**John Edmeston**

Global Chief Financial Officer and Deputy Global CEO

**Segment  
overview**

**South Africa**

The South Africa segment delivered particularly strong results off a high base. Subscribers increased by 26% year-on-year while subscription revenue increased by 18%. The realisation of a strong sales pipeline, investment in operating capacity and an effective distribution strategy are the primary contributors to this organic growth.

In line with expectations, the sales mix changed to include significantly more rental than cash sales in FY18; consequently, revenue from cash sales decreased by 7% year-on-year. Nevertheless, total revenue growth of 14% was realised in this segment.

Operating expenses increased by 16%, primarily as a result of the investment in distribution, operating and service capacity. This investment will enable Cartrack to continue to exploit the growth opportunities in the SA market.

The South African market remains underpenetrated with many opportunities to provide customer-centric solutions to individuals and businesses alike. Further opportunities to provide customer-centric solutions that put Cartrack customers in control will be exploited. As the subscriber base continues to grow, Cartrack continues to identify and exploit opportunities to realise economies of scale and operating efficiencies.

## CHIEF FINANCIAL OFFICER'S REPORT (continued)

### Africa

The Africa segment delivered a resilient performance, notwithstanding sluggish regional economic performance. The subscriber base decreased by 2%. Revenue decreased by 4% from R109 million to R105 million primarily as a result of a stronger rand. Had exchange rates remained unchanged, revenue would have increased by 2%.

Financial hardship experienced by private and commercial customers, and government organisations alike, is the major factor contributing to the lacklustre sales levels. Having said that, this segment remains highly profitable with good margins and segmental cash flow from operations remains positive.

Operating costs in this segment have increased by 9%. Careful cost management and optimisation of collection processes have been and remain key focus areas for management while the economic activity in the segment recovers from the challenges faced over the past two years.

Operating profit decreased by 20% from R40 million to R32 million. The negative impact of the stronger rand combined with a significant increase in corporate management costs were the primary reasons for the decrease in operating profit. As management has confidence in the economic recovery of the region and in its ability to generate positive returns, strategic management resources are being deployed centrally to lead and support the regional operations to achieve higher levels of performance. Cartrack expects this investment in strategic resources to positively impact the segment and group results over the next 18 months.

This segment continues to play a critical role in ensuring a high cross-border stolen vehicle recovery rate is achieved.

### Europe

The segment delivered strong subscriber growth of 26% largely as a result of the investment in distribution and operating capacity over the past two years. The consolidated segment revenue increased by 13% from R103 million to R116 million. The strengthening rand impacted negatively on consolidated revenue. Had exchange rates remained unchanged, revenue would have increased by 15% to R118 million.

Operating costs in this segment have increased by 24%. The segment operating profit margin will increase once the investment in operating and distribution capacity stabilises. Operating profit decreased by 3%. EBITDA for this segment increased by 26% while maintaining a healthy 56% EBITDA margin.

The investment in distribution and operating capacity will continue as new channels to market are established. Market research shows that the commercial fleet market as well as the insurance telematics and individual retail markets remain underpenetrated and substantial market capacity for growth exists. Competition does remain strong in this region, and consumers are demanding and highly active in their use of telematics data, factors Cartrack takes into account in the development of its technology. These markets present lucrative growth opportunities to provide telematics offerings and related value-added services.

### Asia Pacific

Asia Pacific is now the second largest segment in the Group based on revenue contribution, with total revenue up 73% from R68 million to R118 million and subscription revenue up 80%. On a constant currency basis, subscription revenue would have increased by 93% to R113 million and total revenue would have increased by 87% to R127 million. This is the result of subscribers increasing by 59%. The continued strong subscriber growth remains in line with management's expectation.

Despite incurring further start-up costs in respect of certain of the smaller operations in the region, operating profit and EBITDA margins of 13% (FY17: 1%) and 30% (FY17: 15%) respectively were achieved. The segment contributed R15 million (FY17: R0.5 million) to group operating profit.

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

### USA

This investment continues to be strategic in nature. To date, Cartrack has largely focussed on R&D which has been expensed in terms of the Group policy. The result is a net loss of R8 million (FY17: R4 million). Cartrack will continue to strategically invest in this region for the benefit of the Group with prudent capital allocation.

### Managing our balance sheet

Cartrack continues to maintain an uncomplicated balance sheet.

90% of assets on the balance sheet are operational in nature and directly contribute to revenue producing activities. Capitalised rental assets, inventory and debtors constitute



the vast majority of these assets. The only intangible asset on the balance sheet is goodwill that was generated in the early days of Cartrack's global expansion. The value in use of operations related to this goodwill exceeds the goodwill in the balance sheet by R300 million.

Cartrack's liabilities are likewise straightforward, with no complex financial instruments to account for. Liabilities are adequately covered by cash generated from operations.

Capital allocation and cash management are particularly important in a high growth phase with accelerated investment in operating and distribution capacity. The prudent management thereof remains a key focus area.

Production has been planned to meet growth targets and to ensure that sufficient finished goods buffer stock is available to adequately provide for the lead-times associated with global distribution; procurement additionally takes into account unforeseen component shortages and variable supplier lead-times. Bulk discounts are also taken into consideration in the strategic procurement of inventory levels. For these combined reasons, inventory balances, specifically components required for the FY18/9 production cycle, were increased significantly through the year. Inventory days, computed on a historic consumption basis, have increased to 271 days (FY17: 197 days). Inventory days are further impacted as a result of the IFRS-based accounting treatment of rental sales whereby the cost of rental sales is amortised over 36 months – where the cash costs of hardware of rental sales to be substituted for the amortised costs in the inventory days calculation, inventory days would reduce to 135 days (FY17: 141 days).

Debtors' days (after provision for bad debts) have improved to 29 days (FY17: 31 days). This is a key metric indicating the quality of sales and operational effectiveness. The strong focus on credit management, improved collections processes and prudent provisioning practices will be maintained.

Significant cash flows generated from operating activities have been reinvested in the business for growth. In the main, the areas of re-investment have been the internal funding of the higher level of rental sales, the planned and continued investment in distribution and operating capacity of the group, as well as the managed increase in inventory levels. The current and quick ratios of 0.9 (FY17: 1.1) and 0.5 (FY17: 0.7) respectively, reflect this reinvestment.

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

### Transactions with shareholders

Cartrack declared a total dividend of 46cps (FY17: 55cps). The cash dividend will be paid out of profits of the company.

Going forward, the Group plans to invest more heavily in research and development, data analytical skills and distribution channels to expand and grow the subscriber base significantly. The increased sales are expected to comprise primarily rental contracts which will require funding. Although the Group is forecast to continue to be highly cash generative, given these factors there will be a requirement to reinvest operating cash flows at an increasing rate.

Consequently, the dividend policy has been re-evaluated. The revised dividend policy provides for a target cover of between 2 to 4 times HEPS (previously 1.25 to 2.5 times HEPS), to be effective for FY19.

### The future

Cartrack has a strong, revenue producing balance sheet with a broad distribution and operating platform that is geared for growth. Sufficient capital and liquidity funding remains available to ensure that short and medium term strategic initiatives are executed. Revenue and profit growth, amidst stringent expenditure management, are forecast to continue at double digit growth rates for the foreseeable future.



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# REVIEW OF OUR CAPITALS

## HUMAN CAPITAL



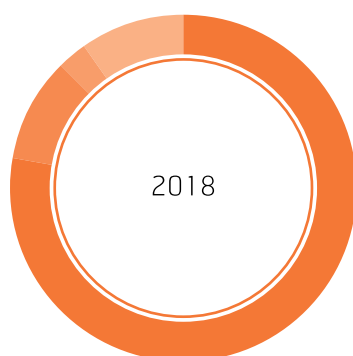
Human capital comprises the people Cartrack employs and stakeholders we engage with. Their health, knowledge and skills combined with their attitude and motivation are essential to meeting our strategic objectives and the relationships with our stakeholders.

- Learning and development – employees receive both formal and on-the-job training. Learning opportunities are provided through various platforms including classroom-based application training, on-the-job coaching, job shadowing, e-learning, and formal studies through tertiary institutions.
- Apprenticeship – The training of apprentice technicians through the Cartrack Academy addresses both the shortage of resources as well as skills development.
- Employee wellness – Cartrack continuously offers wellness initiatives to improve the knowledge of employees on high-risk diseases, to assist with avoidance of sickness and to help them adopt a healthier lifestyle.

The key challenge for growth has been, and continues to be, the skills shortage.

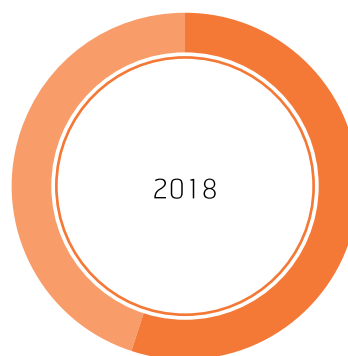
## TRANSFORMATION IN SOUTH AFRICA

Demographics – race (%)



- African – **77.9%**
- Coloured – **9.8%**
- Indian – **2.8%**
- White – **9.5%**

Demographics – gender (%)



- Male – **55.2%**
- Female – **44.8%**

## SOCIAL AND RELATIONSHIP CAPITAL



The communities in which Cartrack operates form the core of its social and relationship capital. Cartrack is committed to make a difference in its communities through employment opportunities, educational initiatives and social programmes. Its services and technology contribute to the safety of customers and their assets, and to a reduction in crime.

- Social sponsorship – Cartrack again assisted Wheel Well (car seats for children), Kwagga (emergency response team) and Missing Children South Africa with sponsorship and funding during the year.
- Cartrack continues to provide management, training and operational assistance to a black-owned fitment centre business.
- The Cartrack Education Fund provides primary, secondary and tertiary education opportunities to children from impoverished communities, as well as to its employees and their children. Tertiary institutions have been approached to promote the bursaries granted to candidates in specific disciplines related to the industry Cartrack operates in. Regular engagement with the bursary holders encourages them and develops a relationship. Career days at universities are attended to promote Cartrack as an employer. A study assistance programme is offered to eligible staff wanting to increase their skill and competency levels through tertiary educational institutions. Cartrack is accredited with the ICDL Foundation – the certifying authority behind the world-leading ICDL computer skills certification – and actively drives end-user computing proficiency throughout its business.
- Apprenticeship programme – Cartrack's technical training programme affords people with low-level skills, unemployed people and school leavers the opportunity to receive basic auto-electrical training and training on the installation of tracking units in vehicles.

Our Zimbabwe branch has helped to better the lives of vulnerable children in Zimbabwe through its monthly donations to Glenforest Children's Home, as well as the donation of a solar geyser and shower system to Danai Children's Home.

## NATURAL CAPITAL



The effective use of Cartrack's telematics offerings improve fuel consumption, reduce maintenance costs and reduce traffic congestion amongst other environmentally friendly benefits across our 751 380 subscribers. Efficient use of radio spectrum, a key input for Cartrack's operations and a limited resource, is essential to provide fast and clean data communication for telematics services. Renewable energy, air and land constitute other natural capital inputs upon which Cartrack relies for the operation of its offices and mobile workforce of installation technicians. Cartrack encourages and facilitates energy and waste reduction practices through recycling plastic, glass, paper and all scrap materials to improve its environmental management system and reduce its ecological footprint.

- Cartrack's technology is primarily reliant on frequency spectrums. Consumption of bandwidth is routinely monitored to ensure that the volume of transmitted data is managed and optimised effectively.
- Cartrack complies with the Waste, Electrical and Electronic Equipment Directive, collecting all tracking units from around the world for repair or scrapping.
- All Cartrack's products, including the battery and enclosures, comply with the European Union Restriction of Hazardous Substances (ROHS) Directive.
- Cartrack has a significant team of mobile installers and, as such, is a large consumer of petrol and diesel. Cartrack employed its fleet management systems in its own fleet, which has led to reduced kilometres travelled, and less fuel, maintenance and accidents.

## REVIEW OF OUR CAPITALS (continued)

### INTELLECTUAL CAPITAL



Core to Cartrack's intellectual capital are:

- its brand;
- its trade secrets developed around the application of its services through the years;
- the extensive senior management experience in the telematics and stolen vehicle recovery industry; and
- its continued investment in research and development to add to a growing product suite. Also, the collection and storage of telematics data and the ability to convert raw data into actionable business intelligence further contribute to intellectual capital.

### MANUFACTURED CAPITAL



Cartrack's proprietary technology platform and user interface that form the backbone of its product range, as well as its hardware technology, are designed, developed and maintained in-house.



The entire supply chain for Cartrack's telematics devices, from design, to manufacture, and ultimately through to installation of units and recovery of stolen vehicles, is managed internally. Components are sourced from legitimate and responsible producers, and manufacture is performed under ISO 9000 standards.

Refer to the strategic focus section on  page 27 and the chairman's and CEO's review on  page 28 for further details.

### FINANCIAL CAPITAL



The funds available to Cartrack for use in its business are its financial capital inputs. Being highly cash-generative, Cartrack has no debt, other than minor short-term borrowings.

Please refer to shareholder information on  page 68 for more details of our share price performance and shareholder structure. Refer to the stakeholder engagement discussion on  page 19.



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# BOARD OF DIRECTORS

Short curricula vitae of the directors and company secretary are set out below.

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## **Isaias Jose Calisto (Zak) (51)**

### **Global chief executive officer (CEO)**

*Appointed: 1 July 2008*

Years of service as executive: 17

Zak is the founder of Cartrack and global CEO. Zak has an impressive entrepreneurial history with over 24 years' of experience in the telematics industry. Having founded and operated a number of businesses, Zak has a wide range of technical and operational knowledge relating to business models and information technology.

## **John Richard Edmeston (64)**

### **Global chief financial officer and deputy global CEO**

*Appointed: 2 July 2014*

Years of service as executive: 10

John is a qualified Chartered Accountant and is a member of the South African Institute of Chartered Accountants (SAICA).

He has held a number of executive financial and general management positions in listed companies in his career. John joined Altech Netstar in 1997 as managing director, a position he held for nine years. Thereafter, he spent some two years in Brazil in related industries. On returning to South Africa in 2008, he was appointed as CEO of Cartrack's South African operations, and, in 2014, was promoted to the position of Global CFO and Deputy Global CEO.

## **David Jamie Brown (63)**

### **Independent chairman**

*Appointed: 13 October 2014*

Years of service: 4

David holds a BComm degree from the University of South Africa and an MBA from the University of Cape Town. In addition, he attended the Management Development Programme at the School of Business Leadership, and the Advanced Management Programme at Harvard Business School in the USA. He spent 30 years with the Standard Bank Group, where he held various senior positions, including managing director of Stanbic Bank Botswana, managing director of Stanbic Bank Zambia, managing director of Stannic Asset Finance and managing director of Standard Bank's Commercial Banking division. He was appointed CEO of Mercantile Bank and Mercantile Holdings Limited (a JSE-listed company) in 2004 and stepped down as CEO in 2013.

## **Thebe Ikalafeng (51)**

### **Independent non-executive director**

*Appointed: 13 October 2014*

Years of service: 4

Thebe holds BSc (Business Administration) and MBA degrees from Marquette University in the USA and has completed executive development courses in finance at Wits and Harvard Business School. A chartered marketer (CM(SA)), he has held various marketing positions in the USA and Africa. He is the founder and managing director of Brand Leadership Group, deputy chairman of South African Tourism and non-executive director of Mercantile Bank and WWF South Africa.

## **Kim White (42)**

### **Independent non-executive director**

*Appointed: 13 October 2014*

Years of service: 4

Kim is a qualified Chartered Accountant and Registered Auditor. Kim has over 15 years of experience in the accounting and auditing sector servicing a wide variety of industries. She holds a postgraduate certificate in advanced taxation and a postgraduate certificate in international taxation, as well as being a certified financial planner and a master tax practitioner (SA).

Kim is a registered member of SAICA, a member of the South African Institute of Tax Professionals and is registered with the Regulatory Board of Auditors (IRBA).

## **Annamè de Villiers (61)**

### **Company secretary**

Annamè holds a BProc and a LLB degree as well as a postgraduate diploma in corporate law. She is an admitted attorney in South Africa and specialises in regulatory compliance and corporate governance with specific emphasis on the application of the Companies Act, JSE Rules and Listings Requirements and related global best practices. She has held various positions in the financial services industry including acting as company secretary for two JSE-listed entities.

## Board of directors and committees

Name	Status	Tenure	Board	Attendance		
				Audit and risk committee	Remuneration and nominations committee	Social and ethics committee
<b>DJ Brown</b> Chairman of the board Chairman of the nominations committee Chairman of the social and ethics committee	Independent non-executive	Three years and nine months (Appointed Oct 2014)	4/4	7/7	3/3	2/2
<b>AT Ikafeng</b> Chairman of the remuneration committee	Independent non-executive	Three years and nine months (Appointed Oct 2014)	3/4	7/7	3/3	N/A
<b>K White</b> Chairperson of the audit and risk committee	Independent non-executive	Three years and nine months (Appointed Oct 2014)	4/4	7/7	3/3	N/A
<b>IJ Calisto</b> Global CEO	Executive	10 years (Appointed July 2008)	4/4	6/7	2/3	N/A
<b>JR Edmeston</b> Global CFO Deputy Global CEO	Executive	Four years (Appointed July 2014)	4/4	7/7	3/3	N/A

## BOARD COMPOSITION ANALYSIS

### Structure

40% EXECUTIVE  
20% INDEPENDENT NON-EXECUTIVE CHAIRMAN  
40% INDEPENDENT NON-EXECUTIVE

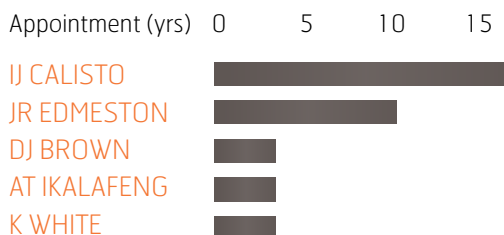
### Average age

20% 40 – 50  
40% 50 – 60  
40% 60 – 70

### Gender and Colour diversity

60% WHITE MALE  
20% BLACK MALE  
20% WHITE FEMALE

### Length of tenure



# CORPORATE GOVERNANCE

## Leadership and governance

### Commitment and approach

The Board is committed to good governance and endorses the principles of the King Code in both letter and spirit to ensure consistent practices throughout the Group, providing effective leadership that displays integrity, competence, responsibility, accountability, fairness and transparency in directing the business of the Company to create and maintain value. During this financial year the Board focused on the application of the King IV principles and is satisfied that these have been substantially applied. There will be continued focus on identifying and addressing any shortcomings in FY19. An overview of the steps taken by the Company to comply with the King Code is available on the Company's website ([www.cartrack.com/ About Us/Corporate Governance](http://www.cartrack.com/About%20Us/Corporate%20Governance)).

### Organisational ethics

The Directors acknowledge that the ethical tone is set from the top and pro-actively review and assess the assimilation and entrenchment of governance best practices in the Group. As a listed company, Cartrack is required to adhere to the Listings Requirements of the JSE ("LR"). Directors of Cartrack are bound by the provisions of the LR, both in their capacities as directors and in their personal capacities. To ensure the integrity of directors' duties towards the Company, conflicts of interest are managed through annual written declarations which are confirmed and updated, if required, prior to the commencement of each Board meeting. Conflicts, if any, are dealt with in accordance with the requirements of the Company's Act. The Company's ethics are managed through a number of policies which are approved by the Board and implemented, monitored and reported on to the Board by management.

Policy	Objectives and focus	Implementation	Monitoring and outcome
<b>Code of Ethics and online Gifts Register (including entertainment)</b>	<p>Addresses acceptable conduct for employees and directors in interaction with colleagues, customers, suppliers and other stakeholders</p> <p>Applies to the Company, its leaders, employees, contractors, suppliers and other stakeholders</p> <p>Focused on appropriate and accurate disclosure of gifts and entertainment and better understanding of requirements</p>	<p>Induction training for new employees</p> <p>Regular training, awareness and reinforcement</p> <p>Publication on the external and internal website</p> <p>Annual confirmation</p>	<p>Review of Gifts Register by internal Risk committee</p> <p>Regular reporting to the Audit &amp; Risk committee</p> <p>There were no matters of concern</p>
<b>Whistle-blowing policy</b>	<p>Encourages and protects disclosure of perceived unethical behaviour that may affect the Company and ensures transparency and accountability</p> <p>Applies to the Company, its leaders, employees, contractors, suppliers and other stakeholders</p> <p>No particular focus</p>	<p>Induction training for new employees</p> <p>Regular training, awareness and reinforcement</p> <p>Publication on the external and internal website</p> <p>Annual confirmation</p>	<p>Independent review of disclosures</p> <p>There were no matters of concern</p> <p>Will focus on better awareness and understanding</p>



Policy	Objectives and focus	Implementation	Monitoring and outcome
<b>Media policy</b>	<p>Outlines appropriate communication with the media and determines acceptable social media behaviour</p> <p>Focused on entrenching the principles of acceptable social media behaviour</p>	<p>Induction training for new employees</p> <p>Regular training, awareness and reinforcement</p> <p>Publication on the external and internal website</p> <p>Annual confirmation</p>	<p>Regular review of and reporting on social media disclosures</p> <p>There were no matters of concern</p> <p>Will focus on more intensive training</p>
<b>Personal Account Dealing policy</b>	<p>Restrictions in dealing in the Company's securities</p> <p>Applies to directors, prescribed officers (as defined in the Companies Act, 2008) and the Company Secretary as well as their affiliates</p>	<p>Targeted training, reinforcement and advice</p> <p>Notification of closed periods</p>	<p>Monitoring by the Company Secretary</p> <p>There were no transgressions</p>

### Responsibilities and accountability

The Board is responsible for directing, governing and controlling the Company's business by, inter alia, developing and approving the Company's strategic direction, financial budget, risk and governance framework and supporting policies and procedures. The Board delegates to management the detailed planning and implementation of the Group's strategic objectives and policies in accordance with appropriate risk parameters. The Board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through performance reporting and regular business updates. The Board operates in accordance with approved terms of reference that are reviewed on an annual basis. The responsibility for ensuring that key management functions are appropriately resourced and directed has been delegated to the Chief Executive Officer. The Company's Executive Directors are involved in the day-to-day management of the Company and business activities of the Group in accordance with the framework of authority delegated to them by the Board, containing formal levels and parameters for all Group companies which are reviewed annually. Executive and senior management are required to acknowledge and confirm the relevant levels of authority by signature and are responsible for implementing procedures to enforce and monitor adherence.

The Board has delegated certain of its functions to Board committees, but remains ultimately responsible and accountable for these functions.

### Board structure and composition

The Group has a unitary Board structure comprising a majority of independent non-executive directors (including the Chairman). There are 5 directors in total, 3 of whom are non-executive, and 2 full-time salaried executive directors. The Board's diversity policy was adopted during the prior reporting period and is reviewed annually. The size of the Board is appropriate given the nature and size of the business and the Board therefore has not set targets in relation to gender and ethnicity – this approach will be reviewed next year in accordance with the principles of the King Code. The roles of the Chairman and the Chief Executive Officer are separate and clearly defined. This division of responsibilities ensures a balance of authority and power. The range of skills, experience and backgrounds currently represented on the Board ensure robust decision-making processes and diversity of viewpoints, enhancing the effective governance of the Group with no individual director having unrestricted decision-making authority. A number of Board Committees assist the Board in fulfilling its mandate, and the roles and responsibilities of the respective committees are set out in their formal terms of reference. The terms of reference of the Board and the respective committees are reviewed annually to ensure that they remain relevant and are available on the Company's website.

## CORPORATE GOVERNANCE (continued)

Key focus areas for 2018
Entrenching the principles of governance and ethics in offshore entities
Entrenching appropriate risk management, implementation and regular monitoring thereof for offshore entities
Implementation of a new system of financial reporting and internal financial controls in SA
Considering the structure and composition of sub-committees, which led to the split of the meetings of the Audit and Risk Committee to ensure the required attention be afforded to risk matters
Ensuring communication to stakeholders is accurate and timely

### Board appointments

Directors are appointed by the Board in a formal and transparent manner. The Nomination Committee annually reviews the size of the Board and its committees and the required mix of skills and experience needed to provide strategic direction and leadership. In consultation with the Chief Executive Officer, it considers suitable candidates and nominates persons for appointment as directors to the Board. One-third of the directors are required to retire by rotation at the annual general meeting of shareholders ("AGM"). Retiring directors may offer themselves for re-election. Directors appointed during the financial reporting period are required to have their appointments ratified at the following AGM. Directors generally have no fixed term of appointment. Executive directors retire at the age of 65 unless fixed-term contracts are negotiated with the Board beyond this age. There is no prescribed retirement age for non-executive directors.

### Board induction and development

Directors are introduced to the Company through a formal induction programme and ongoing training and development are planned annually to enable directors to make the maximum contribution to the Company and to remain informed about changes in risks, legislation, accounting standards and policies and the environment that the Company operates in.

### Director independence

All non-executive directors, including the Chairman, are independent in terms of the definition in the King Code and the guidelines outlined in the Listings Requirements. The directors have a clear understanding of their fiduciary duties as Directors of Cartrack. The directors individually and collectively are committed to exercise due care and diligence in the performance of its duties in accordance with the highest possible standards.

All directors have reasonable and unfettered access to the Group's records, facilities, management and any other resources that may be required to ensure optimal ability to discharge their duties.

Focus areas for 2019
Enhancing compliance monitoring across the Group
Enhancing Risk Management in accordance with the King Code
Implementation of the new system for offshore companies
Board diversification and relevance of skills
Transparency, stakeholder engagement

### Board and director evaluations

An annual evaluation is conducted to assess the effectiveness of the Board as a unit, the Board committees and the individual contributions of the directors through a process of self-evaluation. The Chairman discusses results of the individual director evaluations with the relevant directors and suitable developmental plans are agreed with them if required. The results of the evaluation of the Chief Executive Officer is distributed to all Board members for consideration. Evaluations for 2018 were satisfactory and no specific areas of concern were raised.

### Company Secretary assessment

The Company Secretary acts as steward of the Group's corporate governance framework, ensuring that Board procedures and relevant legislation and regulations are observed. The Company Secretary acts as the secretary for all committees of the Board and has unrestricted access to the CEO and the non-executive directors. Her responsibilities include, among others:

- induction and continued training of directors;
- preparing meeting agendas and recording minutes;
- providing guidance to directors on governance, compliance and fiduciary responsibilities; and
- liaising with regulatory bodies.

Based on the outcome of a formal assessment conducted by the Chairman, Chief Executive Officer, Chief Financial Officer and Audit Committee Chairman, the Board is satisfied with the competence, qualifications and experience of the Company Secretary and believes that the Company Secretary provides the Board with the requisite support for its efficient functioning and discharge of its duties. In line with the principles of the King Code, the Company Secretary is not a director within the Group and is considered suitably independent of the Board to be effective.

### Risk Management

While the Board has delegated its responsibility for risk management to the Audit and Risk Committee, the Board remains ultimately responsible for the governance of risk. The risk management framework defines Cartrack's risk

management philosophy and encourages a risk-conscious business culture through agreed internal controls and commitment to mitigating actions.

Cartrack's risk management framework implements a bottom-up and top-down approach and has been reviewed to specifically consider the governance of risk to support the achievement of strategic objectives, including compliance and performance-related matters. To this end the identification and assessment of structural opportunities will be further explored to achieve a more complete risk response.

The Risk Management Plan ensures an effective system of risk identification, analysis, evaluation and treatment throughout the Group. Major risk categories have been identified as Financial Risk, Operational Risk, Business Risk and Legal & Regulatory risk. A dashboard of significant risks is compiled through the internal Risk Committee from risks identified by business. Individual risk ratings are determined by the probability and impact of each risk. Appropriate risk response planning is ascribed to each risk and mitigating actions are monitored. This report is regularly reviewed and interrogated by the Audit and Risk Committee. Opportunities will be approached in a similar manner.

A system of internal controls, designed to protect value and enable business growth in a sustainable manner, encompasses financial, operational, compliance and sustainability issues. This system includes a documented organisational structure and division of responsibility, clarity of accountability, established policies and procedures which are communicated throughout the Group, and the careful selection, training and development of people.

The Internal Audit function undertakes a programme of financial and operational audits and reviews, as agreed by the Audit and Risk Committee and covering all Group activities. The annual Internal Audit Plan is developed applying a risk-based approach and is reviewed and ultimately approved by the Board upon recommendation by the Audit and Risk Committee. It is revised regularly to ensure that it remains relevant to the key business priorities and changing risk environment.

For details on the top of mind risks, refer to the risk report.

## Technology and Information Governance

The Board recognises technology as a key driver of our strategy and value proposition and accordingly places specific emphasis on the appropriate governance of technology and information. Governance is achieved through the adoption of appropriate policies and procedures and the management and monitoring of compliance.

As a management structure reporting to the board, the IT Steering Committee assumes responsibility for the following:

- Strategic alignment between IT & business;
- Delivery of value;
- Measurement of IT performance;
- Risk management;
- IT resource deployment; and
- Proper & effective use of IT within the business.

The IT Governance Officer is responsible for compiling regular reports to the Audit and Risk Committee, which consist of a comprehensive governance report and dedicated risk register, from which significant risks are included in the Top Ten Risk dashboard. At the request of the board, the external auditors performed a focused review of the IT function as part of the annual audit. No material matters were raised.

The global focus on data privacy against the background of data leakages and misappropriation over the last few years culminated in the implementation of GDPR for the European Union. The complexity of the legislation and the cross-border application thereof necessitated the appointment of in-country expertise to guide the Company in the assessment and application of the requirements. This exercise will also assist with the implementation in other jurisdictions, including in terms of the POPI Act in South Africa, which has many similar requirements.

Significant investment has been and will continue to be made in systems and infrastructure upgrades, human resources and R&D.

Focus areas for the future include:

- Infrastructure upgrade;
- Software platform maintenance and improvement;
- Technology security;
- POPI, GDPR and other legislative requirements; and
- Continued application of and alignment to the King Code.

## CORPORATE GOVERNANCE (continued)

### Board Committees

#### Committee composition, responsibilities and focus

##### Audit and Risk Committee

Key focus areas for 2018
Information technology governance and risk management
Enhancing the resources and experience of the finance department and finance functions of offshore entities
Ensuring effective risk management, compliance and disclosure across the group
Ensuring compliance with relevant legislation across all jurisdictions
Strengthening the Internal Audit function

##### Focus areas for 2019

Technology security and infrastructure upgrade
Enhance financial and integrated reporting
Standardise monitoring and reporting
Standardise monitoring and reporting
Enhance the resources and experience of the Information Technology function

#### Audit Committee Report

##### 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, 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. To ensure that both Audit- and Risk-related matters receive the required focus and attention, separate meetings are scheduled for the consideration of Audit and Risk matters. The complete Terms of Reference is available on [www.cartrack.com](http://www.cartrack.com).

##### Members and meetings

All members are independent, non-executive directors of the Company and collectively have adequate relevant knowledge and experience to effectively discharge their duties.

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 and are invited to attend meetings when appropriate. 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 5 occasions.

##### Independent external audit

Following appointment by shareholders in general meeting, Grant Thornton Johannesburg Partnership (Grant Thornton) 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, 2008. The ARC has assessed the suitability of both the designated audit partner and the firm in accordance with the JSE Listings Requirements, 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. The ARC therefore nominated Grant Thornton for re-appointment as external auditors to the Company.

##### Internal audit

The group internal audit function reports directly 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 annually by the ARC and approved by the board. It is adjusted on a continual basis to ensure effectiveness and is based on the relevant degree of inherent risk of the business.

##### Annual reviews

In accordance with the principles and practices of King IV, the ARC confirms that it has considered and satisfied itself that the current Global Chief Financial Officer, John R Edmeston, possesses the appropriate qualifications, expertise and experience required to effectively discharge his duties. The ARC has reviewed the Group's system of internal financial controls, risk management and expertise, resources and experience of the Company's finance function and concluded that they are adequate and effective.

##### Annual Financial Statements

The ARC reviewed the consolidated annual financial statements of the Cartrack Group for the year ended 28 February 2018 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 2018 to the Board for approval.

#### Integrated annual report

The ARC reviewed this report, taking cognisance of material factors and risks that may impact the integrity thereof, and recommended that the board of directors approve the integrated annual report of the Company for the year ended 28 February 2018.

#### K White

*Chair: Audit & Risk Committee*

### Social & Ethics Committee

#### Key focus areas for 2018

Skills development

Organisational ethics, specifically bribery and corruption

Consumer relationships, advertising, public relations and compliance with consumer protection laws

#### Focus areas for 2019

Training programmes

Training, compliance and monitoring of gifts and entertainment

Customer experience

#### Social and Ethics Committee report

As a statutory committee, this committee is guided by the Companies Act and Regulations, which include other relevant legislation as well as the principles contained in the UN Global Compact and the OECD recommendations regarding corruption. The terms of reference are available on the website.

An annual Social and Ethics Committee Plan is prepared by the internal committee which comprises representatives from all business areas. This plan is reviewed and approved by the Social and Ethics Committee and implementation is monitored to ensure targets are achieved. Management has made good progress in standardising and formalising compliance of subsidiaries with group policies to ensure uniform practices in all jurisdictions across the group.

The committee is not aware of any instances of human rights abuses, restrictions on freedom of association, use of forced or child labour, discrimination in employment, contraventions of environmental responsibilities or use of bribery and corruption by any group company or employee.

The Social & Ethics Committee concluded that it had achieved its objectives for the financial year.

#### DJ Brown

*Chair: Social & Ethics Committee*

## CORPORATE GOVERNANCE (continued)

### Remuneration & Nominations Committee

Key focus areas for 2018	Focus areas for 2019
Remuneration:  Reviewing the remuneration policy, payment of performance bonuses and short, medium and long-term incentive schemes	Consideration of appropriate short, medium and long term Incentive schemes
Employee retention, development and succession planning to ensure continuity of leadership	Employee retention, development and succession planning to ensure continuity of leadership
Nominations:  Reviewing the Board structure, size and composition, split between Audit and Risk Committee meetings	Reviewing the Board structure in view of the expansion of the business  Identification and nomination of new directors for approval by the Board
Conducting annual performance reviews of the performance and effectiveness of the Board, Board committees and individual directors	Training, specifically regarding governance and relevant regulatory requirements


#### Membership and meetings

All members are independent, non-executive directors of the Company and collectively have adequate relevant knowledge and experience to effectively discharge their duties. To ensure appropriate consideration of the Remuneration Committee and Nominations Committee matters, the position of chairman has been split accordingly. The Chief Executive Officer and Chief Financial Officer attend the meetings by invitation but do not have a vote. Executive directors, managers and the Company Secretary are not present during committee discussions relating to their own compensation.

# REMUNERATION REPORT

## Background statement

The Remuneration Committee is mandated by the board to ensure that the company remunerates fairly, responsibly and transparently to ensure the achievement of strategic objectives and creation of value in the short- medium- and long terms. In preparing this report, the committee has considered the relevant principles of the King Code and the JSE LR.

As set out elsewhere in this report, the group has once again delivered a robust set of annual results with EPS growth of 17%. More detail on the performance of the Company is available on  page 32. To enable continued growth in line with stated strategy initiatives, a deliberate investment in technology, information management, human resources as well as distribution and operating capacity will be required.

Performance outcomes are reflected in the bonuses received by executive directors and senior management and are outlined in this report. The performance period for the Executive Incentive Scheme (Scheme) ended on 28 February 2018. The vesting criteria was based on set targets for:

- Basic EPS
- Subscriber growth
- Stolen vehicle recovery rate

Unfortunately the EPS target was not met and no payment will be made to beneficiaries in terms of the Scheme.

The remuneration philosophy is reviewed annually to ensure that the key employees remain motivated to deliver on our strategic initiatives and achieve the collective objectives to ensure value creation for all our stakeholders.

In accordance with the provisions of the Companies Act and the King Code, shareholders will be required to vote on the following resolutions:

- Non-executive director fees
- Remuneration policy
- Implementation report

## Remuneration and Recruitment Philosophy

Cartrack's reward philosophy aims to attract, motivate and retain high-calibre, high-performing and independent-minded people with above-average industry ability and leadership potential to effectively achieve operational and strategic objectives. Our compensation packages are structured to be uncomplicated and transparent and aligned to the best interest of all stakeholders. The Company rewards exceptional performance to encourage delivery on performance goals.

## Service contracts

- Executive management have notice periods of 3 months.
- Standard terms include restraint of trade provisions, protection of intellectual property and confidentiality undertakings that survive termination of the employment relationship.
- The employment contracts of the Chief Executive Officer and Chief Financial Officer are also subject to a notice period of 3 months.
- Sign-on bonuses and guaranteed severance payments are not offered and separation agreements, when appropriate, are negotiated with the individual concerned with prior approval being obtained in terms of company governance structures.

## Executive Incentive Scheme

This long-term incentive scheme, operating through a Trust, was implemented to afford qualifying key members of management the opportunity to participate in the equity and future growth of the business, aligning the objectives of management and shareholders for a sustained period and retaining key skills to achieve the targets set by Cartrack.

The Trust acquired ordinary Cartrack shares in the market once participants had been determined ("Trust Shares") and created a pool of units ("the Units"), corresponding to the Trust Shares. Units were allocated to Participants for no consideration and were subject to an incentive period and specific vesting criteria as determined by the Board, which included achievement targets for the following categories:

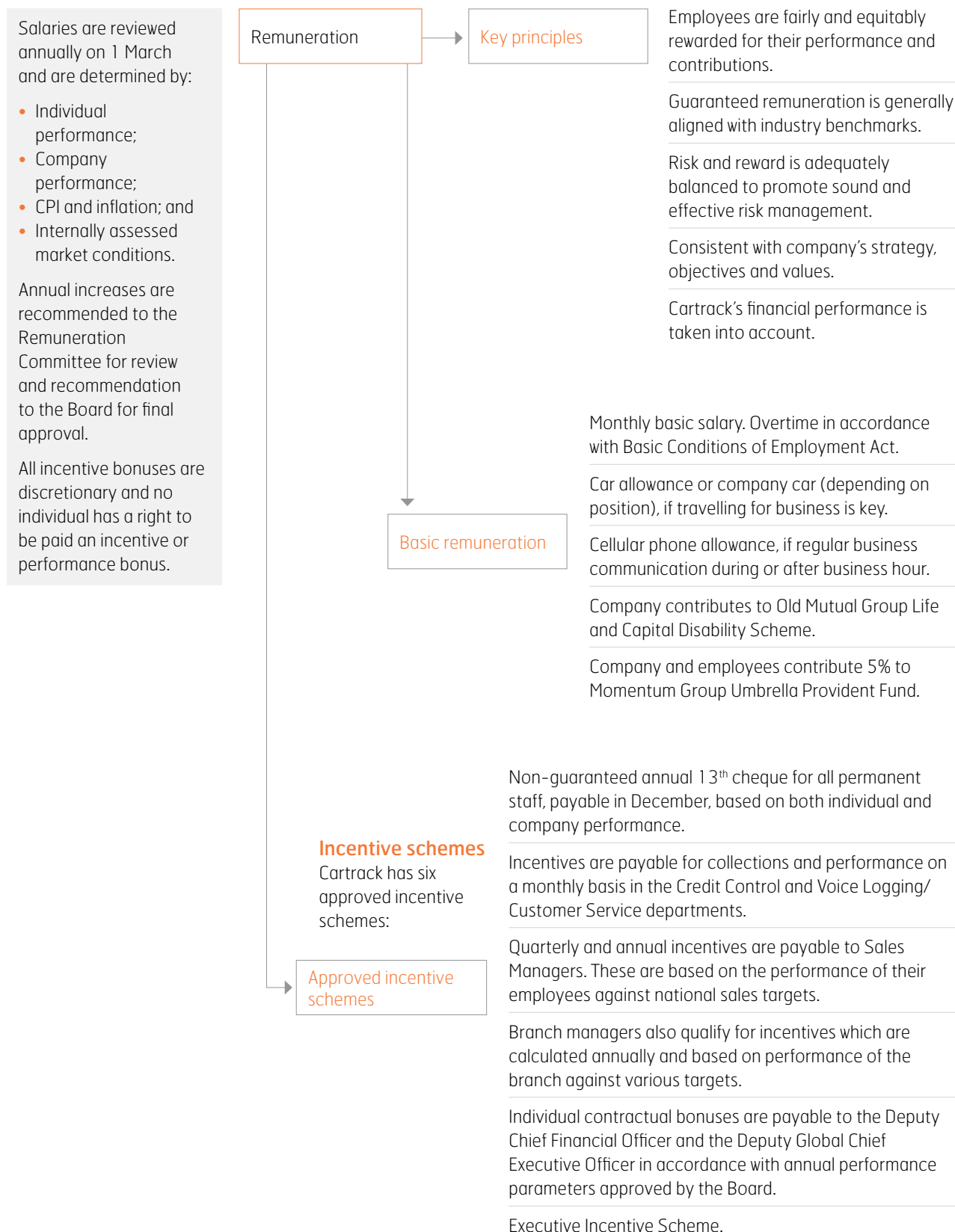
- Basic EPS for the Group;
- Number of tracking units on the system; and
- Stolen Vehicle Recovery Rate.

The first incentive period matured on 1 March 2018.

Unfortunately the EPS target was not met, primarily as a result of the significant appreciation of the rand, resulting in lower non-rand denominated consolidated profit in the vesting year compared to the forecast profit that informed the vesting criteria. As a result the units did not vest. Upon review of the Scheme, the board has decided to terminate the Scheme, due to changes in tax legislation which adversely affect the benefits in the hands of beneficiaries.

The board has proposed a special incentive scheme for 2019, subject to the approval of shareholders at the AGM, and will hold the treasury shares for that purpose. The board will consider an appropriate long-term incentive scheme for the future to align shareholder and key management interests.

## KEY PRINCIPLES UNDERPINNING OUR APPROACH TO REMUNERATION





## Directors' and Prescribed Officers' Remuneration

### Summary of reward components

	Component	Operation	Purpose and link to strategy
FIXED	<b>Base salary</b>	<ul style="list-style-type: none"> <li>• Paid monthly in cash</li> <li>• Reviewed annually with increases to be effective from 1 March each year</li> <li>• Salary reviews take into account prevailing market practices, economic conditions and the levels of base salary increase mandates provided to the general employee population</li> </ul>	Attracting and retaining appropriate talent
	<b>Benefits</b> Group Life and other insurance	<ul style="list-style-type: none"> <li>• Financial protection in the event of death or disability</li> </ul> <p>These are:</p> <ul style="list-style-type: none"> <li>• Appropriate in terms of level of seniority</li> <li>• Market-related</li> <li>• Death benefit is a multiple of base salary, and</li> <li>• Non-pensionable.</li> </ul>	Employee wellness and engagement
	<b>Pension</b>	<ul style="list-style-type: none"> <li>• Comprises pension plans with company contributions as part of total cost to company remuneration</li> </ul>	Facilitate the accumulation of savings for post-retirement, contributing to financial security
VARIABLE	<b>Cash incentive (Bonus)</b> <ul style="list-style-type: none"> <li>• Align participants to targets relevant to the group's strategic goals</li> <li>• Drive performance</li> <li>• Motivate executives to achieve specific and stretched short-term goals</li> <li>• Reward individuals for their personal contribution and performance</li> </ul>	<ul style="list-style-type: none"> <li>• All measures and objectives are reviewed and set at the beginning of the financial year</li> <li>• Payments are reviewed and approved at year-end by the committee based on performance against the targets</li> <li>• Threshold is required to be met for any bonus payment to occur</li> <li>• Target level of bonuses varies from 35% to 65% of base salary</li> <li>• Criteria for 2018 were: subscriber growth, revenue growth, PBT targets and recovery rate targets</li> <li>• Bonuses are paid in cash</li> </ul>	<p>Drives a high performance culture</p> <p>Motivates and rewards the achievement of business and individual targets</p> <p>Focuses employees on the growth strategies</p>
	<b>Short-term incentive plan</b> Once-off 2019 incentive to reward key employees for commitment and performance – to be approved by shareholders	<ul style="list-style-type: none"> <li>• Vesting criteria are aligned to business strategy</li> <li>• Rights only vest on meeting of criteria</li> <li>• Incentive value settled in shares acquired in market</li> </ul>	As above
	<b>Long-term incentive plan</b> Executive Incentive Scheme	<ul style="list-style-type: none"> <li>• Units created and awarded to participants</li> <li>• Shares acquired by a trust corresponding to the units</li> <li>• Vesting criteria are aligned to business strategy</li> <li>• Rights only vest when criteria are met</li> <li>• Shares are sold and cash paid out to beneficiaries</li> </ul>	<p>Align the interests of the executive members with those of the shareholders</p> <p>Reward the execution of the strategy and long-term sustainability</p> <p>Encourage long-term commitment to the company</p> <p>Wealth creation mechanism for key management</p>

## REMUNERATION REPORT (continued)

### Proposed total remuneration and benefits payable to each Executive Director for the year ending 28 February 2019

	Salaries (R'000)	Bonus (R'000)	Travel allowance (R'000)	Total (R'000)
<b>Executive Directors:</b>				
Zak Calisto	3 128	201	–	3 329
John Edmeston	2 116	1 660	118	3 894
<b>Total</b>	<b>5 244</b>	<b>1 861</b>	<b>118</b>	<b>7 223</b>

### Remuneration policy for non-executive directors (fees)

Position	Purpose	Comment	Fees
<b>Non-exec Chairman</b>	To attract and retain individuals with the required experience and skills  To provide fees which take account of the time commitment and responsibilities of the role	The Chairman is paid an all-inclusive fee for board responsibilities  The Chairman is paid attendance fees to attend meetings of board committees  Additional fees are paid for chairing board committees	The Chairman's fees are reviewed annually by the committee  Fees are set by reference to the average % increase approved for executive directors and senior management
<b>Other non-executive directors</b>	To attract and retain non-executives with the required experience and skills  To provide fees which take account of the time commitment and responsibilities of the role	The non-executives are paid a basic fee for board attendance  Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings of board committees  The chairmen of the board committees are paid additional fees to reflect these additional responsibilities	Non-executive directors' fees are reviewed annually by the Committee  Fees are set by reference to the average % increase approved for executive directors and senior management

### Proposed annual remuneration for Non-executive Directors for the year ending 28 February 2019\*

	Board fees (R'000)	Audit and Risk Committee (R'000)	Remuneration and Nomination Committee (R'000)	Social and Ethics Committee (R'000)	Total (R'000)
<b>Director</b>					
David Brown	867	211	86	134	1 298
Thebe Ikalfeng	386	211	136	–	733
Kim White	386	248	86	–	720
<b>Total</b>	<b>1 639</b>	<b>670</b>	<b>308</b>	<b>134</b>	<b>2 751</b>

### Directors' interests

As at 28 February 2018 the Directors, including their associates, held, directly or indirectly, the following number of Cartrack ordinary shares:

	Total indirect shareholding as at 28 February 2017	Total percentage interest	Total indirect shareholding as at 28 February 2018	Total percentage interest
<b>Director</b>				
Zak Calisto	203 980 424	68,0	203 980 424	68,0
Juan Marais	36 019 576	12,0	35 500 000	11,83
<b>Total</b>	<b>240 000 000</b>	<b>80,0</b>	<b>239 480 424</b>	<b>79,83</b>

The interest of directors have not changed between the end of the financial year on 28 February 2018 and the date of publication of this report.

## Voting on remuneration

In accordance with King IV, Cartrack's remuneration policy and implementation report as detailed in this Remuneration Report, need to be tabled for separate non-binding advisory votes by shareholders at the upcoming AGM. In the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the voting rights entitled to be exercised by shareholders at such AGM, then the committee will ensure that the following measures are taken in good faith and with best reasonable efforts:

- Engagement with shareholders to ascertain the reasons for the dissenting votes, and

- Appropriately addressing legitimate and reasonable objections and concerns raised which may include amending the remuneration policy or clarifying or adjusting remuneration governance and/or processes.

## Executive remuneration summary report

The total remuneration and benefits paid and payable to each Director of the Company for the year ended 28 February 2018 is set out below:

	Emoluments	Bonuses	Other benefits	Directors' fees*	Total
<b>Directors' and prescribed officers' emoluments 2018</b>					
<b>Director's name</b>					
IJ Calisto (executive)	3 128	201	—	—	3 329
JR Edmeston (executive)	2 116	1 660	118	—	3 894
DJ Brown (non-executive)	—	—	—	1 163	1 163
AT Ikalafeng (non-executive)	—	—	—	607	607
K White (non-executive)	—	—	—	597	597
	<b>5 244</b>	<b>1 861</b>	<b>118</b>	<b>2 367</b>	<b>9 590</b>

\* The proposed annual remuneration for Non-executive Directors for the year ending 28 February 2019 includes an average increase of 5% and will be inclusive of VAT for the full period.

The Non-executive Director's remuneration for the year ended 28 February 2018 included VAT for a period of 9 months, commencing on 1 June 2017.

Other than as described above, none of the Directors of the Company receive any remuneration or benefits from the Company's subsidiaries and fellow subsidiaries, associates or joint ventures of the Group. No awards or options have been granted to the Directors to acquire Shares during the last financial year of the Company.

The benefits and amounts disclosed above include the total remuneration and benefits received or receivable from Cartrack as well as any Cartrack associates, joint ventures and entities that provide management or advisory services to Cartrack.

No fees have been paid or accrued to third parties *in lieu* of Directors' fees

The Remuneration Committee concluded that it had achieved its objectives for the financial year.

## AT Ikalafeng

Chair: Remuneration Committee

## Certificate by company secretary in accordance with section 88(2)(e) of the Companies Act

I, Anname de Villiers, in my capacity as group company secretary, confirm that, to the best of my knowledge and belief, the company has filed the returns and notices required in terms of the Act for the year ended 28 February 2018, and that all such returns and notices submitted appear to be true, correct and up to date.

## A de Villiers

Group company secretary

# RISK MANAGEMENT

## RISK MANAGEMENT PROCESS

### Identify

Risks are identified using a top-down and bottom-up approach. The risk management plan is used to guide the process.

### Assess and measure

Risks are assessed based on their potential impact on the business and their likelihood of occurring.

### Response and action

Mitigating actions are assigned to each risk. The appropriateness of these is reviewed by the audit and risk committee.

### Monitor and report

The risks are managed and monitored on an ongoing basis. Quarterly risk reports are provided to the audit and risk committee, which in turn report to the board.



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## Top of mind risks

The board regularly reviews the risk register prepared and reported on by management.

Risk category	Description	Mitigation actions	Opportunities
Network access	Reliable access to networks is crucial to our service delivery  Unavailability of access or complete failure in networks would adversely affect our customers and our reputation	Continuous engagement with service providers to periodically obtain results of their disaster recovery and business continuity tests. Redundancy links are in place  Review of service level agreements is in progress to enhance assurance	
Customer data protection	Client data is an imperative part of our service delivery and contain personal information. Data privacy is therefore critical to ensure customer confidence and regulatory compliance. Breach of data privacy would result in reputational damage, loss of customers, loss of revenue and regulatory sanctions	Customer personal information is kept secure and private, verification processes are in place before disclosure, no information is shared without specific authorisation by the customer  In view of the regulation of data privacy in the EU (GDPR) and imminent implementation of the POPI Act in South Africa, management has launched a dedicated project to ensure compliance with GDPR	The implementation of this project will strengthen and enhance the current controls and processes and will put the Company in a position to utilise these controls and processes to achieve compliance with the POPI Act  The focus on appropriate data protection will increase customer trust
Customer service	Material adverse customer experiences may result in reputational and brand damage, loss of customers, loss of revenue	Improving engagement with clients through customer service centres and social media by quality control processes and regular training  Addressing customer complaints efficiently and swiftly and appropriately escalating to senior management	Engagement with customers poses an opportunity to build the relationship, update personal information or educate  Social media creates engagement and can be used to increase brand awareness
Key employees	Loss of skills, corporate knowledge and leadership that may adversely affect execution on strategy, customer service, operational efficiencies and execution on strategy	Board-approved succession planning is continually reviewed and updated, mentoring programmes and appropriate skills transfer will assist in alleviating the impact  Internal leadership programmes have been launched to nurture and grow leadership talent	Identification of appropriate successors for key employees either leads to the discovery of internal talent to be developed or creates the opportunity to employ appropriate talent
Technology security	Exposure to external infiltration of our systems, hardware, laptops and data may result in service interruption, data corruption and/or breach of confidentiality which may adversely impact upon customer service, operational efficiencies, revenues and brand and possibly expose the company to extortion	An IT risk assessment has been done in accordance with an approved framework and is continuously updated and reported on to the board. The external auditors performed a focused review of the IT function as part of the annual audit process. Cyber security will remain a focus area for 2019	The implementation of the GDPR project will assist in highlighting any weaknesses and enhance the current controls and processes.  Better controls will enhance reliability

# CONDENSED ANNUAL AUDITED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2018

Figures in rand thousand	Notes	2018	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	516 045	309 255
Goodwill		107 597	102 045
Deferred taxation		49 488	41 641
		673 130	452 941
<b>Current assets</b>			
Inventories		173 680	123 140
Loans to related parties		2 272	4 588
Trade and other receivables	4	154 952	151 438
Current taxation receivable		4 143	1 639
Cash and cash equivalents		69 573	70 078
		404 620	350 883
<b>Total assets</b>		<b>1 077 750</b>	<b>803 824</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		42 488	42 488
Reserves		(53 416)	(56 656)
Retained income		601 224	461 745
Equity attributable to equity holders of parent		590 296	447 577
Non-controlling interest		10 125	14 200
		600 421	461 777
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Instalment sale obligation		28 635	18 123
Amounts received in advance*		5 253	–
Deferred taxation		2 316	2 066
		36 204	20 189
<b>Current liabilities</b>			
Trade and other payables		111 722	94 676
Amounts received in advance*		68 860	79 275
Loans from related parties		5 486	3 778
Provision for warranties		6 482	6 124
Share-based payment liability		–	6 030
Instalment sale obligation		27 637	12 461
Current taxation payable		55 911	47 209
Bank overdraft		165 027	72 305
		441 125	321 858
<b>Total liabilities</b>		<b>477 329</b>	<b>342 047</b>
<b>Total equity and liabilities</b>		<b>1 077 750</b>	<b>803 824</b>

\* Amounts received in advance, previously included in trade and other payables, have been disclosed separately on the face of the statement of financial position February 2018 (R74 113 097 February 2017: 79 275 220).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 28 February 2018

Figures in rand thousand	Notes	2018	2017
Revenue	5	1 324 245	1 140 989
Cost of sales		(233 949)	(228 598)
<b>Gross profit</b>		<b>1 090 296</b>	912 391
Other income		9 091	6 796
Operating expenses	6	(665 091)	(550 356)
<b>Operating profit</b>		<b>434 296</b>	368 831
Investment revenue		3 641	3 962
Finance costs		(15 729)	(5 775)
Net non-operating foreign exchange gain		–	2 607
<b>Profit before taxation</b>		<b>422 208</b>	369 625
Taxation		(111 726)	(105 451)
<b>Profit for the year</b>		<b>310 482</b>	264 174
<b>Other comprehensive loss:</b>			
<b>Items that may be reclassified to profit or loss in future periods:</b>			
Exchange differences on translating foreign operations		(2 795)	(85 716)
<b>Other comprehensive loss for the year net of taxation</b>		<b>(2 795)</b>	(85 716)
<b>Total comprehensive income for the year</b>		<b>307 687</b>	178 458
<b>Profit attributable to:</b>			
Owners of the parent		300 146	256 895
Non-controlling interest		10 336	7 279
		<b>310 482</b>	264 174
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		303 386	173 925
Non-controlling interest		4 301	4 533
		<b>307 687</b>	178 458
<b>Earnings per share</b>			
<b>Per share information</b>			
Basic and diluted earnings per share (cents)	8.1	101	86

## CONDENSED ANNUAL AUDITED FINANCIAL STATEMENTS (continued)

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2018

Figures in rand thousand	Share capital	Foreign currency translation reserve	Treasury shares
<b>Balance at 1 March 2016</b>	<b>42 488</b>	<b>38 419</b>	<b>(12 105)</b>
Profit for the year	–	–	–
Other comprehensive income	–	(82 970)	–
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>(82 970)</b>	<b>–</b>
Dividends	–	–	–
Increase in holding of subsidiary – Cartrack North East Proprietary Limited	–	–	–
Reduction due to capital distribution in Cartrack Polska.SP.ZO.O	–	–	–
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Balance at 28 February 2017</b>	<b>42 488</b>	<b>(44 551)</b>	<b>(12 105)</b>
Profit for the year	–	–	–
Other comprehensive loss	–	3 240	–
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>3 240</b>	<b>–</b>
Dividends	–	–	–
Increase in holding of subsidiaries <sup>1</sup>	–	–	–
Acquisition of subsidiary of NCI portion – Cartrack New Zealand Limited	–	–	–
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Balance at 28 February 2018</b>	<b>42 488</b>	<b>(41 311)</b>	<b>(12 105)</b>

Notes

<sup>1</sup> Cartrack Technologies Asia Pte. Limited acquired full control of Cartrack Technologies (China) Limited and PT. Cartrack Technologies Indonesia.



	Total reserves	Retained income	Total attributable to equity holders of the group	Non- controlling interest	Total equity
	<b>26 314</b>	<b>375 306</b>	<b>444 108</b>	<b>16 387</b>	<b>460 495</b>
	– (82 970)	256 895 –	256 895 (82 970)	7 279 (2 746)	264 174 (85 716)
	<b>(82 970)</b>	<b>256 895</b>	<b>173 925</b>	<b>4 533</b>	<b>178 458</b>
	–	(164 321)	(164 321)	(5 446)	(169 767)
	–	(6 135)	(6 135)	(865)	(7 000)
	–	–	–	(409)	(409)
	<b>–</b>	<b>(170 456)</b>	<b>(170 456)</b>	<b>(6 720)</b>	<b>(177 176)</b>
	<b>(56 656)</b>	<b>461 745</b>	<b>447 577</b>	<b>14 200</b>	<b>461 777</b>
	– 3 240	300 146 –	300 146 3 240	10 336 (6 035)	310 482 (2 795)
	<b>3 240</b>	<b>300 146</b>	<b>303 386</b>	<b>4 301</b>	<b>307 687</b>
	–	(158 345)	(158 345)	(7 696)	(166 041)
	–	(2 322)	(2 322)	1 496	(826)
	–	–	–	(2 176)	(2 176)
	<b>–</b>	<b>(160 667)</b>	<b>(160 667)</b>	<b>(8 376)</b>	<b>(169 043)</b>
	<b>(53 416)</b>	<b>601 224</b>	<b>590 296</b>	<b>10 125</b>	<b>600 421</b>

## CONDENSED ANNUAL AUDITED FINANCIAL STATEMENTS (continued)

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2018

Figures in rand thousand	2018	2017
<b>Cash flows from operating activities</b>		
Cash generated from operations	589 073	473 685
Interest income	3 641	3 962
Finance costs	(11 819)	(3 865)
Taxation paid	(113 082)	(87 131)
<b>Net cash from operating activities</b>	<b>467 813</b>	<b>386 651</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(420 067)	(266 542)
Sale of property, plant and equipment	3 432	4 155
Acquisition of subsidiaries, net of cash acquired	(2 176)	–
<b>Net cash from investing activities</b>	<b>(418 811)</b>	<b>(262 387)</b>
<b>Cash flows from financing activities</b>		
Increase in loans from related parties	2 011	2 300
Increase in loans to related parties	2 354	(2 964)
Net finance lease receipts	21 779	14 281
Dividends paid	(166 041)	(169 767)
Reduction due to capital distribution in Cartrack Polska SP.ZO.O	–	(409)
Increase in holding of subsidiaries	(826)	(7 000)
<b>Net cash from financing activities</b>	<b>(140 723)</b>	<b>(163 559)</b>
<b>Total cash movement for the year</b>	<b>(91 721)</b>	<b>(39 295)</b>
Cash at the beginning of the period	(2 227)	44 994
Effect of exchange rate movement on cash balances	(1 506)	(7 926)
<b>Total cash at the end of the year</b>	<b>(95 454)</b>	<b>(2 227)</b>

## ACCOUNTING POLICIES

### 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 2018 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, 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 2018, 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 23 April 2018 and will be tabled at the annual general meeting of shareholders, on 17 July 2018.

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.

# CONDENSED ANNUAL AUDITED FINANCIAL STATEMENTS (continued)

## NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS

### 2. 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.

Figures in rand thousand	South Africa	Africa-Other	Europe	Asia-Pacific and Middle East	USA	Total
<b>Segment report – 28 February 2018</b>						
Revenue	983 690	104 643	116 263	118 257	1 392	1 324 245
Cost of sales	(187 107)	(13 531)	(13 619)	(19 174)	(518)	(233 949)
Cost of sales – depreciation	(82 311)	(849)	(16 122)	(11 073)	(41)	(110 396)
Cost of sales – other	(104 796)	(12 682)	2 503	(8 101)	(477)	(123 553)
Gross profit	796 583	91 112	102 644	99 083	874	1 090 296
Other income	5 747	206	1 894	1 244	–	9 091
Net operating foreign exchange (loss)/gain	(3 605)	293	834	504	–	(1 974)
Operating expenses*	(422 570)	(59 803)	(86 428)	(85 530)	(8 786)	(663 117)
Operating expense – depreciation	(64 884)	(2 014)	(29 461)	(9 565)	(184)	(106 108)
Operating expenses – other	(357 686)	(57 789)	(56 967)	(75 965)	(8 602)	(557 009)
Operating profit	376 155	31 808	18 944	15 301	(7 912)	434 296
Financing cost	(11 627)	(686)	(1 161)	(2 255)	–	(15 729)
Financing revenue	270	3 354	17	–	–	3 641
Profit before taxation	364 798	34 476	17 800	13 046	(7 912)	422 208
Total tangible assets	625 891	82 745	150 491	101 617	9 409	970 153
Total liabilities	(346 091)	(37 812)	(52 089)	(39 482)	(1 855)	(477 329)
Goodwill						107 597
Equity						600 421
<b>Segment report – 28 February 2017</b>						
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
Non-operating foreign exchange gain	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

Figures in rand thousands	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>						
Buildings	6 592	(2 305)	4 287	5 468	(1 234)	4 234
Capital rental units	761 803	(334 430)	427 373	470 210	(212 133)	258 077
Computer software	5 939	(1 419)	4 520	3 003	(960)	2 043
Furniture and fixtures	7 314	(4 381)	2 933	6 326	(3 614)	2 712
IT equipment	35 865	(22 413)	13 452	24 305	(16 618)	7 687
Leasehold improvements	5 333	(4 208)	1 125	4 659	(4 356)	303
Motor vehicles	91 964	(31 103)	60 861	58 535	(25 626)	32 909
Office equipment	3 667	(3 169)	498	3 277	(3 045)	232
Plant and machinery	2 166	(1 469)	697	2 044	(1 291)	753
Security equipment	805	(506)	299	707	(402)	305
	<b>921 448</b>	<b>(405 403)</b>	<b>516 045</b>	<b>578 534</b>	<b>(269 279)</b>	<b>309 255</b>

Figures in rand thousands	2018	2017
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	151 959	157 284
Allowance for impairment of trade receivables	(30 382)	(33 898)
	<b>121 577</b>	<b>123 386</b>
Prepayments	20 233	16 131
Deposits	2 912	2 033
Sundry debtors	8 984	5 846
Value added taxation receivable	1 246	4 042
	<b>154 952</b>	<b>151 438</b>

#### 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 (based on prevailing and historical country specific information) are considered indicators that the trade receivable is impaired.

The allowance for doubtful debt recognised is measured as the difference between the carrying amount and the aggregated expected cash flows that the entity expects to recover. The effects of time value of money are not considered to be material for trade receivables. Therefore, these instruments are not discounted as their face values approximate their amortised cost.

The determination of the allowance for doubtful debt is specific to every jurisdiction and requires significant judgement. Management considers internal and external variable collection costs, refundable sales and other taxes as well as the value realisable through the sale of debt to third-party collection agencies in determining the allowance for doubtful debt.

Figures in rand thousands	2018	2017
<b>5. REVENUE</b>		
Sale of hardware	138 639	144 008
Subscription revenue	1 165 532	980 017
Sundry sales	20 074	16 964
	<b>1 324 245</b>	<b>1 140 989</b>
<b>6. OPERATING EXPENSES</b>		
Depreciation	106 970	71 794
Employee costs	340 429	270 312
Operating lease rentals	30 676	25 504
Motor vehicle expenses	52 548	34 995
Net operating foreign exchange loss	1 974	1 635
Other operating expenses*	78 021	111 696
Research and development*	54 473	34 420
	<b>665 091</b>	<b>550 356</b>

\* Expense items have been reallocated to more accurately represent the nature of their cost.

# CONDENSED ANNUAL AUDITED FINANCIAL STATEMENTS (continued)

## NOTES TO THE AUDITED CONDENSED FINANCIAL STATEMENTS (continued)

### 7. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

Financial assets and liabilities are materially short term in nature and settled in the ordinary course of business with the exception of finance lease agreements. The fair values of these short-term financial instruments approximate in all material respects the carrying amounts of the instruments as disclosed in the statement of financial position. Instalment sale agreements are variable rate instruments which mature over a period of approximately 36 months. It is estimated that the fair value of these agreements materially approximate the carrying amounts of the instruments as disclosed in the statement of financial position.

Figures in rand thousands		2018	2017
<b>8. BASIC EARNINGS PER SHARE</b>			
<b>8.1 Basic earnings per share</b>			
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.			
<b>Basic earnings per share</b>			
Basic earnings per share (cents)		101	86
<b>Weighted average number of ordinary shares (basic)</b>			
Issued at the beginning of the year		300 000	300 000
Effect of treasury shares held		(1 234)	(1 234)
		298 766	298 766
<b>Basic earnings</b>			
Profit attributable to ordinary shareholders		300 146	256 895
<b>8.2 Headline earnings per share</b>			
Headline earnings per share (cents)		100	85
<b>Reconciliation between basic earnings and headline earnings</b>			
Basic earnings		300 146	256 895
<b>Adjusted for:</b>			
Gain on disposal of assets net of tax		(929)	(1 610)
		299 217	255 285
<b>8.3 Normalised earnings per share</b>			
Normalised earnings per share (cents)		100	85
<b>Reconciliation between headline earnings and normalised earnings</b>			
Headline earnings		299 217	255 285
Net non-operating foreign exchange gain		–	(2 607)
		299 217	252 678

Figures in rand thousands	2018	2017
<b>9. COMMITMENTS</b>		
<b>Operating leases</b>		
<b>Minimum lease payments due</b>		
– within one year	<b>19 124</b>	18 586
– in second to fifth year inclusive	<b>13 056</b>	29 115
	<b>32 180</b>	47 701

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 R70 million to Cartrack Proprietary Limited. At 28 February 2018 that facility was fully utilised.

Mercantile Bank Limited has provided a facility of R80 million (2017: R80 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 was fully utilised (2017: R72 million).

Nedbank Limited has provided a facility of R5 million (2017: 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 million (2017: R2,5 million).

Cartrack Investments UK Limited has provided Cartrack Espana, S.L with a loan in the amount of euro 1,4 million (2017: 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.

At 28 February 2018, Cartrack Manufacturing Proprietary Limited has no outstanding forward exchange contracts. Cartrack Manufacturing Proprietary Limited had forward exchange contracts in February 2017 of R2,7 million which expired on 3 April 2017.

Figures in rand	2018	2017
<b>Guarantees</b>		
Accelerate Property Fund Limited	–	76 500
FPG Holdings Proprietary Limited	<b>250 000</b>	250 000
Janco Property Investments CC	<b>32 729</b>	32 729
SA Post Office Limited	<b>30 000</b>	30 000
Vodacom Service Provider Company	–	450 000

## 10. ACQUISITION OF ADDITIONAL INTEREST

### Acquisitions occurring during the year ended 28 February 2018

#### Cartrack New Zealand Limited

In April 2017, the group acquired 51% interest in Cartrack New Zealand Limited for a cash consideration of 510 New Zealand dollars from Johan 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.

#### Cartrack Technologies (China) Limited

In July 2017, the group acquired the full minority interest in Cartrack Technologies (China) Limited for a cash consideration of 20 000 Singapore dollars (R191 644) from YC Lee. The group acquired this company in order to achieve economies of scale, standardisation, integration and operational simplification in order to stimulate future growth.

#### PT. Cartrack Technologies Indonesia

In November 2017, the group acquired the full minority interest in PT. Cartrack Technologies Indonesia for a cash consideration of 46 405 US dollars (R634 588) from minority shareholder. The group acquired this company in order to achieve economies of scale, standardisation, integration and operational simplification in order to stimulate future growth.

### Acquisitions occurring during the year ended 28 February 2017

#### Cartrack North East (Pty) Ltd

In July 2016, the group acquired the full minority interest of 24,5% in Cartrack North East (Pty) Ltd for a cash consideration of R7 million from the Phillip Oosthuysen Trust. The new shareholding in Cartrack North East (Pty) Ltd 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.



# DEFINITIONS

“board” or “directors”	the board of directors of the company, presently comprising the persons specified in the “board of directors” section commencing on page 40
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa
“Cartrack” or “Cartrack Holdings” or “company” or “group”	Cartrack Holdings Limited, a public company incorporated in South Africa under registration number 2005/036316/06, its subsidiaries and Cartrack Mozambique
“cash conversion ratio”	cash generated from operations divided by EBITDA
“Companies Act”	the Companies Act of South Africa, 71 of 2008, as amended and substituted from time to time
“company secretary”	the company secretary of the group
“CSDP”	a central securities depository participant, as defined in the Financial Markets Act, appointed by a shareholder for purposes of, and in regard to, dematerialisation of shares evidenced by physical documents of title into the Strate system
“data management”	the collection, storage and analysis of telematics-related data
“dematerialised shares”	Shares that have been dematerialised, the process whereby physical share certificates are replaced with electronic records evidencing ownership of shares, as contemplated in the Financial Markets Act
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Exchange Control Regulations”	the Exchange Control Regulations of South Africa, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 9 of 1933, as amended
“Fleet Management” or “Fleet”	range of functions relating to monitoring the location, movements, status and behaviour of a vehicle or fleet of vehicles
“franchise agreements”	contracts in place for the countries of Zimbabwe, Botswana, Swaziland and Malawi, in terms of which Cartrack has granted an entity (selected by Cartrack) in such country a licence/franchise to, inter alia, conduct the business of Stolen Vehicle Recovery and Fleet Management under the Cartrack brand in such country
“Insurance Telematics”	the usage of telematics to monitor driving behaviour and habits to assess and profile driver risk for insurance purposes
“JSE”	JSE Limited, a public company incorporated in South Africa under registration number 2005/022939/06, licensed as an exchange under the Financial Markets Act
“King Code”	the South African Code of Corporate Practices and Conduct as set out in the King IV Report on Corporate Governance for South Africa, 2009
“Listings Requirements” or “LR”	the Listings Requirements of the JSE
“ME”	Middle East
“OEM”	original equipment manufacturer
“operating profit”	profit from operations, before interest and tax

"PBT"	net profit before tax
"R&D"	research and development
"rand", "R" and "cents"	the lawful currency of South Africa
"RF"	radio frequency, which is used to describe the use of wireless communication over this medium
"SENS"	the Stock Exchange News Service of the JSE
"shareholder"	the holder of shares
"shares" or "ordinary shares"	ordinary shares of no par value in the issuer's share capital
"South Africa" or "SA"	the Republic of South Africa
"Stolen Vehicle Recovery" or "SVR"	the determination of a vehicle's location upon the occurrence of theft or another predetermined metric and the associated software and recovery services which complement the requirements surrounding the recovery thereof
"telematics"	the branch of information technology which deals with the long- distance transmission of computerised information, which includes Fleet Management, Stolen Vehicle Recovery and Insurance Telematics markets
"transfer secretaries"	Computershare Investor Services Proprietary Limited incorporated in South Africa under registration number 2004/003647/07
"vehicles"	Vehicles include mainly cars, buses, motorbikes, trailers and freight vehicles; but also other assets that are tracked under subscription contracts

# SHAREHOLDER INFORMATION

## Top 10 shareholders

Shareholder	Type of holding	Number of shares	% of issued capital
One August Holdings (Pty) Ltd	Dematerialised	203 980 424	67,99
Georgem Holdings (Pty) Ltd	Dematerialised	35 500 000	11,83
Ation GSCO Equity Security Client	Dematerialised	12 835 314	4,28
Sentinel RF Peregrine EQ SLB COLL	Dematerialised	7 563 397	2,52
Long View Asset Management Limited	Dematerialised	3 446 155	1,15
UBS Securities LLC PB Client	Dematerialised	3 400 000	1,13
Grandeur Peak International	Dematerialised	2 856 323	0,95
Grandeur Peak Global Opportunities	Dematerialised	2 586 774	0,86
FRB ITF 360ne SNN QI Hedge Fund	Dematerialised	2 382 355	0,79
Grandeur Peak Emerging Markets	Dematerialised	1 911 200	0,64

## Stock exchange performance

12 months	2018	2017
Share price (cents)		
– lowest	1 000	880
– highest	2 145	1 250
– at year-end	2 100	1 050
Volume traded (m)	69	39
Value traded (Rm)		
Number of shares in issue '000 (year-end)	300 000	300 000
Number of shares traded %	23	7
Price-to-earnings ratio at year-end	22,74	13,14
Market capitalisation (Rbn)	6 300 000	3 150 000

**Listing Information**

JSE share code: CTK

Sector: Industrials – Industrial Goods &amp; Services

Subsector: Business Support Services

**Reporting dates**

Annual general meeting

Interim results

Year-end results

Annual report published

31 July 2018

October 2018

April 2019

June 2018

**Shareholding analysis**

	No of shareholders	% of shareholders	Number of shares	% of issued capital
<b>Public shareholders (&lt;5%)</b>	<b>767</b>	<b>99,74</b>	<b>60 519 576</b>	<b>20,18</b>
<b>Non-public shareholders:</b>				
One August Holdings (Pty) Ltd (67,99%)	1	0,13	203 980 424	67,99
Georgem Holdings (Pty) Ltd (11,83%)	1	0,13	35 500 000	11,83
	<b>2</b>	<b>0,26</b>	<b>239 480 424</b>	<b>79,83</b>
<b>Share range:</b>				
1 – 1 000	418	54,36	81 464	0,03
1 001 – 10 000	193	25,10	792 998	0,26
10 001 – 50 000	89	11,57	2 192 502	0,73
50 001 – 100 000	21	2,73	1 629 040	0,54
100 001 – 500 000	23	2,99	4 298 082	1,43
500 001 – 1 000 000	9	1,17	7 278 270	2,43
1 000 001 and over	16	2,08	283 727 644	94,58
	<b>769</b>	<b>100,00</b>	<b>300 000 000</b>	<b>100,00</b>

# SALIENT TERMS OF THE CARTRACK SHORT TERM INCENTIVE SCHEME 2019

## 1. SETUP AND OPERATION OF THE SCHEME

- 1.1 Cartrack shall establish the Scheme as an incentive scheme for qualifying members of middle and senior management of Cartrack ("Participants").
- 1.2 The implementation of the Scheme will be subject to approval through an ordinary resolution passed by a 75% (seventy five percent) majority of the shareholders in Cartrack present or represented by proxy at a general meeting of shareholders voting in favour of such resolution.
- 1.3 The Scheme will operate on the basis that it will reward qualifying key members of the management for achieving business objectives and contributing to the growth of Cartrack, whilst providing them with an opportunity to share in the profits and capital growth of Cartrack.
- 1.4 The maximum number of Cartrack securities that may be utilised for purposes of the Scheme is 1 500 000 (one million five hundred thousand) ordinary Shares. A single Participant will be capable of being allocated Shares to the maximum value of R6 500 000 (six million five hundred thousand Rand) as settlement of an Incentive Value which will be subject to an Incentive Period and Vesting Criteria.
- 1.5 If a Participant ceases to be in the employ of Cartrack for any reason before the end of the Incentive Period, that Participant shall forfeit all rights to conditional benefits in terms of the Scheme.
- 1.6 In the event of a sub-division or consolidation of shares the maximum number of Shares referred to above (being 1 500 000 (one million five hundred thousand) ordinary shares) shall be adjusted by increasing or decreasing (as the case may be) such number by the same proportion as which such sub-division or consolidation of shares has increased or decreased (as the case may be) Cartrack's share capital; in order to ensure that a Participant retains entitlement to the same proportion of the equity capital as that to which he/she was previously entitled.
- 1.7 For so long as Cartrack is a listed company and the JSE Listings Requirements so provide:
  - 1.7.1 the issue of equity securities as consideration for an acquisition, the issue of securities for cash and the issue of equity securities for a vendor consideration placing will not be regarded as a circumstance requiring adjustment as contemplated above;

- 1.7.2 Cartrack's auditor or other independent advisers acceptable to the JSE must confirm to the JSE, in writing, that any adjustments made as described above are in accordance with the Scheme Rules. Such written confirmation must be provided to the JSE at the time that any such adjustment is finalised; and
- 1.7.3 any such adjustment made must be reported on in Cartrack's annual financial statements in the year during which the adjustment is made.
- 1.7.4 If Cartrack undergoes a merger, takeover or corporate action then the rights of the Participants (whether vested or unvested) in terms of the Scheme Rules will, to the extent necessary, be accommodated on a basis which shall be determined by the Remuneration Committee to be fair and reasonable to the Participants.
- 1.7.5 Equity securities held by the Trust or Scheme will not have their votes at general/annual general meetings taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements. Such equity securities will also not be taken into account for purposes of determining categorisations as detailed in Section 9.
- 1.7.6 Equity securities held in trust may only be sold:
  - (i) once the employment of a Participant has been terminated or a Participant is deceased; or
  - (ii) on behalf of the Participant, once the rights of ownership have vested.

- 1.8 In the event that a Participant resigns, is dismissed or ceases to be in the employ of Cartrack for any other reason whatsoever between the end of the Incentive Period and the vesting of the Shares, the Participant shall forfeit all rights to the Shares and such Shares shall revert to the Scheme.

## 2. ADMINISTRATION OF THE SCHEME

The Scheme shall be administered by the Remuneration Committee for the benefit of the Participants and in the manner and upon the terms and conditions set out in the Rules.

Notwithstanding any other contrary provision of the Scheme, the operation of the Scheme shall remain at the entire Discretion of the Remuneration Committee and shall not confer any rights whatsoever on Participants.

#### **Books of account and auditors**

The Remuneration Committee shall procure, inter alia, that its annual financial statements contain a summary of the number of securities that may be utilised for purposes of the Scheme at the beginning of the financial year, changes in such number during the accounting period and the balance of securities available for utilisation for the purposes of the Scheme at the end of the financial year.

### **3. PARTICIPANTS AND THEIR ENTITLEMENTS**

#### **3.1 Allocation of incentive value to participants**

The Remuneration Committee shall in their sole Discretion identify Participants, in accordance with requirements set out in the Scheme Rules and shall allocate an Incentive Value to each Participant; subject to an Incentive Period and Vesting Criteria.

Rights to the benefit shall only accrue upon vesting.

#### **3.2 Vesting and settlement**

3.2.1 As soon as practicable but no later than 2 (two) calendar months after the end of the Incentive Period, the Remuneration Committee shall send to each Participant a written notice, containing information on whether the Vesting Criteria have been met and whether the full benefit or part thereof will accrue to the Participant.

3.2.2 The Remuneration Committee may determine in its absolute Discretion that the personal performance of a Participant does not justify vesting or may reduce the level of vesting or determine that an Allocation does not vest

3.2.3 Upon vesting, each Participant will receive the post-tax Incentive Value of their allocated benefit, settled in Shares at the current market value, for no consideration. Once the Shares are registered in their names, Participants will be able to hold or trade those Shares as they may see fit.

3.2.4 Trust Shares shall be utilised to settle the benefit, in accordance with the provisions of the Scheme Rules, as soon as the number of Shares required to settle the benefit has been determined in accordance with the Scheme Rules, alternatively, shares will be acquired in the open market.

3.2.7 Subject to the provisions of the Cartrack MOI the purchase price of Shares shall at all times be a price equal to the Market Value of the Shares which, for the avoidance of any doubt, shall be the market value for purposes of section 8C of the Income Tax Act.

### **4. TERMINATION**

The Scheme may be terminated at any time by the Board by unanimous resolution.

# NOTICE OF AGM



(Incorporated in the Republic of South Africa)  
(Registration number 2005/036316/06)  
Share code: CTK ISIN: ZAE000198305  
("Cartrack" or "the company" or "the Issuer")

Notice is hereby given to shareholders recorded in the company's securities register on 27 July 2018 that the second annual general meeting of shareholders of Cartrack Holdings Limited will be held at the Standard Bank Building, 30 Baker Street, Rosebank, on Tuesday, 31 July 2018, at 09:00 for purposes of dealing with the ordinary business of an annual general meeting in accordance with the Companies Act, No 71 of 2008 ("the Act") and considering, and if deemed fit, passing with or without modification, the resolutions set out below.

Meeting participants (including shareholders and proxies) are, in accordance with the provisions of section 63(1) of the Act, required to provide reasonably satisfactory identification before being entitled to attend or participate in the shareholders' meeting. Acceptable forms of identification include valid identity documents issued by the Department of Home Affairs, driver's licences and passports.

## AS ORDINARY BUSINESS Resolutions

### 1. Ordinary resolution number 1: Re-election of directors

To elect the following director who is required to retire at this third annual general meeting in accordance with the provisions of the Act and the company's memorandum of incorporation ("MOI"), and who, being eligible, offer himself for re-election:

"RESOLVED THAT Mr DJ Brown be and is hereby re-elected as a director of the company."

A brief biography of Mr DJ Brown appears on  page 40 of the integrated report.

### 2. Ordinary resolution number 2: Reappointment of external auditor

Upon the recommendation of the audit committee, to reappoint Grant Thornton Chartered Accountants (SA) as the independent auditors of the company for the ensuing year and to hold office until the next annual general meeting, with Mr J Barradas as the designated partner, and to authorise the audit committee to determine the auditors' terms of engagement and remuneration.

"RESOLVED THAT Grant Thornton Chartered Accountants (SA) be and are hereby reappointed as the auditors of the company for the ensuing year, with Mr J Barradas as the designated partner, and that the audit committee be and is hereby authorised to determine the auditors' terms of engagement and remuneration."

### 3. Ordinary resolution number 3: Appointment of group audit committee members

To elect, by way of a series of votes, and subject, where necessary, to their re-election as directors of the company in terms of ordinary resolution 1 above, the following independent non-executive directors as members of the audit committee to hold office until the next annual general meeting:

#### *Ordinary resolution number 3.1*

"RESOLVED THAT Mrs K White be and is hereby elected as a member and the chairman of the audit committee."

#### *Ordinary resolution number 3.2*

"RESOLVED THAT Mr DJ Brown be and is hereby elected as a member of the audit committee."

#### *Ordinary resolution number 3.3*

"RESOLVED THAT Mr AT Ikalafeng be and is hereby elected as a member of the audit committee."

AS SPECIAL BUSINESS, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

### 4. Ordinary resolution number 4: Signature of documents

"RESOLVED THAT any one director and/or the group company secretary be and is hereby authorised to do all such things and sign all such documents and take all such action as they consider necessary to implement all the resolutions set out in this notice convening this annual general meeting at which this ordinary resolution will be considered."

### 5. Ordinary resolution number 5: Non-binding advisory resolution to consider and approve the remuneration policy as contained in the remuneration report for the year ended 28 February 2018 as set on pages 49 to 53 of the integrated report:

"RESOLVED THAT the remuneration policy for the year ended 28 February 2018 be and is hereby approved."

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Cartrack undertakes to engage with shareholders as to the reasons therefor.


### 6. Ordinary resolution number 6: Implementation of the remuneration policy

"RESOLVED THAT the remuneration policy for the year ended 28 February 2018 be and is hereby approved."

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Cartrack undertakes to engage with shareholders as to the reasons therefor.



## 7. Ordinary resolution number 7: Scheme approval

"RESOLVED THAT the Company adopt and approve the Cartrack Short Term Executive Share Scheme, in accordance with the salient features which are set out on  pages 70 to 71 of the Annual Integrated Report to which this Notice is attached, the details of which are available for inspection during normal business hours at the registered office of the Company."

In terms of the JSE Listings Requirements ordinary resolution number 7 must be passed by a 75% majority of the votes cast by Cartrack shareholders present or represented by proxy at the Annual General Meeting.

## 8. Ordinary resolution number 8: Amendment of Trust Deed

"RESOLVED THAT, subject to the passing of ordinary resolution number 7 by the required majority votes, the Company adopt and approve the amendment of the Cartrack Executive Incentive Trust Deed, by the insertion of a new section 9.12A (Powers of Trustees) "to utilise unvested Trust Shares for the benefit of Participants in terms of the applicable rules of any Scheme established by Cartrack in accordance with the Listings Requirements and approved by shareholders". The Trust Deed is available for inspection during normal business hours at the registered office of the Company."

## 9. Special resolution number 1: Approval of non-executive directors' remuneration

"RESOLVED THAT the remuneration payable to non-executive directors be approved as follows:

### 1 March 2018 to 28 February 2019



Annual fee payable with effect from 1 March 2018.

	Fee	DJ Brown	AT Ikalafeng	K White
Chairman of the Board	R867 000	R867 000		
Services as a Director (excluding the Board Chairman)	R386 000		R386 000	R386 000
Chairman of Audit and Risk Committee	R248 000			R248 000
– Other Audit and Risk Committee members	R211 000	R211 000	R211 000	
Chairman of Remuneration and Nomination Committee	R135 600		R135 600	
– Other Remuneration Committee members	R86 000	R86 400		R86 400
Chairman of Social and Ethics committee	R134 000	R134 000		
<b>Total</b>		<b>R1 298 400</b>	<b>R732 600</b>	<b>R720 400</b>

### The reason for and effect of special resolution number 1

In terms of sections 65(11)(h), 66(8) and 66(9) of the Act, a company may only remunerate its directors for their services as directors in accordance with a special resolution approved by shareholders within the previous two years and if not prohibited by its MOI.

The reason for and effect of the proposed resolution is to ensure that the level of fees paid to non-executive directors remains market-related and accords with the greater accountability and risk attached to the position.

Refer to  page 53 for full particulars on the remuneration paid to non-executive directors during the year under review and to the remuneration report on  pages 49 to 53 of the integrated report for further detail on the company's remuneration practices.

a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company; and/or

- (ii) any person who is a participant in any of the company's share or other employee incentive scheme, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Act, at any time during the period commencing on the date of the passing of this resolution and ending on the next annual general meeting."

## 10. Special resolution number 2: Financial assistance

"RESOLVED THAT: to the extent required by sections 44 and/or 45 of the Act, the board of the company may, subject to compliance with the requirements of the company's MOI, the Act and the Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance in such amounts as the board of the company may from time to time resolve, by way of loan, guarantee, the provision of security or otherwise, to:

- (i) any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the company, for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the company or

### The reason for the effect of special resolution number 2

Notwithstanding the title of section 45 of the Act, being "loans or other financial assistance to directors", on a proper interpretation, the body of the section also applies to financial assistance provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation and to a person related to any such company, corporation or member.

Further, section 44 of the Act, may also apply to the financial assistance so provided by a company to any related or inter-related company or corporation, a member of a related or inter-related corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to

## NOTICE OF AGM (continued)

be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

Both sections 44 and 45 of the Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board is satisfied that:

- (i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in the Act); and
- (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

As part of the normal conduct of the business of the group, the company, where necessary, may provide guarantees and other support undertakings to third parties which enter into financial agreements with its local and foreign subsidiaries and joint ventures or partnerships in which the company or members of the group have an interest. This is particularly so where funding is required by the foreign subsidiaries of the company, whether by way of borrowings or otherwise, for the purposes of the conduct of their operations. In the circumstances and in order to, *inter alia*, ensure that the company and its subsidiaries and other related and inter-related companies and entities continue to have access to financing for purposes of refinancing existing facilities and funding their corporate and working capital requirements, it is necessary to obtain shareholder approval as set out in this special resolution number 2. The company would like the ability to continue to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Act.

Furthermore, it may be necessary for the company to provide financial assistance to any of its present or future subsidiaries, and/or to any related or inter-related company or corporation, and/or to a member of a related or inter-related company, to subscribe for securities of the company or another company related or inter-related to it. Under the Act, the company will require a special resolution referred to above to be adopted.

Accordingly, the approval of shareholders is sought to ensure that the company, its subsidiaries and other related and inter-related companies is able to effectively organise its internal financial administration.

### Voting and proxies

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, speak and vote in his stead.

A proxy need not be a shareholder of the company.

The form of proxy is only to be completed by those shareholders who are holding shares in certificated form; or who are recorded on the sub-register in dematerialised form in 'own name'.

All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxy forms are requested to be forwarded to reach the company's transfer secretaries by not later than 09:00 on Friday, 27 July 2018.

The completion of a proxy form will not preclude a shareholder from attending the annual general meeting.

### Electronic participation

The company intends to offer shareholders or their proxy's reasonable access to attend the annual general meeting through electronic conference call facilities, in accordance with the provisions of the Act. In the event that a shareholder or his/her proxy wishes to participate electronically in the annual general meeting, he/she is required to deliver written notice to the company at 11 Keyes Avenue, Rosebank, Johannesburg, alternatively [Anname.devilliers@cartrack.com](mailto:Anname.devilliers@cartrack.com), marked for the attention of Ms Annamè de Villiers, the company secretary, by no later than 09:00 on 27 July 2018, that he/she wishes to participate via electronic communication at the annual general meeting (the electronic notice). In order for the electronic notice to be valid it must contain: (a) if the shareholder is an individual, a certified copy of his identity document and/or passport; (b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, which resolution must set out who from the relevant entity is authorised to represent the relevant entity at the annual general meeting via electronic communication; and (c) a valid email address and/or facsimile number (the contact address/number).

Voting on shares will not be possible via electronic communication and accordingly shareholders participating electronically and wishing to vote their shares at the annual general meeting will need to be represented at the annual general meeting, either in person, by proxy or by letter of representation. The company shall use its reasonable endeavours on or before 09:00 on 30 July 2018, to notify a shareholder, who has delivered a valid electronic notice, at its contact address/number, of the relevant details through which the shareholder can participate via electronic communication. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so, or an insufficient number of shareholders or proxies request to so participate.

The cost of participating through the electronic conference call facilities will be for the account of the shareholder or his/her proxy.

By order of the board

### A de Villiers

Group company secretary  
Rosebank

28 June 2018

# PROXY FORM



**CARTRACK HOLDINGS LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 2005/036316/06)  
Share code: CTK ISIN: ZAE000198305  
("Cartrack" or "the company" or "the Issuer")

For use at the first annual general meeting of members to be held on Tuesday, 31 July 2018, at the Standard Bank Building, 30 Baker Street, Rosebank, at 09:00.

To be completed by registered certificated shareholders and dematerialised shareholders with own name registration only.

For use in respect of the annual general meeting to be held at the Standard Bank Building, 30 Baker Street, Rosebank.

Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary letter of representation to attend the annual general meeting or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full names in BLOCK LETTERS)

of (address)

Telephone (work) ( )

Telephone (home) ( )

being the holder(s) of

ordinary shares in the company, appoint (see note 1):

or failing him/her,

or failing him/her,

the chairman of the annual general meeting,

as my/our proxy to act on my/our behalf at the annual general meeting which is to be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof and to vote for or against such resolutions or to abstain from voting in respect of such resolutions, in accordance with the following instructions (see note 2):

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
<b>Ordinary resolution number 1</b>			
Appointment of Mr DJ Brown as director of the company			
<b>Ordinary resolution number 2</b>			
Reappointment of external auditor			
<b>Ordinary resolution number 3.1</b>			
Appointment of Mrs K White as member and chairman of the audit and risk committee			
<b>Ordinary resolution number 3.2</b>			
Appointment of Mr DJ Brown as member of the audit and risk committee			
<b>Ordinary resolution number 3.3</b>			
Appointment of Mr AT Ikalafeng as member of the audit and risk committee			
<b>Ordinary resolution number 4</b>			
Signature of documents			
<b>Ordinary resolution number 5</b>			
Advisory approval of remuneration policy			
<b>Ordinary resolution number 6</b>			
Advisory approval of implementation of the remuneration policy			
<b>Ordinary resolution number 7</b>			
Scheme approval			
<b>Ordinary resolution number 8</b>			
Amendment of Trust Deed			
<b>Special resolution number 1</b>			
Approval of non-executive directors' remuneration			
<b>Special resolution number 2</b>			
Financial assistance			

(Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak, and on a poll, vote in place of that shareholder at the annual general meeting.

Signed at

on

2018

Signature(s)

Capacity

Please read the notes and summary on the reverse side hereof.

## Notes

1. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space(s) provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member should insert an "X" in the relevant space according to how he wishes his votes to be cast. However, if a member wishes to cast a vote in respect of a lesser number of ordinary shares than he owns in the company, he should insert the number of ordinary shares held in respect of which he wishes to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he deems fit in respect of all the member's votes exercisable at the annual general meeting. A member is not obliged to exercise all of his votes, but the total of the votes cast and abstentions recorded may not exceed the total number of the votes exercisable by the member.
3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such member wish to so do.
4. The chairman of the annual general meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.
5. Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary letter of representation to attend the annual general meeting or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholders and the CSDP or broker concerned.
6. Any alteration to this form of proxy, other than the deletion of alternatives, must be signed, not initialled, by the signatory/ies.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. on behalf of a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the company or waived by the chairman of the annual general meeting.
8. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been recorded by the company.
9. Where there are joint holders of shares:
  - any one holder may sign this form of proxy; and
  - the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the company's register of members, will be accepted.
10. To be valid, the completed forms of proxy must either: (a) be lodged so as to reach the transfer secretaries by no later than the relevant time or (b) be lodged with the chairman of the annual general meeting prior to the annual general meeting so as to reach the chairman by no later than immediately prior to the commencement of voting on the ordinary and special resolutions to be tabled at the annual general meeting.
11. The proxy appointment is revocable by the shareholders giving written notice of the cancellation to the company prior to the annual general meeting or any adjournment thereof. The revocation of the proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholders as of the later of: (i) the date stated in the written notice, if any or (ii) the date on which the written notice was delivered as aforesaid.

If the instrument appointing a proxy or proxies has been delivered to the company, any notice that is required by the Companies Act or the articles to be delivered by the company to shareholders must (as long as the proxy appointment remains in effect) be delivered by the company to: (i) the shareholder or (ii) the proxy or proxies of the shareholder has directed the company to do so, in writing and pay it any reasonable fee charged by the company for doing so.

# CORPORATE INFORMATION

## Directors

Independent non-executive directors David Jamie Brown  
(independent chairman) Thebe Ikalafeng, Kim White

## Executive directors

Isaias Jose Calisto (global chief executive officer)  
John Richard Edmeston (global chief financial officer)

## Company secretary

Annamè de Villiers  
Cartrack Corner  
11 Keyes Avenue Rosebank  
Johannesburg  
2196  
(PO Box 4709, Rivonia, 2128)

## Sponsor

The Standard Bank of South Africa Limited  
30 Baker Street, Rosebank

## Transfer secretary

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue Rosebank  
Johannesburg  
2196  
(PO Box 61051, Marshalltown, 2107)

## Legal adviser

Edward Nathan Sonnenbergs Incorporated  
150 West Street  
Sandton  
2196  
(PO Box 783347, Sandton, 2146)

## Communications adviser

Aprio Strategic Communications  
32a Jellicoe Avenue  
Oxford Corner Rosebank 2196  
(PO Box 2436, Northcliff, 2115)

## Registered office of Cartrack

Cartrack Holdings Limited  
11 Keyes Avenue Rosebank  
Johannesburg  
2196  
(PO Box 4709, Rivonia, 2128)

## Auditors

Grant Thornton Chartered Accountants (SA)  
(Practice number 903485)  
137 Daisy street Sandown  
2196  
(Private Bag X28, Benmore, 2010)

## Company's bankers

First National Bank  
A division of FirstRand Bank Limited  
(Registration number 1929/001225/06)  
1 First Place  
Corner Simmonds and Pritchard Streets  
Johannesburg  
2001  
(PO Box 1153, Johannesburg, 2000)

Mercantile Bank Limited  
(Registration number 1965/006706/06)  
142 West Street  
Sandown  
Johannesburg  
2196  
(PO Box 782699, Sandton, 2146)

Nedbank Limited  
(Registration number 1951/000009/06)  
135 Rivonia Road  
Sandown  
Sandton  
2196  
(PO Box 1144, Johannesburg, 2000)

The Standard Bank of South Africa Limited  
(Registration number 1962/000738/06)  
9<sup>th</sup> floor  
Standard Bank Centre  
5 Simmonds Street  
Johannesburg  
2001  
(PO Box 7725, Johannesburg, 2000)



[www.cartrack.co.za](http://www.cartrack.co.za)