



**CARTRACK**  
PUTTING YOU IN CONTROL



INTEGRATED ANNUAL REPORT  
**2017**

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With a substantial active subscriber base, a significant addressable market with a strong appetite for our services, an award-winning technology platform and a brand that is growing in stature and reputation, Cartrack is well-positioned for continued strong 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 2017 integrated annual report for publication.

On behalf of the board:



**David Brown**  
Chairman



**Zak Calisto**  
Chief executive officer

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# SCOPE AND BOUNDARY OF THIS REPORT

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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)

This report consists of the integrated annual report and the condensed audited consolidated annual financial statements for the year ended 28 February 2017. All subsidiaries are included in the consolidated financial information. The 2017 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. There have been no significant changes in the size, structure or ownership during the current reporting period. New jurisdictions are constantly being added to the group's regional base – new offices were opened in the USA and New Zealand in the past year.

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.

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.

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

For more information, please contact Annamè de Villiers on +27 11 250 3156



**Annamè de Villiers**  
+27 11 250 3156

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### Frameworks and assurance

The content and structure of our integrated annual report are guided by the principles of the King III Report on Corporate Governance for South Africa (King III) 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.

**Cartrack is committed to embracing best practice in reporting to ensure transparency and improve stakeholder engagement.**

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.

### 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.

## Usability features



This icon signifies that related information is available elsewhere in the report.



This icon signifies that related information is available online at [www.cartrack.co.za](http://www.cartrack.co.za)



Social and relationship capital



Human capital



Natural capital



Intellectual capital



Manufactured capital

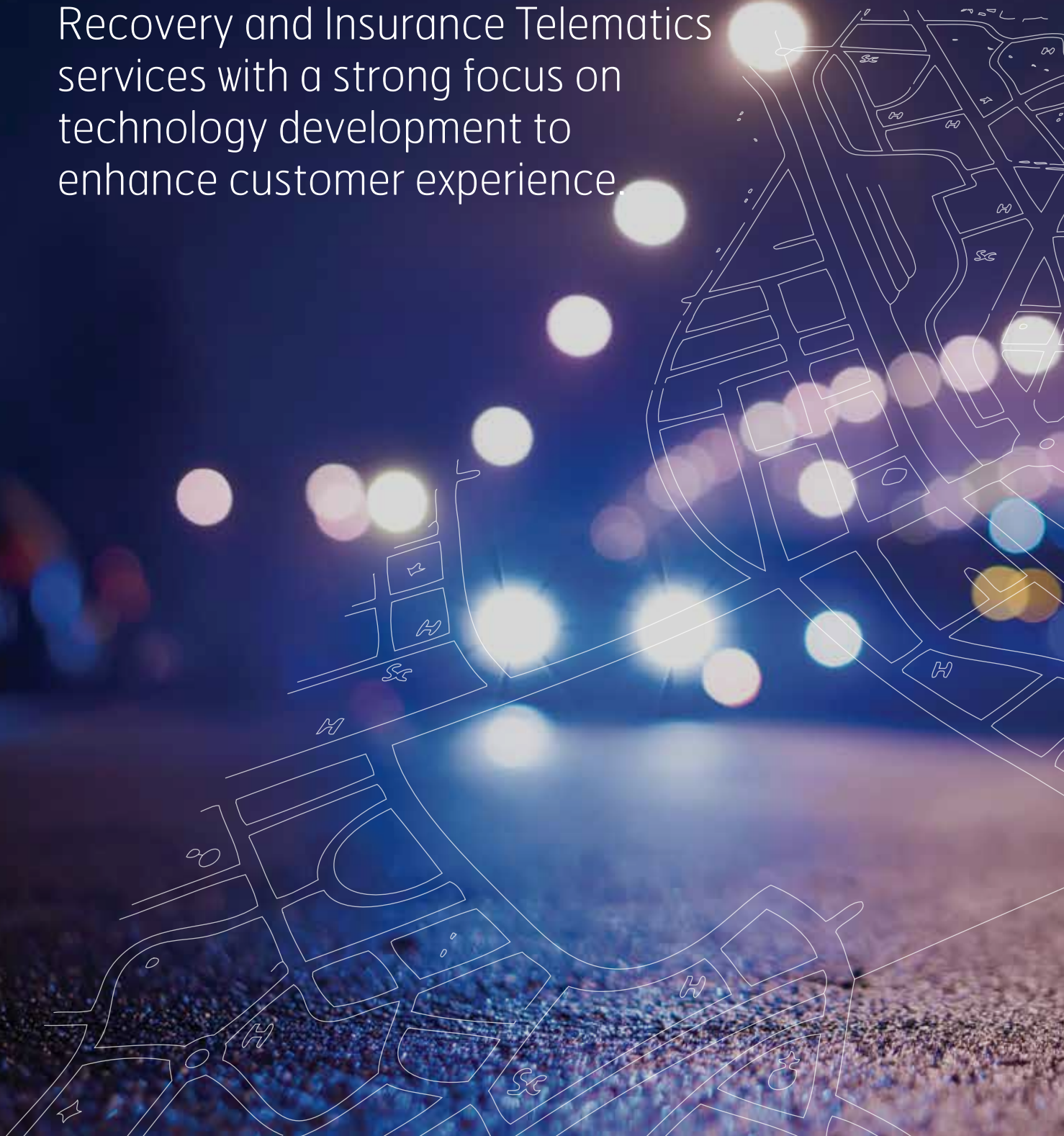


Financial capital



# COMPANY OVERVIEW

Cartrack is a leading global provider of Fleet Management, Stolen Vehicle Recovery and Insurance Telematics services with a strong focus on technology development to enhance customer experience.



> 600 000

subscribers, Cartrack  
ranks among the  
**TOP TELEMATICS  
COMPANIES**  
globally.

> 1 600

staff members in  
operations across  
**5 CONTINENTS.**

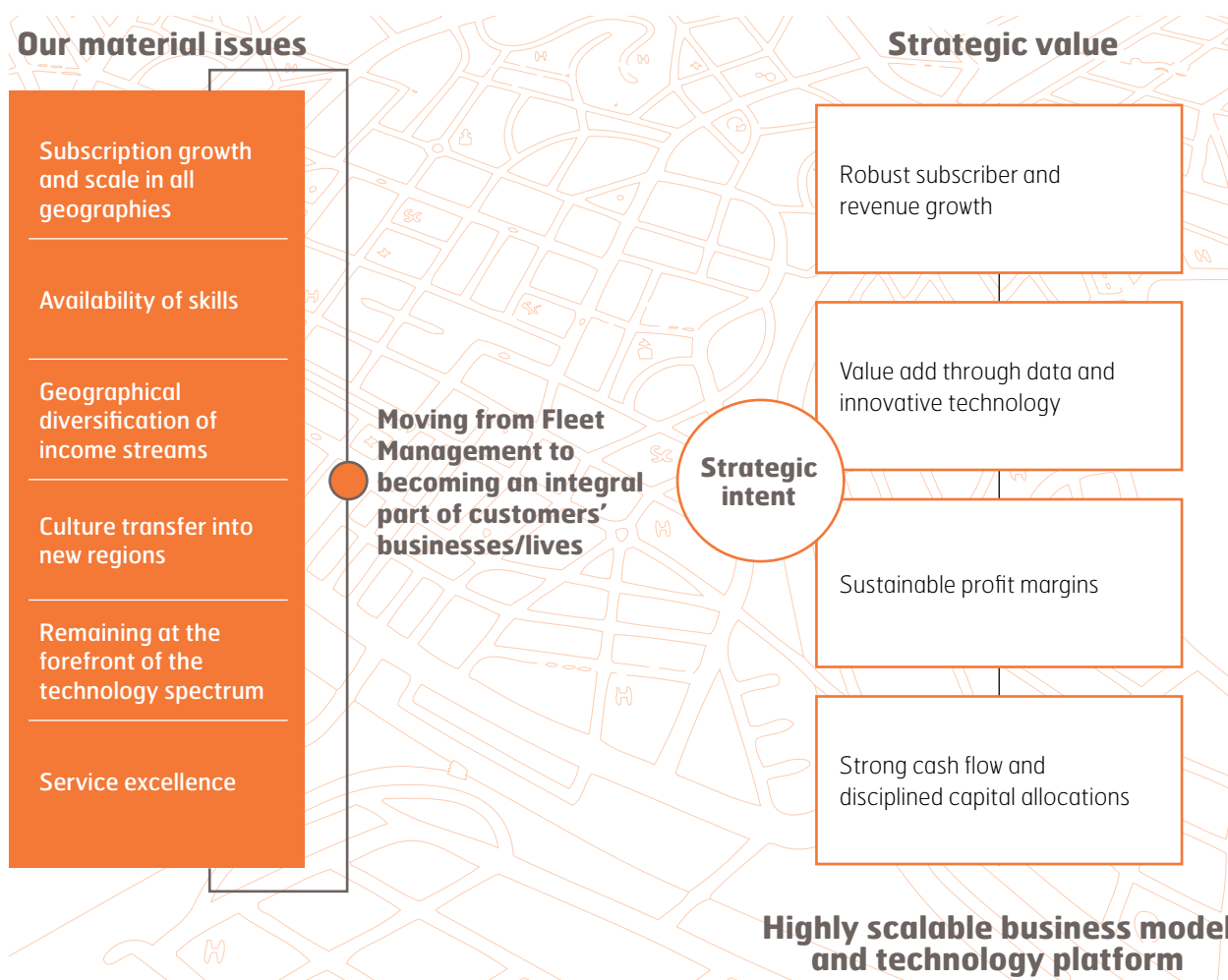


# CORPORATE PROFILE

Cartrack is a leading global provider of Fleet Management (Fleet), Stolen Vehicle Recovery (SVR) and Insurance Telematics services with a strong focus on technology development to enhance customer experience.

Cartrack also assists clients with workforce optimisation and data analytics from a platform built on the most advanced technologies available, and is devoted to client service delivery.

The group's activities are focused on designing, developing and installing telematics technology; data collection and analysis; supplying fleet and mobile asset management solutions delivered as Software-as-a-Service (SaaS); and tracking and recovering vehicles.





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**>600 000 subscribers globally**

**18 000 vehicles recovered**

**93% audited recovery rate**

**86% annuity-based revenue**

**Offices in 24 countries**

**>1 600 staff members**

### Vision and mission

Cartrack's vision is to achieve global leadership in the telematics industry, including Fleet, SVR and Insurance Telematics.

Cartrack's mission is to provide its clients and partners with real-time actionable business intelligence based on advanced technology and reliable data.

### Our core values

Accountability      Integrity      Service orientation

Relationships      Entrepreneurial leadership

### Our investment case

A well-established, experienced and stable management team	A large, geographically diverse and active subscriber base
A history of strong cash flow generation and cash conversion, low financial leverage and strong dividends	A proven track record of profitability and strong financial metrics
Annuity-based business model provides strong visibility of earnings	An industry leader in terms of profitability and competitive power
	A well-established and proven platform for growth in a high-growth industry

# GLOBAL FOOTPRINT AND AREAS OF OPERATION



### South Africa

Head office

### Africa



Angola



Botswana



Kenya



Malawi



Mozambique



Namibia



Nigeria



Rwanda



Swaziland



Tanzania



Zimbabwe

### Asia-Pacific



Hong Kong



Indonesia



Malaysia



Philippines



Singapore



Thailand



New Zealand

### Europe



Poland



Portugal



Spain

We operate in what is recognised as a high-growth industry worldwide

**Middle East**



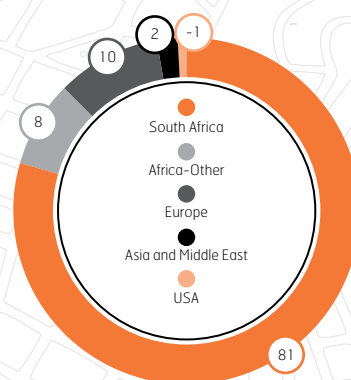
United Arab Emirates

**Americas**

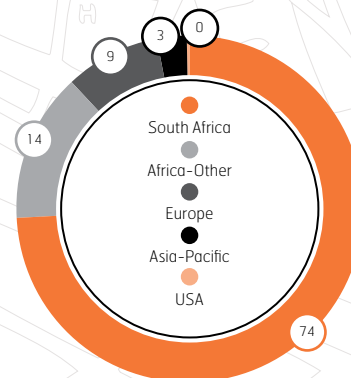


United States of America

**EBITDA 2017**

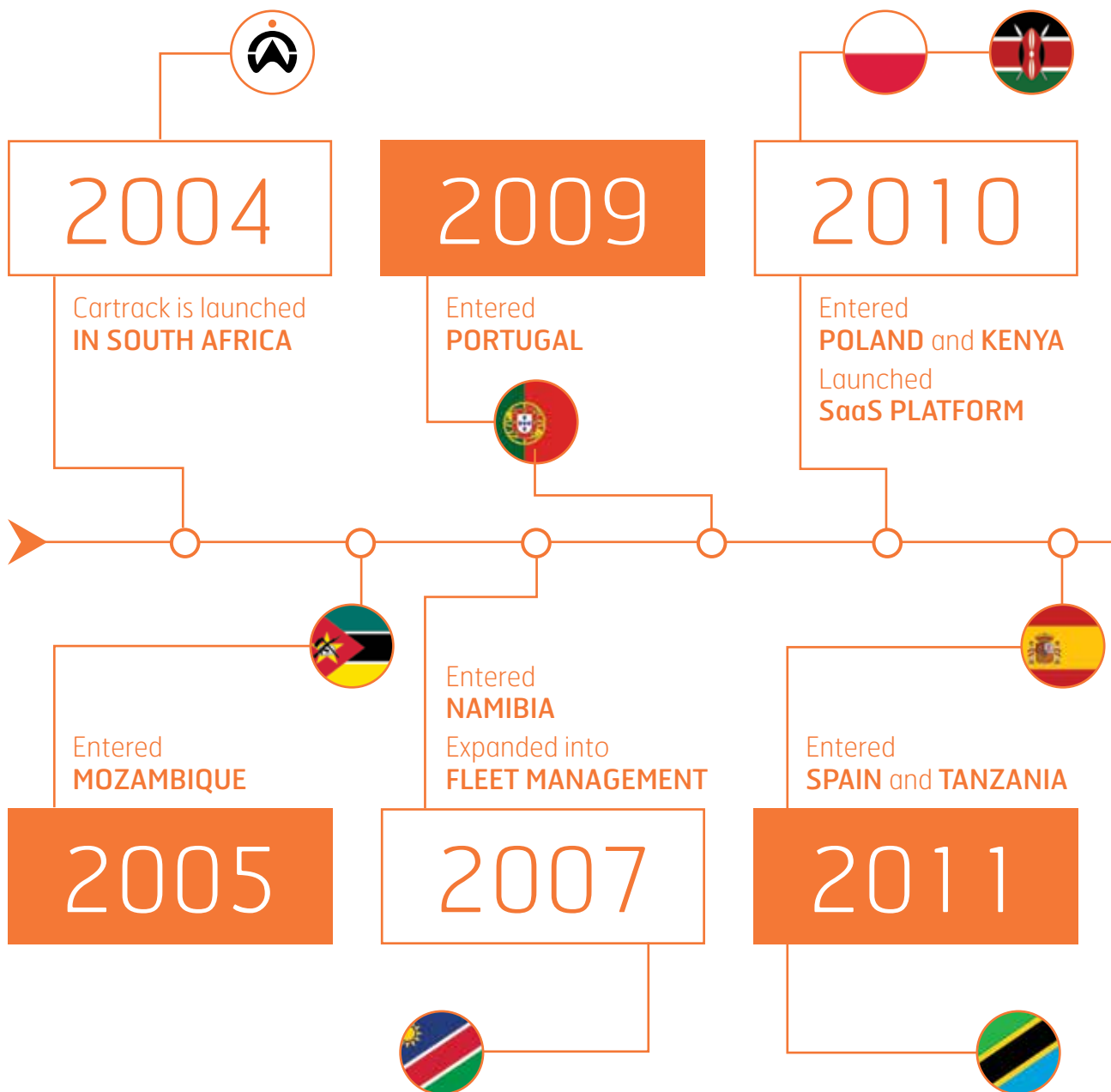


**SOURCES OF REVENUE 2017**



# HISTORY

Cartrack was founded in South Africa in 2001 and launched to the market in 2004. Initially, Cartrack focused on SVR, but expanded the scope of its offering to include full Insurance Telematics services, in particular Fleet Management, in 2007. The company listed on the Johannesburg Stock Exchange (JSE) in 2014.





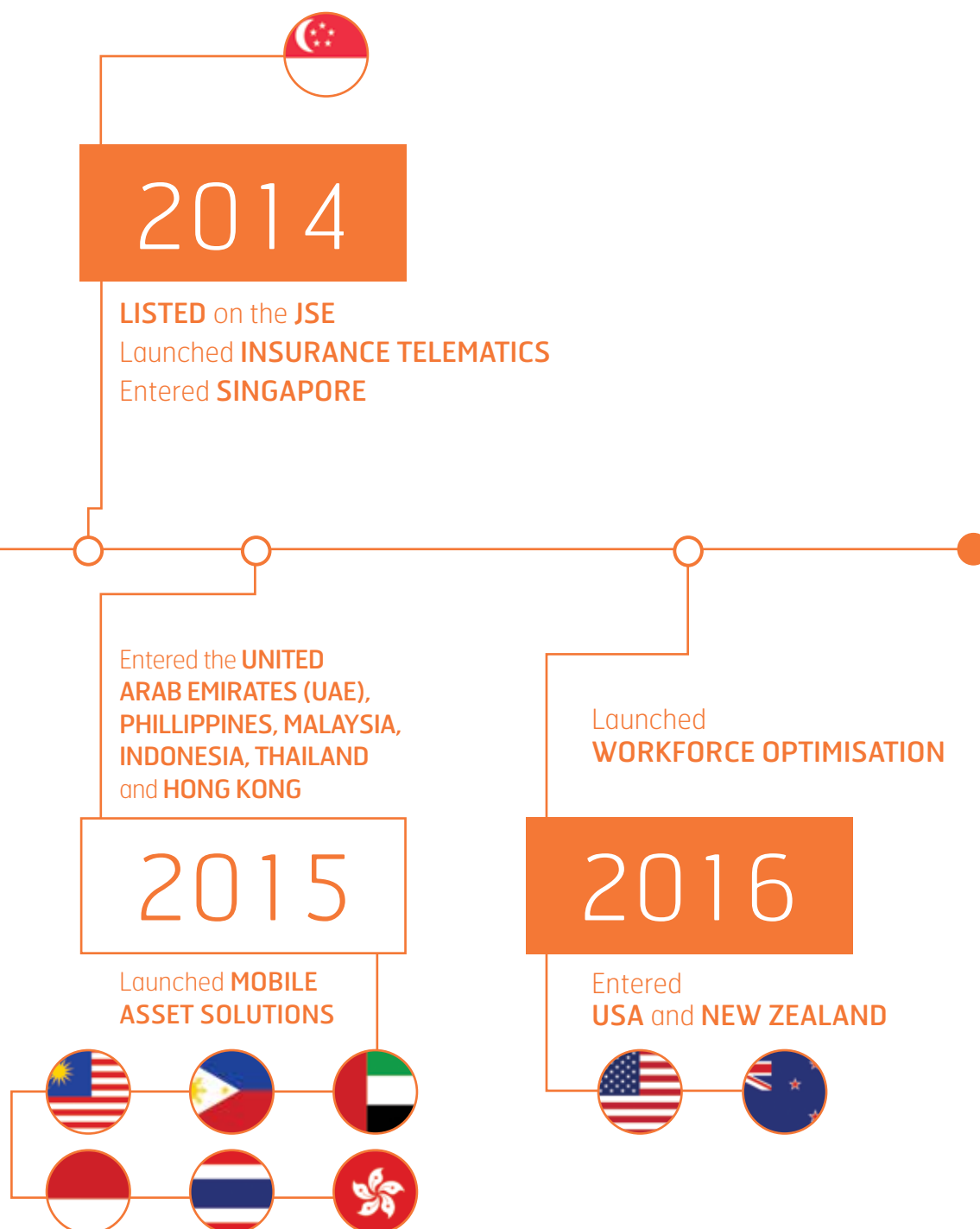
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*"Cartrack's cutting-edge technology allows us to get the best out of our staff. We have managed to come up with some wonderful reports which proved to be vital for managers regarding their teams' performance. We have reduced fuel expenses by identifying excessive fuel usage due to idling and speeding by our drivers."* **Ericsson SA**



# HIGHLIGHTS FOR THE 2017 YEAR

## SALIENT FEATURES

Robust subscriber growth of 19% to 600 610

Total subscriber revenue up 16%

Total revenue up 13% to R1 141 million

Continued strong investment in operating capacity

Earnings before interest, taxation, depreciation and amortisation (EBITDA) of R523 million, up 13%

EBITDA margin of 46%

Normalised earnings per share (NEPS)<sup>1</sup> of 85 cents, up 12%

Basic EPS of 86 cents, up 8%

Headline EPS (HEPS) of 85 cents, up 6%

Return on equity of 55%

Total dividend per share of 55 cents

Cash generated from operating activities of R387 million, up 48%

Currency fluctuations had a R27 million negative impact on 2017 operating profit

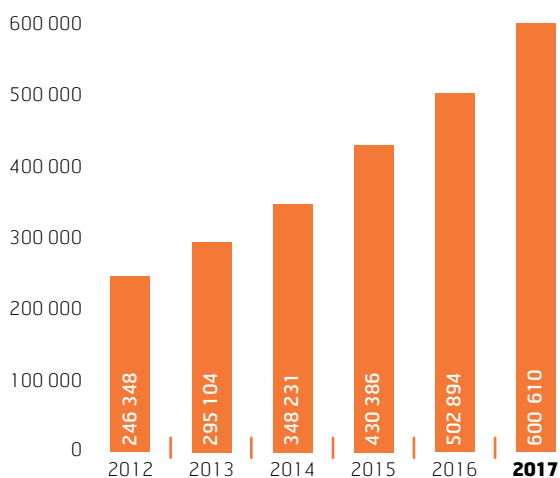
▲  
13%

▲  
12%

55%

<sup>1</sup> The presentation of normalised earnings per share is not an IFRS or JSE requirement. Management presents this measure as a supplementary performance measure. Normalised earnings represents headline earnings plus/(less) any other unusual non-recurring and non-operating items not already taken into account in headline earnings. HEPS was adjusted by the net non-operating foreign exchange gain of R2.6 million (FY16: R15.7 million) in determining NEPS.

**FIVE-YEAR COMPOUND SUBSCRIBER GROWTH OF 20% PER ANNUM**

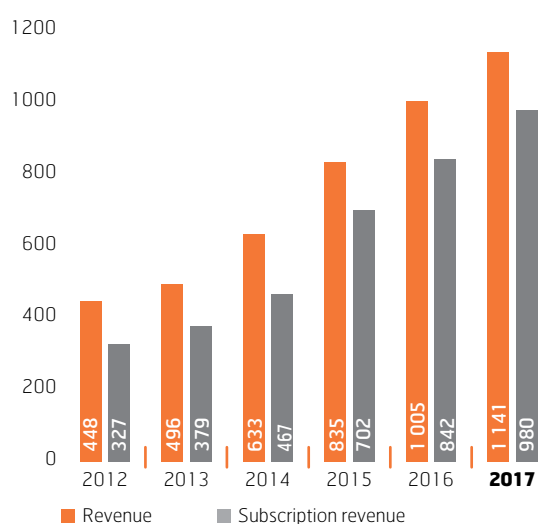


**Subscriber base**  
**600 610**  
(FY16: 502 849)

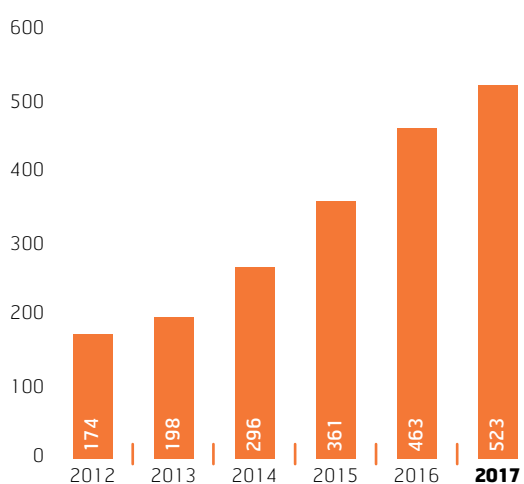
**13%**

**6%**

**FIVE-YEAR COMPOUND REVENUE GROWTH OF 18% PER ANNUM**



**FIVE-YEAR COMPOUND EBITDA GROWTH OF 25% PER ANNUM**



**Cash generated**  
**R387 million**  
(up 48%)

# BUSINESS MODEL

Cartrack has positioned itself to cater for the mainstream high-volume Telematics markets to achieve economies of scale across its business. Quality homogenous products and services are offered from a common platform. This enables newly established operations to achieve profitability in a relatively short space of time and at low investment cost and exposure.

Cartrack typically designs and develops proprietary hardware and software for mainstream products and services, and deploys the technology itself in all the global markets it serves. The control of the supply chain from design to service provision enables Cartrack to be a low-cost provider and to manage service delivery levels effectively. Where appropriate, partnerships with

technology providers are established to create further value in the markets Cartrack serves.

Cartrack's business model is designed to take maximum advantage of the digital business era by:

- an annuity-based financial model where subscribers pay an ongoing fee;
- a strong technology platform that is readily deployed for new international expansions and scalable for growth;
- 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 clients.





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*"We are now able to prevent unpermitted access to our vehicles, ensure that vehicles do not leave their planned routes, know with certainty if our clients have been called on, monitor our cost structure, and communicate efficiently with all our drivers."*

**Diplomat Premier Group SA**

**Our outcomes**

- Fuel**  
Decreased fuel consumption
- Maintenance**  
Improved vehicle maintenance
- Eco-friendly**  
Improved carbon footprint
- Routing**  
Improved routing
- Productivity**  
Improved productivity
- Labour**  
Reduced labour costs
- Customer service**  
Improved customer service
- Safety**  
Increased road and driver safety
- Security**  
Increased security

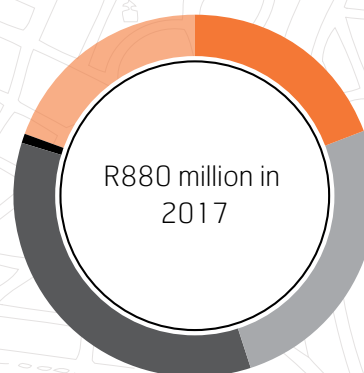
**Internal**

- Employee satisfaction
- Organisational reputation
- Open communication

**External**

- Customer satisfaction
- Brand loyalty
- Environmental effect
- Social responsibility

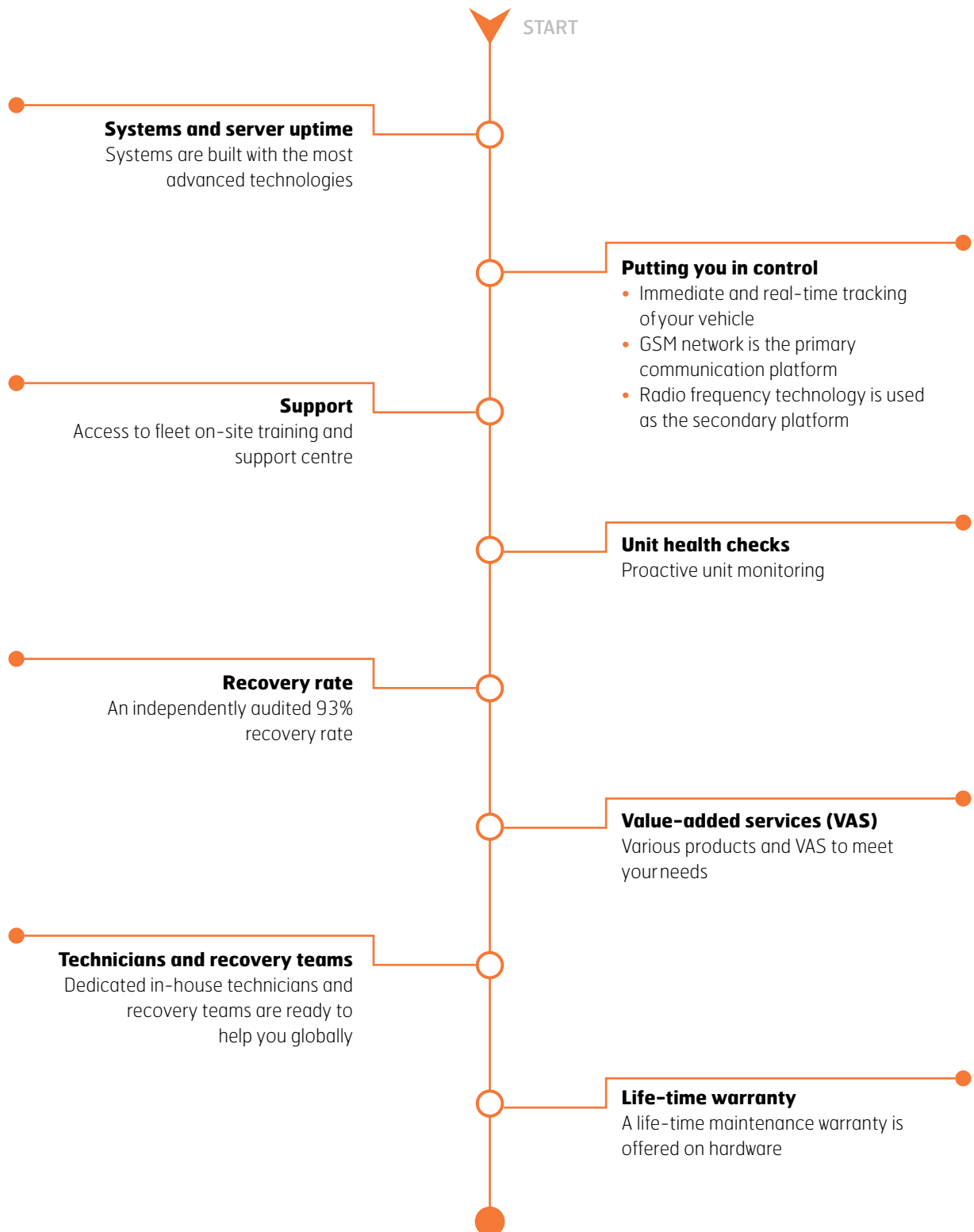
**STAKEHOLDER WEALTH CREATION**



- Government (Corporate taxes) R170 million
- Suppliers R228 million
- Employees (Salaries) R306 million
- Communities (CSI) R6.3 million
- Shareholders R170 million

# BUSINESS MODEL (continued)

## OUR PROMISE TO CUSTOMERS



Scope and boundary of the report

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**SOLUTIONS TO PUT OUR CLIENTS IN CONTROL**

**Stolen Vehicle Recovery**



Advanced fitment techniques



Ground and air recovery response



Instant positioning via control room



Free 24-hour unit testing service



12-month warranty



Deinstallation and reinstallation service

**Fleet Management, work force optimisation, Insurance Telematics data, value-added products**



Fuel



Maintenance



Routing



Eco-friendly



Productivity



Customer service



Labour



Safety



Security

# A REVIEW OF OUR CAPITALS



## Human capital

Human capital comprises the people Cartrack employs and those 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.

2016

### Key performance indicators

• Employee complement	
– number of employees per country/area:	
South Africa	1 050
Africa	217
Europe	142
Asia	124
United States	0
• Total remuneration (R)	284 639 000
• Key performance indicators	
– number of staff trained during the year	776
– Training spend (R)	1 061 227

2017

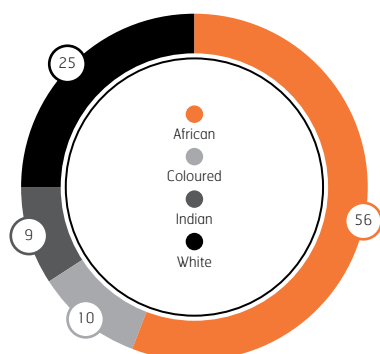
### Key performance indicators

• Employee complement	
– number of employees per country/area:	
South Africa	1 082
Africa	194
Europe	179
Asia	167
United States	9
• Total remuneration (R)	305 531 000
• Key performance indicators	
– number of staff trained during the year	975
– Training spend (R)	2 355 768

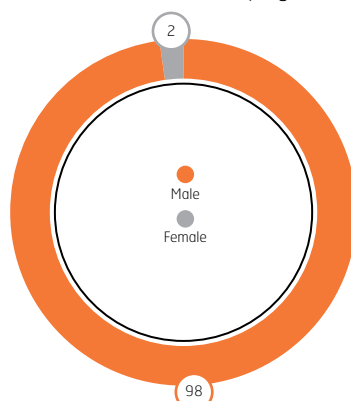
The key challenge for growth and transformation has been, and continues to be, the skills shortage, particularly in management and technical roles\*.

## Transformation in South Africa

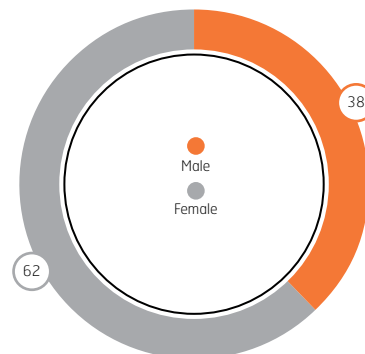
### DEMOGRAPHICS – RACE (%)



### DEMOGRAPHICS – GENDER (Technicians and Recovery Agents) (%)



### DEMOGRAPHICS – GENDER (All other positions) (%)



\* The roles of technicians and vehicle recovery agents are predominantly male-oriented and are not roles typically sought by women.



- **Learning and development** – staff 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.
- **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.
- 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. To date, 235 employees have enrolled in end-user computing courses, which are fully funded by Cartrack.



### 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.

**2016**

#### Key performance indicators

• Social sponsorship	
– Contributions to Wheel Well, Kwagga and Missing Children South Africa (R)	513 860
– Money spent on bursaries (R)	949 385
• Key performance indicators	
– Number of units installed	150 438
– Number of cases responded to	4 237
– Recovery rate (%)	94
– Value of vehicles recovered (R)	508 440 000

**2017**

#### Key performance indicators

• Social sponsorship	
– Contributions to Wheel Well, Kwagga and Missing Children South Africa (R)	509 921
– Money spent on bursaries (R)	930 861
• Key performance indicators	
– Number of units installed	188 997
– Number of cases responded to	5 114
– Recovery rate (%)	93
– Value of vehicles recovered (R)	613 000 000

- **Social sponsorship** – Cartrack again assisted Wheel Well (car seats for children), Kwagga (emergency response team) and Missing Children South Africa with sponsorship and funding of R509 921 during the year.
- **Enterprise development programme** – A black-owned fitment centre business, established and funded by Cartrack, is now in its third year of operation. Management and operational assistance and training are provided to the business. The business employs 32 staff members and successfully performed 20 568 installations by 28 February 2017. 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. Cartrack awarded bursaries for the 2017 year to the value of R930 861.
- **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. There are currently 150 technical trainees registered for this course, which is taught through Cartrack's in-house training centres to ensure high educational standards and the security of fitments.

Refer to the stakeholder engagement discussion on page 25.



# A REVIEW OF OUR CAPITALS (continued)



## Natural capital

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.

2016

### Key performance indicators

• Stats on material recycled	
– Millions of kilometres travelled	8
– Fuel usage (R/vehicle)	37 135
– Accident (number)	126
– Water used (kl)	6 321
– Electricity used (kw/h)	1,8m

2017

### Key performance indicators

• Stats on material recycled	
– Millions of kilometres travelled	7
– Fuel usage (R/vehicle)	34 162
– Accident (number)	174
– Water used (kl)	5 516
– Electricity used (kw/h)	2m

- 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. A total of 9,8 tonnes of material was recycled during the year.

- 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.

### Employee of the year

Carla Makwena, fitment centre administrator, was nominated by her peers and satisfied customers as a candidate for recognition. She was elected by management as employee of the year from the 12 monthly winners for her exceptional customer service. Carla’s friendly and open demeanour sets an example for other employees, and resulted in many excellent internal and external relationships being forged in the fitment centre.



Refer to the stakeholder engagement discussion on page 25.





## Intellectual capital

Core to Cartrack's intellectual capital are:

- its brand;
- its trade secrets developed around the application of its services through the years; and
- the extensive senior management experience in the telematics and stolen vehicle recovery industry.

	2016	2017
<b>Key performance indicators</b>		
• Marketing spend on building the brand (Rm)	18	20
• R&D spend (Rm)	38	80

## New leadership appointments

A range of appointments and promotions were made in the past year to bolster the management team, broaden the skills pool, and strengthen capacity for growth. These include the appointment of a CFO for South Africa, a chief executive officer (CEO) for South Africa, and a CEO for the United States of America (USA).

- Cartrack's industry-leading margins are a direct result of the manner in which its business model has been designed and implemented – the result of years of industry experience in the senior management team.

- Exposure to markets such as the USA and Singapore that are highly technology driven, ensures that we remain innovative and at the forefront of industry developments.
- The need to comply with regulatory requirements across several continents further ensures a technology platform and product range that will suit broad requirements and benefit from being globally benchmarked.

Refer to our strategic focus section on page 30 and the chairman's and CEO's review on page 40 for further details.



Strategic focus  
page 30

# A REVIEW OF OUR CAPITALS (continued)



## Manufactured capital

Cartrack's manufactured capital inputs comprise the electronic components of telematics devices and the motor vehicles that make up the mobile fitment and vehicle recovery fleets.

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.

	2016		2017
<b>Key performance indicators</b>		<b>Key performance indicators</b>	
• Number of units manufactured	131 134	• Number of units manufactured	242 472
• Number of units installed per annum	150 438	• Number of units installed per annum	188 977

Refer to the strategic focus section on page 30 and the chairman's and CEO's review on page 40 for further details.



## Financial capital

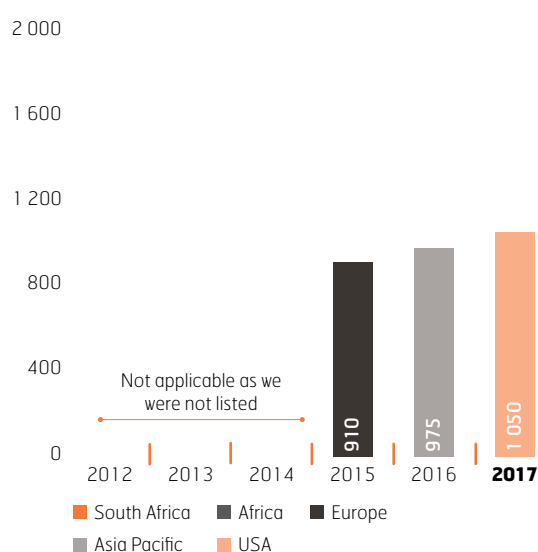
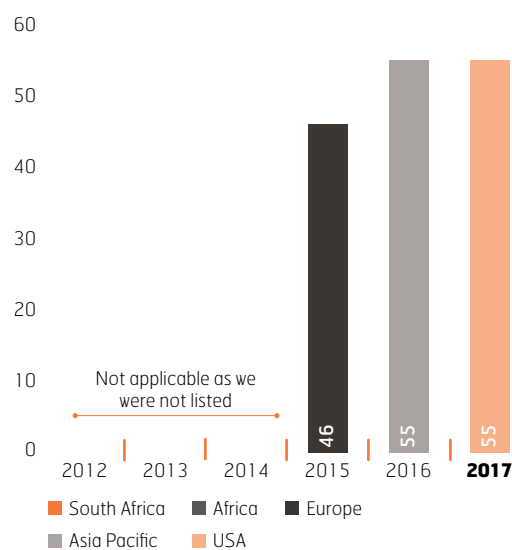
The funds available to Cartrack for use in its business are its financial capital inputs. Being highly cash-generative, Cartrack has no debt, other than minor short-term borrowings.

	2016		2017
<b>Key performance indicators</b>		<b>Key performance indicators</b>	
• Share price as at year-end (cps)	975	• Share price as at year-end (cps)	1 050
• Dividend (cps)	55	• Dividend (cps)	55
• Total return (share price growth + dividends) (cps)	120	• Total return (share price growth + dividends) (cps)	130
• Net cash generated from operating activities (Rm)	261	• Net cash generated from operating activities	387

Please refer to shareholder information on page 24 for more details of our share price performance and shareholder structure.

Refer to the stakeholder engagement discussion on page 25.

# SHAREHOLDER INFORMATION

**CARTRACK SHARE PRICE (CENTS)**

**DIVIDENDS PER SHARE (CENTS)**


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

# SHAREHOLDER INFORMATION (continued)

Domicile	Number of shareholders	% of shareholders	Number of shares	% of share capital
Non-resident	34	6,12	25 073 720	8,36
Resident	522	93,88	274 926 280	91,04
	566	100,00	300 000 000	100,00

## Stock Exchange Performance

12 months	2017	2016
Share price (cents)		
– lowest	880	750
– highest	1 250	1 250
– at year-end	1 050	975
Volume traded (million)	39	21
Number of shares in issue ('000) (year-end)	300 000	300 000
Number of shares traded (%)	7	7
Price-to-earnings ratio at year-end	13,14	22,37
Market capitalisation ('000)	3 150 000	2 925 000

Financial year-end  
28 February

## Listing information

JSE share code	CTK
Sector	Industrials – Industrial Goods & Services
Subsector	Business Support Services

## Reporting dates

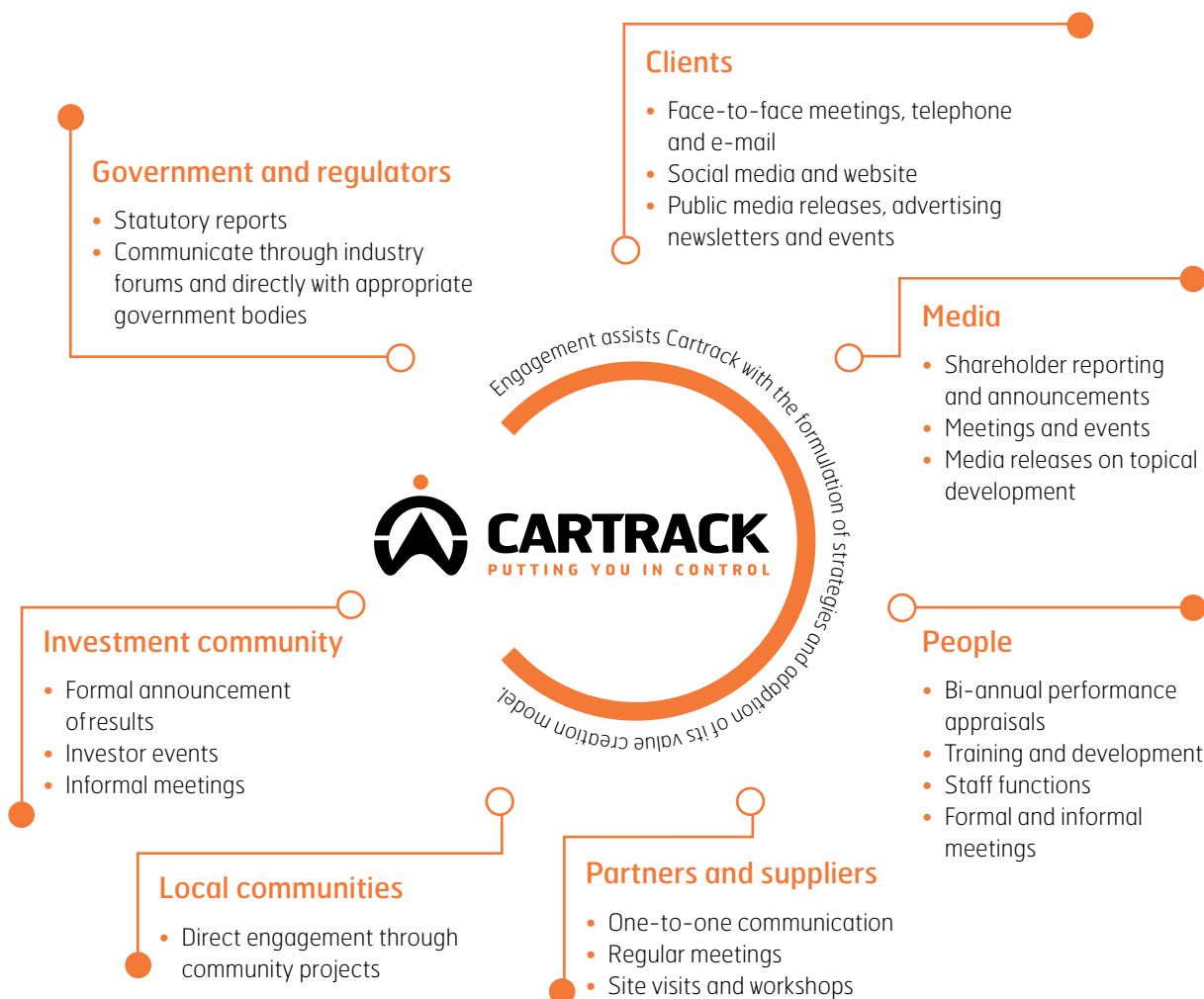
Interim results	November 2017
Year-end results	17 May 2017
Integrated annual report published	20 June 2017
Annual general meeting	20 July 2017



# STAKEHOLDER ENGAGEMENT

Creating and managing stakeholder value is one of Cartrack's key strategic objectives and essential to the sustainability of the group. 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



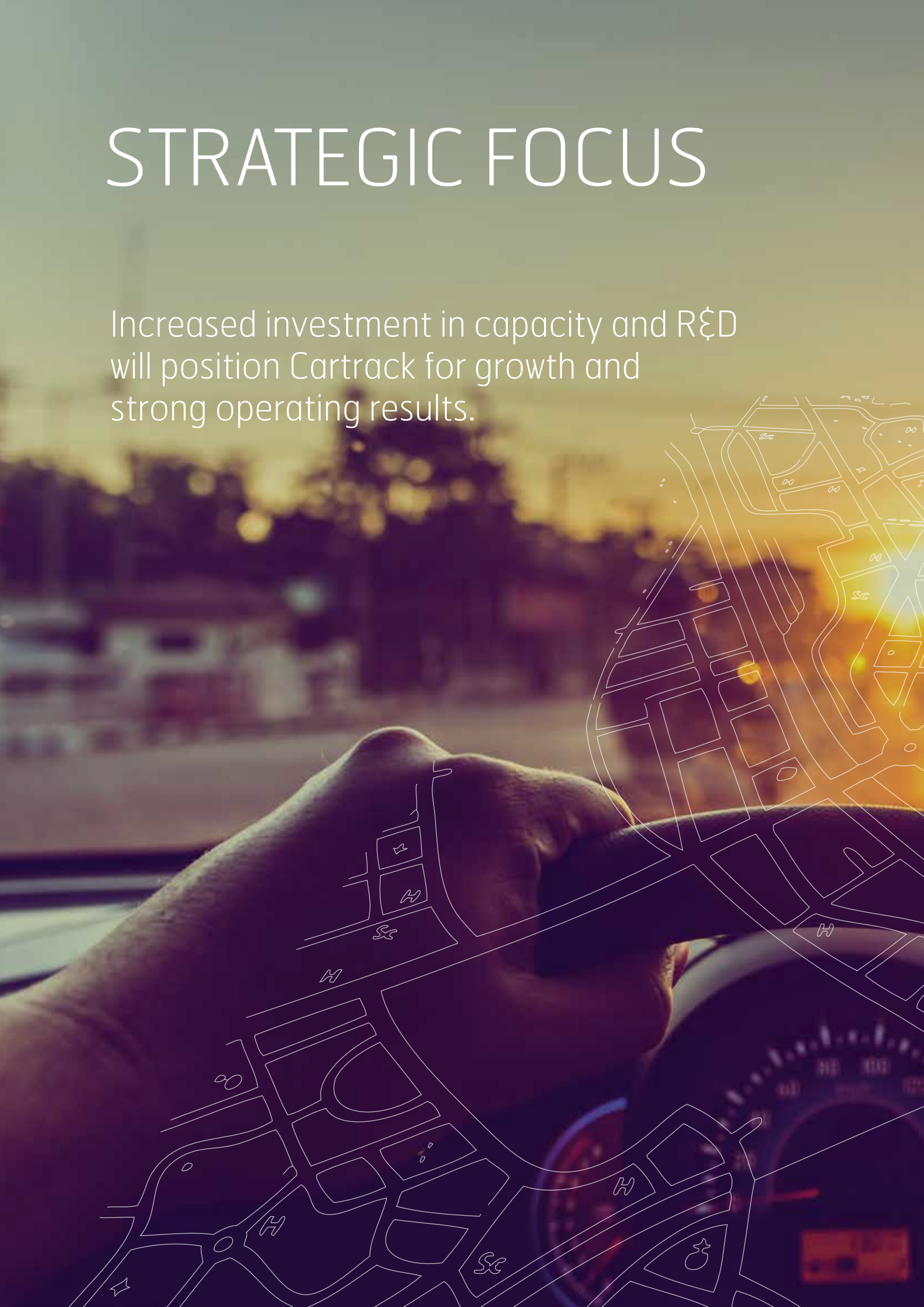
# STAKEHOLDER ENGAGEMENT (continued)

Stakeholder	Requirements	Issues	Management approach
<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 downward pressure on prices</li> <li>• Original equipment manufacturer (OEM) involvement in telematics</li> </ul>	<ul style="list-style-type: none"> <li>• Support access to management and the board</li> <li>• Provide clear and transparent reporting</li> <li>• Focus on maintaining sustainable returns in accordance with the strategic themes described on page 31 under strategic focus</li> </ul>
<b>People</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>• Skills shortage</li> <li>• Training, sharing and standardisation of practices across multiple countries</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>
<b>Clients</b>	<ul style="list-style-type: none"> <li>• Contribution to social investment</li> <li>• Equal opportunity employment practices</li> <li>• Provision of relevant and high-quality services</li> <li>• Value for money</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent service quality to a high volume of clients</li> <li>• Continuous adaptation and innovation to meet dynamic market needs in different global regions</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous improvement in service delivery and investment in resources</li> <li>• Investment in innovation and development</li> <li>• Focus on maintaining low input costs throughout the supply chain</li> <li>• System efficiency improvement and simplification of processes</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Clear and transparent reporting</li> <li>• Keeping stakeholders informed of performance, developments and strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient awareness and understanding of Cartrack and our services globally</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure access to Cartrack management</li> <li>• Arrangement of interviews, site visits and special events</li> <li>• Distribution of press releases for publication</li> </ul>

Stakeholder	Requirements	Issues	Management approach
<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>Supply Cartrack with the necessary inputs to conduct its business</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>	<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>
<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>	<ul style="list-style-type: none"> <li>Corporate social investment (CSI) spend</li> <li>Provide education initiatives</li> <li>Offer employment opportunities</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>Tender process inconsistent and not transparent</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>

# STRATEGIC FOCUS

Increased investment in capacity and R&D will position Cartrack for growth and strong operating results.







HIGHLY SCALABLE  
**BUSINESS MODEL  
AND TECHNOLOGY  
PLATFORM**

**STRONG INVESTMENT**  
IN DISTRIBUTION  
CAPACITY

# STRATEGIC FOCUS

## Market size and growth prospects

Rapidly increasing global connectivity, the reducing costs of technology, and a growing sophistication in data and data analytics continue to contribute to the exponential growth in demand and cultivate new applications and markets for telematics products. Compelling business drivers will continue to underpin the substantial growth expectations for the industry over the next couple of years in this rapidly evolving industry. These drivers include, among others, growing regulatory compliance requirements, enhanced profitability and customer service, improved safety and security, and lower costs.

According to Gartner Inc, a leading information technology research and advisory company, the transportation mobility technology space continues to grow at approximately 20% per year. Offerings in transportation mobility technology have evolved from satellite-based telematics solutions to terrestrial solutions, and from embedded hardware in vehicles to more mobile apps that can be used on a wide range of hardware platforms. The cost of devices and communication have come down significantly, increasing adoption among consumers and fleets alike. In South Africa and many other developing markets worldwide, the crime rate stimulates demand for SVR services.

Gartner forecasts that revenue in the global commercial fleet telematics market will increase to US\$55 billion by 2021, almost twice the current market revenue, and will grow at an aggregated growth rate of 18% per year between 2016 and 2021. Research and Markets, the world's largest market research company, in 2016 estimated that the global commercial telematics market will reach approximately US\$41 billion by 2020, indicating a compounded growth rate of 16% per annum in the next five years.

The Americas remain the largest market, followed by Europe, Middle East and Africa (EMEA), and the Asia-Pacific (APAC) region in third position. APAC is set to grow rapidly, due to the increasing number of vehicles in use in countries such as China and India, and an increase in the popularity of fleet services. Passenger cars constitute 75% of the total market.

## Trends in telematics

Gartner, in a recent report, highlighted a number of interesting trends that are emerging in the telematics industry:

- With the availability of faster networks with better coverage, users can take advantage of larger datasets, as well as newer capabilities such as video.
- More OEMs are partnering with established telematics vendors to offer telematics solutions.
- Mobile telematics systems such as portable navigation devices (PNDs), smart phones and tablets can be used as portable telematics systems. An increasing number of leading vendors have designed their solution around a mobile gateway that provides the data network and the linkage to the vehicle. While these systems often cannot satisfy regulatory requirements such as the electronic logging device (ELD) mandate in the USA, they are useful for a number of other applications.
- There is additional adoption of telematics systems beyond the direct use in the vehicle or cab (such as trailers, containers, railcars, school buses, local government vehicles, industrial equipment and heavy machinery). The market of "non-rolling" assets, specifically, offers a large opportunity for vendors as it deals with millions of assets and a low percentage of penetration.
- The telematics industry is fragmented, with hundreds of vendors worldwide. The commercial telematics industry has, however, started to consolidate and is becoming increasingly global. Growing corporate activity, in the form of mergers and acquisitions from both industry players and related industries, is driving the consolidation.

Berg Insight, a global research company, believes that there will be a clearer division of tasks between the different roles in the value chain of the fleet management market, which will enable free flow of data between vehicles and applications in the long term.





## Business drivers

There are a range of business imperatives that inherently create a demand for telematics products, indicating that substantial growth in demand can be expected for many years.

The most important drivers of demand are described below.

Commercial demand	Regulatory requirements
<p>The use of telematics products can achieve significant gains in productivity, efficiency, cost control and compliance by:</p> <ul style="list-style-type: none"> <li>• improving workforce management and deployment;</li> <li>• maximising the productive use of mobile assets;</li> <li>• enhancing customer service and gaining competitive advantage;</li> <li>• reducing operating costs such as fuel, maintenance, labour and insurance premiums; and</li> <li>• increasing the safety of employees and assets through real-time monitoring.</li> </ul> <p>The maturing and consolidating fleet management market also has a growing awareness of the benefits of fleet management technology to monitor and improve customer-service-related metrics.</p>	<p>Governments seek to improve safety on the roads through enacting and enforcing regulations governing:</p> <ul style="list-style-type: none"> <li>• driver hours worked to reduce fatigue;</li> <li>• roadworthiness of vehicles;</li> <li>• road taxes from distances covered; and</li> <li>• carbon emissions control.</li> </ul> <p>The ELD mandate in the USA is a good example. The expectation is that Canada will soon announce a similar mandate. In other economies, such as Brazil and China, government legislations also mandate the adoption of telematics.</p>
Crime	Insurance telematics
<p>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.</p>	<p>Insurance companies use the data gathered through telematics devices to:</p> <ul style="list-style-type: none"> <li>• assess driver risk and tailor premiums to an individual's risk profile; and</li> <li>• reconstruct accident scenes and evaluate claims.</li> </ul>
OEMs	Consumer demand
<p>Manufacturers seek to enhance customer service and manage vehicle warranties through:</p> <ul style="list-style-type: none"> <li>• remote vehicle diagnostics;</li> <li>• monitoring service due dates;</li> <li>• accident and breakdown assistance; and</li> <li>• satisfying the demand for fleet management solutions</li> </ul>	<p>Several trends are increasing the demand for telematics products for consumers. These include:</p> <ul style="list-style-type: none"> <li>• the rapid increase in availability and reduced cost of broadband;</li> <li>• the increased use of data analytics; and</li> <li>• the growing adoption of technology products and applications that require in-vehicle connectivity and services.</li> </ul>

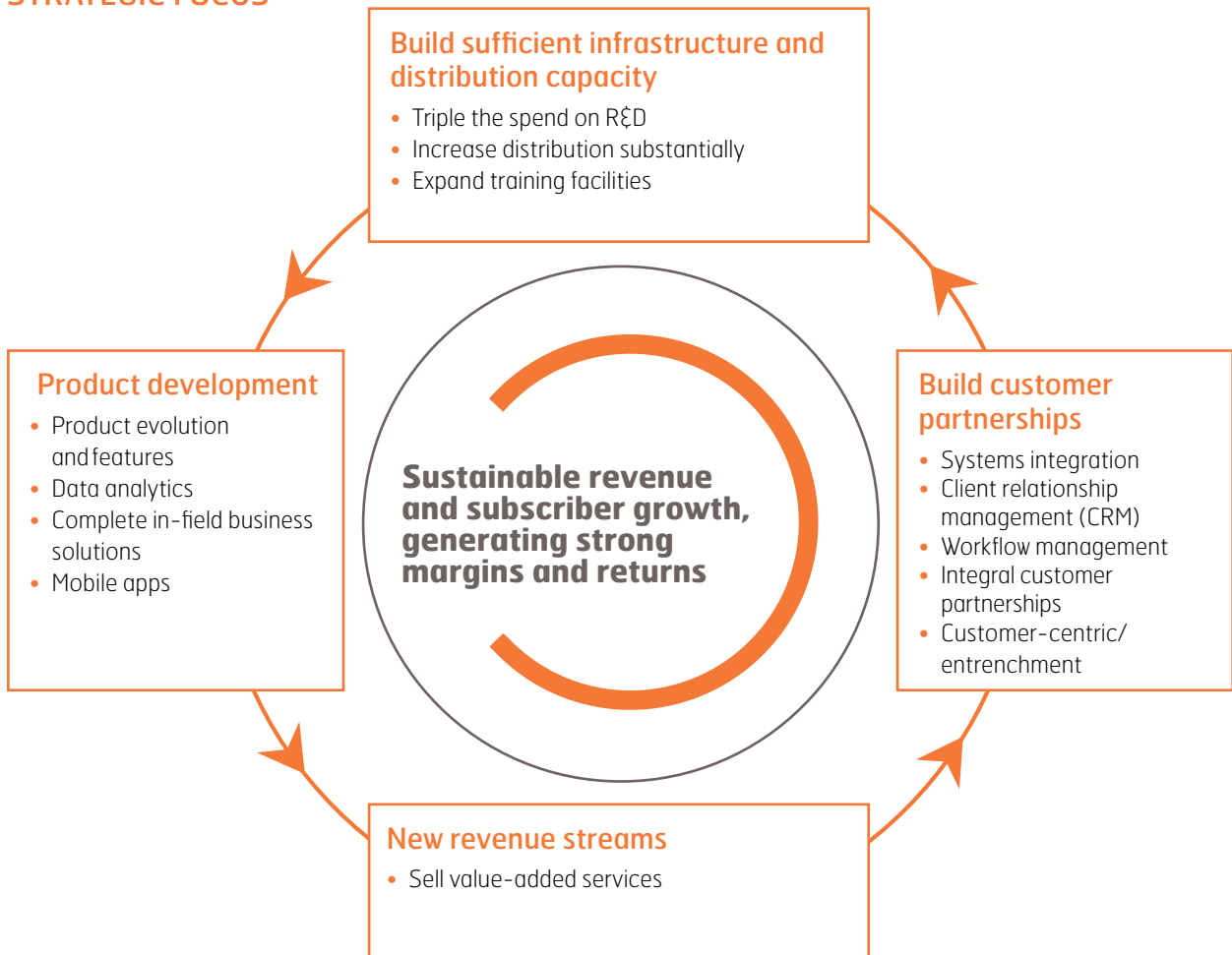
The challenge at Cartrack is to derive maximum benefit from these growth opportunities by:

- carefully selecting the opportunities and the regions in which it wants to participate; and
- providing attractively priced service and product offerings which fulfil these needs in a manner that allows Cartrack to compete effectively, build its brand and deliver appropriate stakeholder value.

# STRATEGY, OBJECTIVES AND PERFORMANCE

Cartrack is in the business of global asset tracking, monitoring and recovery services, together with the provision of workforce optimisation and data analytics from a platform of innovative and leading technologies.

## STRATEGIC FOCUS



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Strategic focus

- Strategy, objectives and performance

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Remuneration report

Risk management

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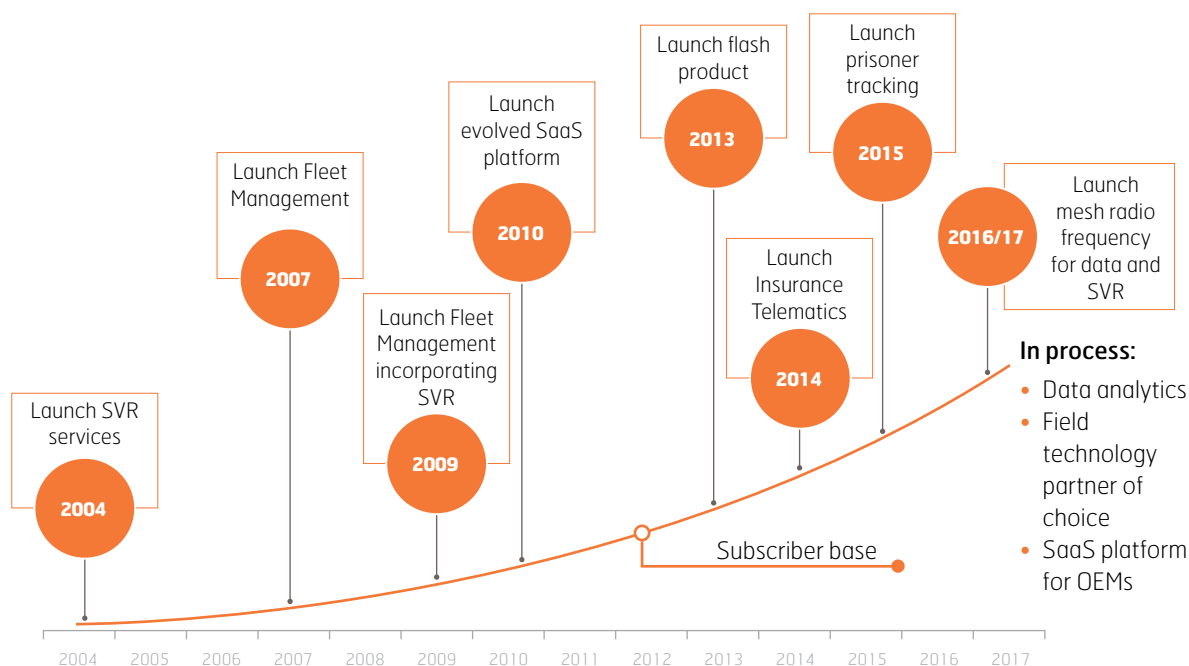
**SHAREHOLDER INFORMATION**

Notice of AGM

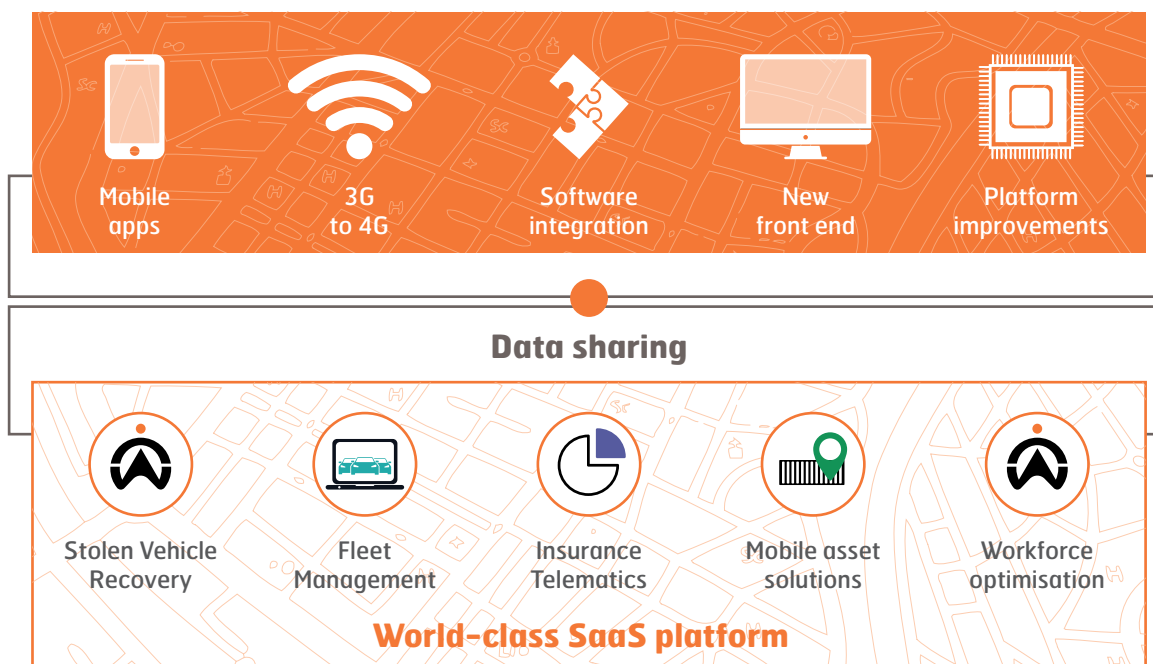
Corporate information

Our strategy has been consistent for a number of years – Cartrack drives shareholder value through robust growth in our subscriber base and maintaining 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. We maintain strong financial discipline to provide the foundation for our growth aspirations.

## HISTORY OF CARTRACK'S TECHNOLOGICAL DEVELOPMENTS



## Technological developments 2017



# STRATEGY, OBJECTIVES AND PERFORMANCE (continued)

Cartrack’s industry segment and target markets offer very significant growth prospects and require energy and commitment to realise these opportunities. Despite robust subscriber growth, Cartrack will accelerate investment in R&D in 2018 and add people to the R&D team, to add further features and usability to our technology platforms and retain customers. In addition, Cartrack’s retention models are becoming more sophisticated and the substantial enhancements to its product offering should contribute to increased retention. Currently the average subscriber stays with Cartrack for 64 months and the aim is to extend this to beyond 70 months. Subscribers become substantially more profitable after approximately 36 months, once hardware has been fully depreciated. Keeping customers for longer through service excellence and a superior product offering is, therefore, highly beneficial to the long-term profitability of the company.

The improvements to our product offering should attract a bigger segment of customers to our base.

Our business is highly scalable. The technology platforms can be applied across the globe and can be fully operational in new territories within weeks. Our largest constraint to scalability is human resources. We therefore have a significant drive to train more people and train them faster through our Training Academies, to reduce these bottlenecks and further increase our scalability.

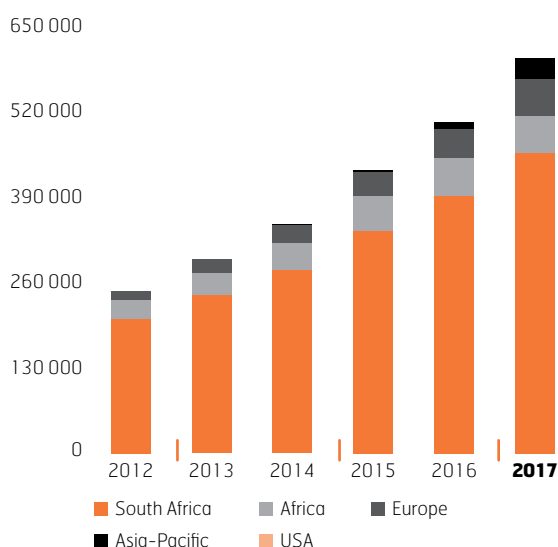
There are a number of key strategic drivers in Cartrack’s business model that has stood the test of time and has contributed strongly to the profitability and long-term sustainability of the company. Two of these drivers are the broad diversification of our subscriber base and the vertical integration of all aspects of our business model.

### Diversification of the subscriber base

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 following graphs indicate the extent of the diversification over the past five years.

**SUBSCRIBERS BY GEOGRAPHY (NUMBER)**



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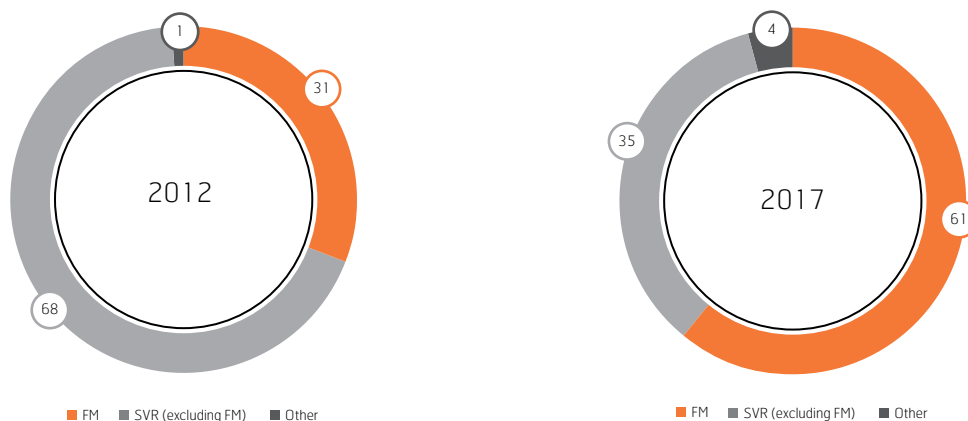
Notice of AGM

Corporate information

*"We have dealt with Cartrack Tanzania for eight and half years. Cartrack's asset and fleet management services have always been solid and reliable and they are specialists in their field."*

**Scania Finance Southern Africa (Pty) Ltd**

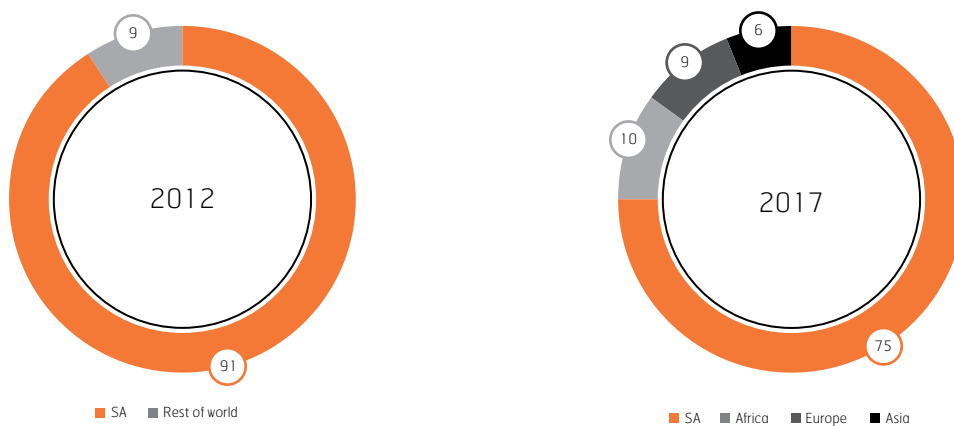
**DIVERSIFIED SUBSCRIBER BASE (%)**



**Geographical revenue spread**

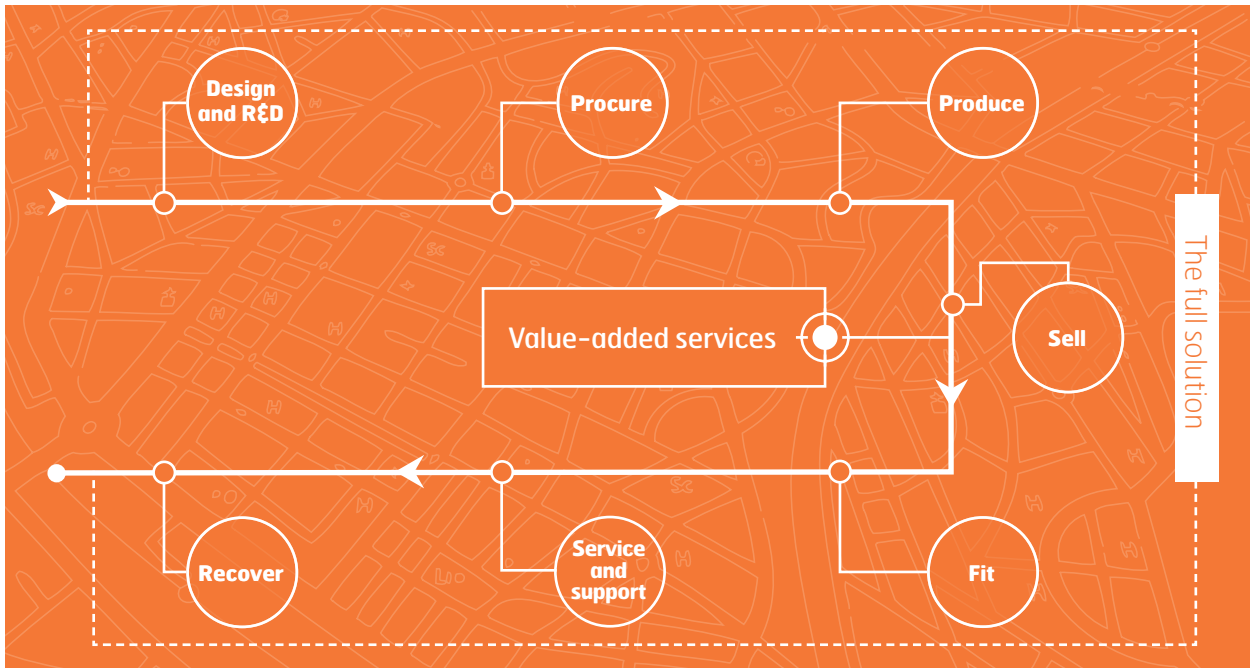
Whereas revenue from outside of South Africa only contributed 9% of total revenue in 2012, other regions contributed 25% of revenue in 2017, and this is set to increase further.

**GEOGRAPHICAL REVENUE SPREAD (%)**

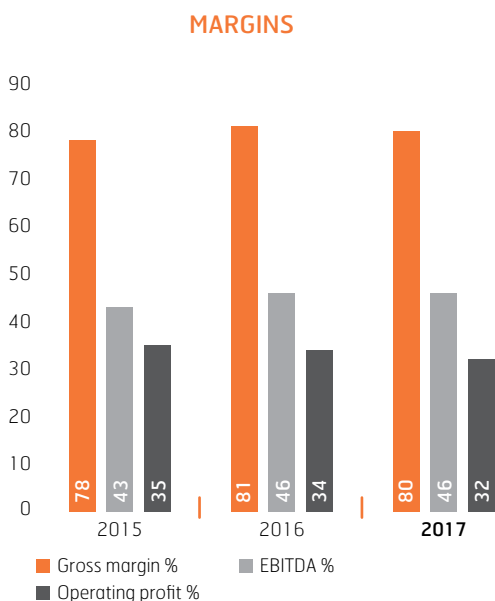


# STRATEGY, OBJECTIVES AND PERFORMANCE (continued)

## VERTICAL INTEGRATION



Cartrack is often asked why the company's margins are so high, relative to most of the industry. Cartrack believes that its margins are the result of its fully integrated business model. As indicated in the picture above, Cartrack attends to every facet of its business, nothing is outsourced. As a result, it is able to structure and optimise operations to extract maximum efficiencies from every aspect of its business, as well as the links between different operations. The outcome of this quest for excellence is industry-leading margins at a gross profit, EBITDA and operating profit level.



Fully integrated business model drives industry-leading margins



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## KING PRICE – TRACKING A GREAT RELATIONSHIP

### What we do

“King Price is 5-years-young and have crept into the hearts and budgets of South Africans, both for our decreasing premiums and award-winning service. Our clients benefit from super cheap premiums and instant savings from the word go.

Clients also love that, once they have comprehensive car cover with us, they can insure some of their favourite things, like Apple Watches, golf clubs and bikes, for just R1 monthly. This disruptive model has been the foundation on which we’ve built our business. We also offer a range of personal insurance products, including cover for buildings, home contents and portable possessions.”

### King Price and Cartrack ... A 5-year road-trip

“Some five years ago, when we were looking for a tracking solution for our clients and Cartrack offered us their great product at a super great price, we didn’t hesitate. And this partnership remains one of the best decisions we’ve ever made.

We promise our clients award-winning royal service and we’re confident about referring our clients to Cartrack, because we know our clients are treated like kings there too. That’s important to us.

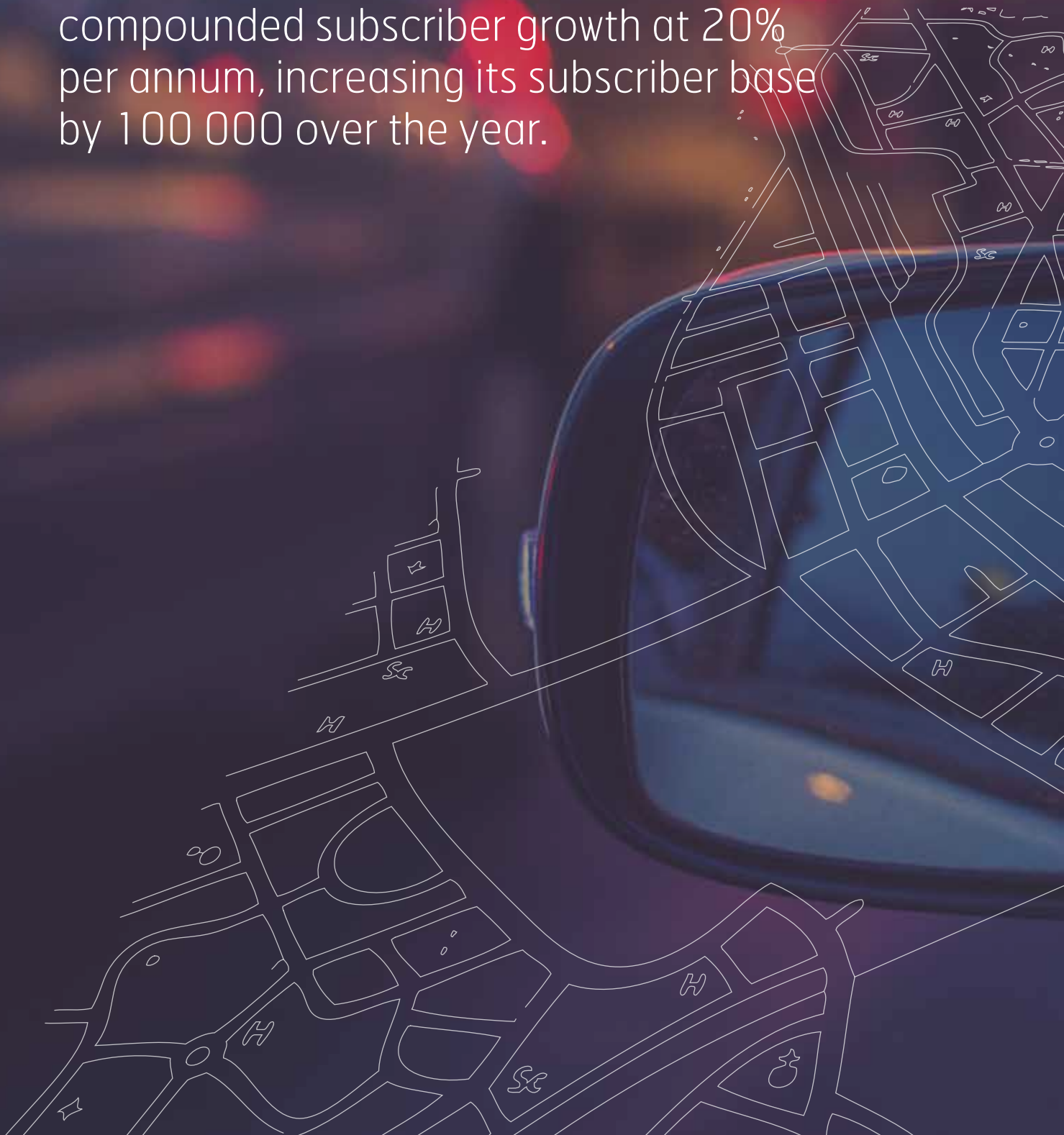
With Cartrack, our clients also benefit from a speedy, efficient admin process. Important! And, they enjoy an excellent car recovery rate. Also important!

For our part, we appreciate Cartrack’s data-savvy telematics input. ‘Big data’ is the way forward for insurers and having the right data helps us to make better decisions. Data analytics is an objective process. Data-driven decision-making takes the guess-work out of moving forward and the risk out of assessing risk. That’s the future of insurance and our Cartrack partnership is helping to get us there.”

# THE YEAR IN REVIEW

## **The year in review**

Cartrack has achieved five years of compounded subscriber growth at 20% per annum, increasing its subscriber base by 100 000 over the year.



SOLD  
**185 000**  
**TELEMATICS UNITS**  
**(A 26% INCREASE**  
**ON 2016)**

**COMPOUND REVENUE**  
**GROWTH OF**  
**18%**  
**PER ANNUM**

# CHAIRMAN'S AND CEO'S REVIEW

*“Current and future customers require ever-increasing information about their assets and people to more effectively achieve their goals. In this context, Cartrack will become a more integral part of their lives, moving away from a service provider relationship to becoming a business partner.”*

*“This will require a continued and significant investment in technology and intellectual property, and a further expansion of Cartrack’s distribution and operating capacity.”*

**Zak Calisto – CEO Cartrack**

The coming of age of a digital civilisation has never been more apparent as it is today. The Internet of Things (IoT), and Software-as-a-Service (SaaS) are themes that play out in every sphere of our lives, generating a strong drive for individuals, companies and governments to become connected and technology enabled. Wireless communications and mobile connectivity continue to revolutionise the way we think and do things, from mobile phone apps and wearable devices, to connected cars and homes. This demand for connectivity is gaining significant momentum, and so is the requirement for more complex software and broader applications to take advantage of this explosion of available data. Telematics is playing a dominant role in this evolution.

Our vision is to achieve global leadership in the telematics industry. That is a particularly audacious goal in an industry that continues to expand exponentially as the world becomes wired. This expansion is particularly evident in the business arena, where customers now not only require information about their fleets, but also demand a complex array of information related to how their fleets interact with the rest of their business, covering details about the vehicles, cargo, sales people, the communication between the vehicles and the office, as well as how billing is done and how payments are received.

Our product offering today integrates these different requirements to provide real-time, state-of-the-art business information for customers across those spectra. Our business is transitioning and our game plan has become broader – our aim is to not only manage our customers’ fleets, but also be an integral part of their lives.

Amidst this rapid growth, one of our biggest challenges is to have sufficient infrastructure, distribution capacity and product development in place to capture the massive opportunities available to us. To this end, we will triple the spend on research and development (R&D) in the coming year and increase the distribution substantially to adequately deal with the growth we see in the short and medium term. In the past year, we increased our subscriber base by nearly 100 000 active subscribers and sold some 185 000 units – a 26% increase on the previous year. This significant growth comes with additional requirements for installation 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 two years ago to develop these skills and are proud to report that the Cartrack Academy has trained 152 installers in the last two years.







**Zak Calisto**  
Chief Executive Officer

**David Brown**  
Chairman

### **Mobile asset tracking**

Companies are now able to track their moveable assets – such as rubble skips, portable toilets, equipment and people – through our SaaS tracking and recovery system for monitoring and managing mobile assets. The system is based on our successful prisoner tracking system, Integrate.

Integrate, an end-to-end managed electronic monitoring services (EMS) solution, made its debut at the INTERPOL World 2015 exhibition. It has been used extensively by the police and government in Singapore, where technology has been proven to enable law enforcement agencies to effectively monitor persons of interest, such as offenders on extended supervision, parole, home detention or community detention; or prison inmates in ‘halfway care’ who are in the process of being re-integrated into society.

We used the learnings from this product, adapted the technology, and developed a mobile asset tracking solution, which allows South African businesses to save thousands of rand by not replacing moveable assets due to loss or theft. It also saves the cost of increased insurance premiums and excess payments, which inevitably follow the theft.

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

**We have recovered more than 18 000 vehicles, valued at over R3,5 billion, since 2004 and consistently maintain our independently audited recovery rate at 93% or above. We were the first to market with a unique R150 000 recovery warranty. To honour this warranty, we paid out in excess of R8 million since the inception of the recovery warranty in 2012.**

Stolen Vehicle Recovery (SVR) remains in high demand in many developing countries and is an essential offering in our operations in South Africa and many parts of Africa. SVR continues to grow, both as a stand-alone service, as well as service, combined with Fleet Management/Insurance Telematics solutions.

The Vehicle-as-a-Service (VaaS) market is an emerging trend which is rapidly gaining momentum in both the taxi and the logistics industries. Smart transportation solutions are being developed to optimise the use of vehicles and reduce downtime. We have recognised this as an opportunity and entered agreements and fostered strong relationships with a variety of participants in this market.

The global telematics industry is consolidating rapidly, as evident from the number of mergers and acquisitions reported recently. We will remain vigilant to such industry developments. Opportunities that may arise to provide economies of scale as well as improved subscriber value will be considered on their merits.

Innovation lies at the heart of our business and it is vital to its success. To this end, we ensure that we are constantly developing new technologies that consider the learnings from all the countries in which we operate. Our operations in Asia, and particularly Singapore, are at the forefront of Cartrack's technology developments, as it services a technology-driven and data-dependent society. This keeps us globally relevant in hardware and services.

We continued to develop our international platforms to conform to increasing government regulations in many of the territories in which we operate. Government regulation has been increasing in many of the countries in which we operate, either to gain access to data, or to strengthen the privacy protection of their citizens. While this is a global trend, regulations are unique to every country and have to be adhered to. We have received approvals in several markets and are far advanced in achieving approval in

others. Compliance will give us the platform to further increase our addressable market and therefore our sales in those regions.

## Financial performance

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

Four key themes shaped our performance in 2017:

- Significant growth in subscribers and units installed
- Strong expansion in South Africa, Europe and Asia
- Low demand and economic headwinds in Africa
- Negative impact of currency fluctuations on revenue and profitability

We increased headline earnings by 6% to R255 million and 85 cents per share. We have declared a total dividend of 55 cents per share for the year.

The results are discussed in more detail in the financial review on page 48.



**Cartrack** won the MTN Business Award IoT this year, cementing its position as a leader in innovation and technology in the telematics industry.

The award was given by the MTN partner, for a technology that provides information and

communication services and stands out for the creation of ecosystems for companies, concentrating most of its services in the African continent. One of the projects that MTN developed was the Partner Programme, of which Cartrack is a part.

Partner companies, Cartrack and MTN, are in a strong position to jointly create profitable growth opportunities through the development of valuable information and communication technology ecosystems.



## Cartrack cares

The societal needs in South Africa are wide and diverse, and we acknowledge our responsibility to, along with other corporates in South Africa, contribute to improve the lives of those most in need. Among others, we support the fight



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to reunite missing children with their loved ones; assist the Wheel Well and the Car Seats for Kids campaign; and sponsor a Rapid Intervention Unit called 'Kwagga', to secure the scene of an accident and offer support to paramedic and fire-fighting personnel.

We regard education as a key enabler to empower individuals. 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. Bursaries make up only one component of our skills development activities. A study assistance programme is offered to staff wanting to increase their skill and competency levels through tertiary educational institutions. Our apprenticeship programme affords people with low-level skills, unemployed people or school leavers the opportunity to enroll in a technical training course to become qualified to install tracking units in vehicles. We also participate in distance learning for our staff as an accredited trainer and certifier of staff for the Microsoft Office suite.

### Sustainable business

Business sustainability is a key thread running throughout our operations. The implementation of strong governance and risk management practices are essential to ensure our long-term sustainability.

Technology forms the backbone of our product offering and our brand, and the identification and mitigation of risks related to our platforms therefore require additional prominence. We have established an information technology (IT) steering committee during the year and implemented an IT governance framework within which to manage this critical function.

The focus in 2018 will be to benchmark our governance practices against the additional requirements of the King IV Report on Corporate Governance for South Africa, 2016 (King IV), and make any adjustments that may be necessary to ensure compliance.

### Appreciation

We thank our employees, customers and investors for their support during the year. Success is not possible without the hard work and dedication of our employees, and we express our gratitude for their energy and loyalty. We also acknowledge the valuable input and guidance of our board members and thank our shareholders for their continued support and faith in Cartrack.

### Outlook

The telematics industry is experiencing an explosion of expansion opportunities through significant and growing applications, not only in vehicles, but also the tracking of other assets and mobile technology. We play a very active part in this evolution, to remain at the forefront of the technological changes and the services on offer and to fully participate in the opportunities that this dynamic industry brings.

We have a substantial active subscriber base; a significant addressable market with a strong appetite for our types of services; an award-winning technology platform; and a brand that is growing in stature and reputation. Sales are increasing significantly, and our order book is filled to capacity. We are confident that our increased investment in capacity and R&D will position Cartrack for continued strong growth over the medium term.

Despite the global economic and foreign exchange headwinds, we expect to continue to see good growth, albeit at a slower pace in our African-Other operations, should the current economic climate in this region persist. Opportunities in Europe remain and are being actively pursued. We expect continued growth in South Africa despite the relatively high market penetration. In Asia, we foresee good growth albeit coming off a low base. Overall, we are planning to deliver growth in performance consistent with or better than that achieved in 2016.

In January 2017, Cartrack accompanied six classic Minis on a journey of about 2 500 kilometres from Lisbon to Monte-Carlo to celebrate the 50th anniversary of the Mini's third victory on Rallye Monte-Carlo.

The **Minis to Monte 2017** initiative recreated the race between Lisbon and Monte in honour of Rauno Aaltonen and Henry Liddon, the pilots who won the Monte-Carlo Rally in 1967 aboard a Mini Morris Mini Cooper S Works, number 177 in the race – an outcome that is still disputed today!

The entire route was monitored by geolocation devices installed by Cartrack in six classic Minis, one of which is a replica of the 1967 Mini race winner.



# BUSINESS OVERVIEW

Cartrack operates in developed and emerging markets across five continents. The telematics industry is growing strongly globally. Industry penetration is relatively low in all markets. The application of telematics data continues to find traction in a broader range of asset classes and industries.

The group's global subscriber base grew from 502 849 to 600 610 subscribers, representing 19% growth year on year. Asia-Pacific and Europe contributed strongly, with 225% and 26% subscriber growth respectively. The South African subscriber base increased by a robust 17%. However, with the challenging economic environment encountered in the rest of Africa, the Africa-Other subscriber base decreased by 2% year on year. The group achieved subscription revenue growth of 16%, taking annuity income up to 86% of total revenue (2016: 84%). The current estimate of subscriber life cycle in the group is 64 months (2016: 60 months).

Requirements are different depending on the region. In the USA, the focus is primarily on hours of service and tracking; in Europe, the main focus is on driver safety and tracking; and in developing countries, focus is on vehicle theft. Stolen Vehicle Recovery (SVR) is a service which is of considerable value to private and commercial vehicle owners and insurers in crime-ridden countries, a feature that is prevalent in most developing regions. Cartrack's Fleet Management (Fleet) subscribers grew by 83 582 while SVR subscribers grew by 7 712. Most Fleet subscribers in South Africa and the Africa-Other segment elect to include the SVR technology bundled with the Cartrack Fleet services. The bundling of SVR and Fleet services is essential in high-crime territories.

This growth is very much in accordance with the global market growth predictions and the trend is expected to continue as telematics continues to provide both commercial and individual consumers with additional mobile connectivity solutions that add value to people's lives through cost savings, safety, convenience and other job and/or life-enhancing features.

Cartrack's Insurance Telematics database continues to grow in volume and granularity. New revenue streams utilising this database are being researched. Together with expansion into other vertically aligned revenue streams, including value-added services, these additional opportunities will contribute to further revenue and profit growth in the short to medium term.

New international businesses were started as greenfields operations in the USA and New Zealand. The group also continued its focus on establishing the new operations in

Asia. Cartrack has been investing heavily in operating capacity, aimed at future revenue growth, and this trend is set to continue and accelerate in the next financial year. Investment will also be made in research, software development and data analytics to extend and enhance our service offerings to our customers. Cartrack will continue to position itself as a strong technology partner for businesses requiring actionable data. The focus on hardware and software design, functionality and application, as well as new market development, will position Cartrack for continued growth in the future.

Further consolidation within the global telematics industry is evident from the number of mergers and acquisitions being reported. Cartrack will remain vigilant to such industry developments. Opportunities that may arise to provide economies of scale as well as improved subscriber value will be considered on their merits.

## Geographical performance

### South Africa

The South Africa segment has continued to produce strong results. The investment in the previous financial year in distribution capacity has resulted in record sales for the year and a consequent subscriber growth of 17%. The market for telematics and SVR has shown both resilience and signs of increased demand. Cartrack has been able to increase its penetration through certain channels to market and fully meet its sales growth expectations.

Revenue grew by 15% to R861 million, reflecting a 2% reduction in average revenue per unit (ARPU) to R1 801 (2016: R1 840). This marginally lower ARPU is attributable to an increased weighting of sales through somewhat lower-priced channels and the application of new business models for customer acquisition.

Profit margins remain largely protected by the growing subscriber base and strong annuity-based revenue, combined with a lower increase in operating cost structures. Operating expenses were closely managed, while maintaining the requisite high service quality standards, resulting in an increase of only 8% year on year. As a result, operating profit grew by 13%. Gross profit margin decreased by two basis points to 79%, but remains high, largely because of the vertically integrated business model which generates a margin by 'owning' the full cycle of operational activities from production through to fitment, service and SVR. The operating profit margin for the segment was 36%, while EBITDA increased by 18%.

Cartrack continues to believe that there remains considerable untapped depth to the telematics market, particularly in the lower vehicle value SVR and the small to

medium-sized enterprise (SME) Fleet markets and related services. A recently published research report (reference: *Berg Insight: Fleet Management in South Africa*) estimates that the market penetration on the population of non-privately owned fleet vehicles used by businesses was 24% in 2016. The Fleet base now exceeds the pure SVR base by 34%.

Subscribers continue to move towards Fleet products bundled with SVR, as opposed to pure SVR products, as their understanding of the benefits of diverse telematics data increases. However, SVR remains a critical service given the increasing incidence of theft evidenced on the Cartrack base over the past year. The vast telematics data accumulated to date is an inherently valuable asset for analytical and marketing purposes, and represents a significant future revenue opportunity.

In South Africa, Cartrack's collaborative alliance of 10 years with MAN Truck and Bus in South Africa (MBT-SA) for the on-production-line installation of units was strengthened with the release of the MBT-SA customised telematics solution, available to all MBT-SA clients.

### Africa-Other

Economic and fiscal challenges have been particularly severe in Africa, compounded by a material weakening in local currencies. The consequences thereof are reflected in the Africa-Other (Africa excluding South Africa) segment, which has impacted the group. Despite these challenges, the Africa-Other segment remains operationally sound, highly profitable and cash generative in local currency terms. However, significant currency fluctuations have had a severe impact on consolidated results reported in rand.

Revenue decreased by 22%, mostly because of local currencies depreciating significantly against the South African rand. The subscriber base decreased by 2%, ascribed primarily to economic hardship. Operating profit has reduced by 30% year on year, substantially because of foreign exchange volatility and a flat subscriber base. Doubtful debt provisions have been increased in light of the trading difficulties currently experienced. However, the operating profit margin is at 37% (2016: 41%, or 37% excluding the operating foreign exchange gains realised), currently the highest in the group. Despite the downturn, all subsidiaries within the segment remain operationally sound, mostly highly profitable in local currency terms, and well-positioned for an economic turnaround. Management focus

remains firmly placed on controlling costs, improving collection effectiveness, and driving sales and customer retention.

The trading environment in the Africa-Other segment is likely to remain challenging in the medium term. Market research and forecasts do, however, indicate that the long-term outlook for a turnaround remains positive. At this time, Cartrack remains confident that the trading environment remains conducive to maintaining a strong presence in this region, for all subsidiaries to remain profitable in the foreseeable future, and to have a sound infrastructure for the next economic growth cycle. The Africa-Other segment plays an important role in the high recovery rate of stolen vehicles in South Africa and vice versa.

### Europe

The region has tough competition and is experiencing some market consolidation. These results bear testament to Cartrack's strong telematics value proposition and can be attributed largely to the investment in distribution capacity in the region during this financial year.

Currency movements on consolidation, investment in operating and distribution capacity, and depreciation of rental acquisition costs had a significant impact on the segment results, causing a 19% decrease in operating profit. On an EBITDA basis, however, an increase of 21% year on year is reflected, given that depreciation on the high level of capitalised rentals was a significant factor. Currently, the European operations sell primarily rental contracts, resulting in an increase in the capitalisation of hardware and acquisition costs, and the subsequent amortisation thereof over the contract period.

The European market is becoming more discerning in its search for value from telematics, while embracing technological development. This, together with ever-increasing regulatory requirements, contribute positively to Cartrack's product development pipeline, which also benefits countries outside of Europe in a meaningful way.

### Asia-Pacific and Middle East

This segment performed particularly well despite the negative impact of the strengthening rand in 2017. Revenue grew by 147% largely due to a 225% growth in subscribers and the signing of several significant partnerships. ARPU for the region decreased by 8% to R3 032 (2016: R3 309) primarily because of a more diversified service offering and customer base.

# BUSINESS OVERVIEW (continued)

Operating expenses increased by 44% because of the continued investment in distribution and operating capacity as the individual start-up entities within this segment gain traction. This investment will continue across all entities in line with a structured and cautious development plan employed in the region, where Singapore acts as a local executive and strategic office that drives and manages the operations based on group best practice.

Overall, this segment showed its first consolidated profit before tax. The profitability was largely driven by the Singapore operation, which contributed preconsolidation profit before tax of R16 million in its third year of operation.

The results continue to be in line with the investment case for this region and prove, again, that greenfield operations require approximately three years to become profitable.

Asia-Pacific also continues to be a key strategic segment from a product development perspective. For example, the rapid change from 2G towards 3G and 4G data communication within the region has driven the development of our hardware to benefit Europe and the USA. In Indonesia, Cartrack has developed technology locally for the transport industry. The company has fitted buses with telematics units that relay real-time information to consumers about bus schedules and delays. The Singapore hub also tests Cartrack's ability to operate in countries with exceptionally high cost structures.

In addition to natural demand for Cartrack's services, customers in this region are subject to continuing stringent regulatory development. This results in a particularly large and growing market that presents many opportunities for strong revenue growth, on which Cartrack aims to capitalise.

## United States of America (USA)

Cartrack has recently established an operational base in California and, to date, it has incurred start-up and initial operating costs of R4 million. In-field testing of the hardware and related software functionality on a new upgraded platform commenced in the second half of 2017. Cartrack's strong product offering, combined with competitive pricing and a developing distribution and operating infrastructure, will provide the platform for market penetration in 2018.

Despite being one of the most advanced economies in the world, telematics penetration in the USA is relatively low, in a range between 15% and 30%. The Federal Highway Traffic Safety Administration recently determined that commercial vehicles must have electronic devices capable of recording service hours. Commercial vehicles must meet the new rule by December 2017, and Cartrack estimates that about 3 million vehicles will implement the changes over the next 18 months.

Gartner believes that the use of commercial fleet management or telematics systems in North America is expected to increase at a 15% compound annual growth rate over the next four years, as trucking regulations tighten in the USA. There were 7 million vehicles with these solutions installed in 2016. By 2020, that number is expected to double to 14 million.

The focus of this operation will be primarily on Fleet, combining all key metrics for electronic driver logging devices required by law to be installed in long haul vehicles in the USA. The USA is a demanding market with healthy competition. Cartrack USA will receive much support and investment in operating capacity over the next 18 months. Subscriber growth is expected to be gradual as the brand is established in that market. However, Cartrack is confident that its value proposition will be quickly accepted resulting in positive operating margin contribution in the medium term.

*“If the driver is off route, Cartrack’s platform allows us to reposition the vehicle, with more safety, on the planned route without wasting time for the vehicle and the client.”*

## Manuel Roque, traffic manager of Transportes Gama



### CARTRACK HELPS TRANSPORT GAMA TO CREATE A CLOSE RELATIONSHIP WITH CUSTOMERS

“You just look at the fleet of Transportes Gama located in Seixal, on the city of Lisbon’s outskirts, to realise that this is a transportation company with special characteristics.

In the year in which we celebrate 70 years of activity, we have tried to understand what makes this family company different. The size of the fleet is around 200 cars, that are divided between the Seixal and Overinstallations.

They depart from here to various destinations in the country and also abroad, making practically the whole Europe.”

#### What solution was found?

“Four years ago, Transportes Gama chose to hire Cartrack’s services. The main goal was to determine the exact location of each vehicle and get the most out of each planned route. And, through Cartrack’s services, it is possible not only to plan but also optimise the itineraries, saving time and fuel.

If the driver is off route, Cartrack’s platform allows us to reposition the vehicle, with more safety, on the planned route with out wasting time for the vehicle and the client” explains Manuel Roque, traffic manager of Transportes Gama.

This way, the relationship with customers improves. “With reliable data we create a transparent relationship with the customer” adds Manuel Roque. Geolocation also allows the safety of the vehicles. In the case of Transportes Gama, that was how they managed to recover two stolen vehicles quickly.

#### What did they need?

For a company of this profile, specialised in, steel material, there are always a lot of ‘cares’ to have and each detail counts, nothing can be overlooked. Those cares have to be doubled when we pass the borders.

“The company invests a lot in the individual formation of the drivers, in their driving skills and also the safety of the material that is being transported” says Luís Gama, the administrator with the responsibility of the transportation area of the group. The group also has business in real estate area and construction, vehicle repairs, storage and distribution.

In addition, the quality demands when it comes to the client, mainly in large distances, required a service of great proximity and rigorous follow-up of each vehicle.

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# FINANCIAL REVIEW

Cartrack produced resilient results with double-digit subscriber, revenue and normalised earnings per share (NEPS)<sup>1</sup> growth amidst investment in operating and distribution capacity, tough economic conditions in the Africa-Other segment and the negative impact of exchange rate fluctuations. The group maintains a strong balance sheet position with industry-leading return on assets and return on equity which form the foundation for future growth and performance.

## Group performance review

Cartrack's operations have delivered strong NEPS results, particularly in the second half of FY17. Operating metrics remain among the highest in the industry, with a gross profit margin of 80% (FY16: 81%), operating profit margin of 32% (FY16: 34%) and EBITDA margin of 46% (FY16: 46%).

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

- exchange rate fluctuations which resulted in lower consolidated revenue and profit;
- severe economic challenges within the Africa-Other segment which contributed to a reduction in sales volumes and profitability;
- significant investment in the distribution and operating capacity in all segments; and
- planned start-up costs for establishing the USA operation.

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

The group achieved subscription revenue growth of 16%, taking annuity income up to 86% of total revenue (FY16: 84%). The current estimate of subscriber lifecycle in the group is 64 months (FY16: 60 months). Total revenue grew by 13% to R1 141 million (FY16: R1 005 million), with all operating segments contributing positively in local currency terms. Average revenue per unit (ARPU) decreased by 4% to R1 854 (FY16: R1 927) largely as a result of a stronger

rand resulting in lower consolidated revenue from non-South African operations. Had the exchange rates within the group remained unchanged, ARPU would have decreased by only 2% to R1 896.

Gross profit was impacted by higher rand-based component cost year-on-year. Cartrack's procurement cycle precedes the production and sales cycles and, as a consequence, component purchases in US dollar were concluded during a period of severe rand weakness. Had the exchange rate remained unchanged year-on-year, FY17 cost of sales would have been reflected as a total of R216 million, being 5% lower than the actual FY17 figure.

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

NEPS increased by double digits in line with management's expectation to 85 cents (FY16: 75 cents). Earnings per share (EPS) and headline earnings per share (HEPS) increased by 8% and 6% to 86 cents (FY16: 80 cents) and 85 cents (FY16: 81 cents) respectively. Return on equity of 55% (FY16: 62%) and return on assets of 35% (FY16: 42%) are also in line within management's expectations.

Dividends totalling 55 cents per share were declared for the year ended 28 February 2017.

Cartrack's telematics database continues to grow in volume and granularity. New revenue streams utilising this database are being researched. Together with expansion into other vertically aligned revenue streams, including value added

<sup>1</sup> The presentation of normalised earnings per share is not an IFRS or JSE requirement. Management presents this measure as a supplementary performance measure. Normalised earnings represents headline earnings plus/(less) any other unusual non-recurring and non-operating items not already taken into account in headline earnings. HEPS was adjusted by net non-operating foreign exchange gain of R2,6 million (FY16: R15,7 million) in determining NEPS.

**John Edmeston**  
Global chief financial  
officer and deputy  
global CEO



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services, these additional opportunities will contribute to further revenue and profit growth in the short- to medium term.

### Impact of foreign exchange rate changes on financial performance<sup>1</sup>

The consolidated group results have been negatively impacted by considerable exchange rate fluctuations in Cartrack's operating currencies. On the assumption of a constant currency basis, revenue would have been R25 million higher, while cost of sales would have been R12 million lower than the reported FY17 amounts. However, operating expenditure would have increased by R10 million. Operating profit would have increased by R27 million compared to the reported FY17 amount. Consequently, year-on-year, revenue would have increased by 16%, while operating profit would have increased by 15%. Adjusted NEPS would have increased

significantly to 92 cents, or by 22% year on year with HEPS growing by 15%. The segment impact is shown in the segment report included in the audited abridged financial statements.

### Segment performance

#### South Africa

The South African segment has continued to produce strong results. The FY16 investment in distribution capacity resulted in record sales for the year, as well as a consequent subscriber growth of 17%. The market for telematics and stolen vehicle recovery has shown both resilience and signs of increased demand. Cartrack has been able to increase its penetration through certain channels to market and fully meet its sales growth expectations. Revenue grew by 15% to R861 million, reflecting a 2% reduction in ARPU to R1 801 (FY16: R1 840). This marginally lower ARPU is attributable to

<sup>1</sup> This pro forma information is the responsibility of the directors of Cartrack.

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

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

- 1. Components included in cost of sales are largely procured in US dollars. The impact of currency fluctuations on cost of sales for the year ended 28 February 2017 was recomputed by applying the average exchange rates applicable to the corresponding 29 February 2016 cost of sales, being those rates applicable at the dates of stock procurement. On this basis, the cost of sales for the year ended 28 February 2017 would have decreased by 5%.*
- 2. All other actual 28 February 2017 line items were recalculated at the average exchange rates applied for the period ended 29 February 2016.*

*An unmodified reasonable assurance report has been issued by the Company's auditors, Grant Thornton, in terms of ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Information in a Prospectus, and is available for inspection at the Company's registered office. The pro forma information has been compiled in terms of the JSE Listings Requirements, the Revised Guide on Pro Forma Information by SAICA and the accounting policies of the Group as at 28 February 2017.*



# FINANCIAL REVIEW

## (continued)

an increased weighting of sales through somewhat lower priced channels as well as the application of new business models for customer acquisition.

Profit margins remain largely protected by the growing subscriber base as well as strong annuity-based revenue, combined with a lower increase in operating cost structures as predicted for the second half of the year.

Operating expenses were closely managed, while maintaining the requisite high service quality standards, resulting in an increase of only 8% year on year. As a result, operating profit grew by 13%. Gross profit margin decreased by 2 basis points to 79%, but remains high, largely as a result of the vertically integrated business model which generates a margin by 'owning' the full cycle of operational activities from production through to fitment, service and vehicle recovery. The operating profit margin for the segment was 36%, while EBITDA increased by 18%.

### Africa-Other

The continent continues to experience significant economic challenges. Corporates and individuals are experiencing cash flow constraints as a result of poor economic performance and severe currency devaluations amongst other factors. The significant deterioration in local currencies severely impacted on consolidated results reported in rand.

While management planned conservatively against these headwinds, the reality has been an underperformance against expectations. Revenue decreased by 22%, mostly as a result of local currencies depreciating significantly against the rand. The subscriber base decreased by 2%, ascribed primarily to economic hardship.

Operating profit has reduced by 30% year on year, substantially as a result of foreign exchange volatility and a flat subscriber base. Doubtful debt provisions have been increased in the light of the current trading difficulties. However, Africa-Other's operating profit margin at 37% (FY16: 41%, or 37% excluding the operating foreign exchange gains realised) is currently the highest in the group. Despite the downturn, all subsidiaries within the segment remain operationally sound, mostly highly profitable in local currency terms and well positioned for an economic turnaround. Management focus remains firmly placed on controlling costs, improving collection effectiveness and driving sales and customer retention.

The trading environment in the Africa-Other segment is likely to remain challenging in the medium-term. Market

research and forecasts do, however, indicate that the long-term outlook for a turnaround remains positive. At this time, Cartrack remains confident that the trading environment remains conducive to maintaining a strong presence in this region, the operations will remain profitable in the foreseeable future and that maintaining a sound infrastructure for the next economic growth cycle is appropriate. The Africa-Other segment plays an important role in the high recovery rate of stolen vehicles in South Africa and vice versa.

### Europe

The European segment showed solid subscriber growth of 26% and revenue growth of 14% in rand terms. Competition is tough in the region and some market consolidation is evident. These results bear testament to Cartrack's strong telematics value proposition and can be attributed largely to the investment in distribution capacity in the region during this financial year.

Currency movements on consolidation, investment in operating and distribution capacity, and depreciation of rental acquisition costs had a significant impact on the segment results, causing a 19% decrease in operating profit. However, on an EBITDA basis, a year-on-year increase of 21% is reflected, given that depreciation on the high level of capitalised rentals was a significant factor. Currently, the European operations sell primarily rental contracts resulting in an increase of the capitalisation of hardware and acquisition cost, and the subsequent amortisation thereof over the contract period.

The European market is becoming more discerning in its search for value from telematics, while embracing technological development. This, together with ever-increasing regulatory requirements, contributes positively to Cartrack's product development pipeline which also benefits countries outside of Europe in a meaningful way.

### Asia-Pacific and Middle East

This segment performed particularly well despite the negative impact of the strengthening rand in FY17. Revenue grew by 147% largely due to a 225% growth in subscribers. ARPU for the region decreased by 8% to R3 032 (FY16: R3 309) primarily as a result of a more diversified service offering and customer base.

Operating expenses increased by 44% as a result of the continued investment in distribution and operating capacity as the individual start-up entities within this segment gain traction. This investment will continue across all entities in line with a structured and cautious development plan employed in the region, where Singapore acts as a local

executive and strategic office that drives and manages the operations based on group best practice.

Overall, this segment showed its first consolidated profit before tax. The profitability was largely driven by the Singapore operation which contributed pre-consolidation profit before tax of R16 million in its third year of operation.

The results continue to be in line with the investment case for this region and again evidence that greenfield operations require approximately three years to become profitable.

### United States of America (USA)

Cartrack established an operational base in California and, to date, it has incurred start-up and initial operating costs of R4 million. In-field testing of the hardware and related software functionality on a new upgraded platform commenced in H2 17. Cartrack's strong product offering, combined with competitive pricing and a developing distribution and operating infrastructure, will result in market penetration in FY18.

### Managing our balance sheet

Working capital allocation and cash generation are key business objectives for the group.

Inventory balances, specifically components required for the FY18 production cycle, increased significantly year on year mainly due to increasing of lead times by suppliers. Production has been planned to meet growth targets while ensuring that sufficient buffer stock remains available to provide for adequate lead-times associated with global distribution and unforeseen component shortages or obsolescence. As a result, inventory days have increased from 173 days to 197 days year on year.

Current and quick ratios have decreased to 1.1 (2016: 1.4) and 0.7 (2016: 0.9) respectively. This is primarily as a result of a concerted and continued investment in distribution capacity in Europe, Asia-Pacific and the USA, as well as increased inventory balances.

Debtors' days (after provision for bad debts) have improved from 33 days to 31 days year on year. This is a key metric indicating operational effectiveness and a strong focus on credit management, improved collections processes and prudent provisioning practices that will be maintained.

Notwithstanding the significant and continuing investment in distribution and operating capacity within the group (which will require cash resources in FY18), and despite minor short-term borrowings, Cartrack remains highly cash generative with a strong and positive cash flow forecast for the foreseeable future.

Overall, the FY17 results represent a strong foundation for future growth. The investment in operating capacity across the operating base, along with a strong investment in data analytic capacity and further use of IT platforms will result in continued growth for the foreseeable future.

# CONDENSED ANNUAL FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 28 February 2017

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

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

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

as at 28 February 2017

Figures in rand thousand	Notes	2017	2016
Revenue	5	1 140 989	1 005 481
Cost of sales		(228 598)	(186 749)
<b>Gross profit</b>		<b>912 391</b>	818 732
Other income*		6 796	6 062
Operating expenses*	6	(550 356)	(479 988)
<b>Operating profit</b>		<b>368 831</b>	344 806
Investment revenue		3 962	6 256
Finance costs		(5 775)	(4 463)
Net non-operating foreign exchange gain		2 607	15 667
<b>Profit before taxation</b>		<b>369 625</b>	362 266
Taxation		(105 451)	(102 779)
<b>Profit for the year</b>		<b>264 174</b>	259 487
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items that may be reclassified to profit or loss in future periods:</b>			
Exchange differences on translating foreign operations		(85 716)	3 399
<b>Other comprehensive income for the year net of taxation</b>		<b>(85 716)</b>	3 399
<b>Total comprehensive income for the year</b>		<b>178 458</b>	262 886
<b>Profit attributable to:</b>			
Owners of the parent		256 895	239 674
Non-controlling interest		7 279	19 813
		<b>264 174</b>	259 487
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		173 925	245 842
Non-controlling interest		4 533	17 044
		<b>178 458</b>	262 886
<b>EARNINGS PER SHARE</b>			
<b>Per share information</b>			
Basic earnings per share (cents)	8.1	86	80

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

# CONDENSED ANNUAL FINANCIAL STATEMENTS

## (continued)

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 28 February 2017

Figures in rand thousand	Share capital	Foreign currency translation reserve	Treasury shares
<b>Balance at 01 March 2015</b>	42 488	32 251	–
Profit for the year	–	–	–
Other comprehensive income	–	6 168	–
<b>Total comprehensive income for the year</b>	–	6 168	–
Treasury shares acquired for Share Incentive Scheme	–	–	(12 105)
Dividends	–	–	–
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	–	–	(12 105)
<b>Balance at 01 March 2016</b>	42 488	38 419	(12 105)
Profit for the year	–	–	–
Other comprehensive income	–	(82 970)	–
<b>Total comprehensive income for the year</b>	–	(82 970)	–
Dividends	–	–	–
Increase in holding of subsidiary – Cartrack North East Pty Ltd	–	–	–
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>Balance at 28 February 2017</b>	<b>42 488</b>	<b>(44 551)</b>	<b>(12 105)</b>

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Total reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
32 251	285 632	360 371	13 391	373 762
–	239 674	239 674	19 813	259 487
6 168	–	6 168	(2 769)	3 399
6 168	239 674	245 842	17 044	262 886
(12 105)	–	(12 105)	–	(12 105)
–	(150 000)	(150 000)	(14 048)	(164 048)
(12 105)	(150 000)	(162 105)	(14 048)	(176 153)
26 314	375 306	444 108	16 387	460 495
–	256 895	256 895	7 279	264 174
(82 970)	–	(82 970)	(2 746)	(85 716)
(82 970)	256 895	173 925	4 533	178 458
–	(164 321)	(164 321)	(5 446)	(169 767)
–	(6 135)	(6 135)	(865)	(7 000)
–	–	–	(409)	(409)
–	(170 456)	(170 456)	(6 720)	(177 176)
(56 656)	461 745	447 577	14 200	461 777

# CONDENSED ANNUAL FINANCIAL STATEMENTS (continued)

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 28 February 2017

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



## ACCOUNTING POLICIES

### 1. Presentation of group financial statements

#### *Reporting entity*

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

#### *Statement of compliance*

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

#### *Basis of measurement*

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

#### *Functional and presentation currency*

These abridged audited 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 abridged audited 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 FINANCIAL STATEMENTS

## (continued)

### NOTES TO THE CONSOLIDATED ANNUAL 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 annual financial statements.

Segment report – 28 February 2017	South Africa	Africa – Other	Europe	Asia-Pacific and Middle East	USA	Total
Revenue	861 455	108 610	102 745	68 167	12	1 140 989
Cost of sales	(182 112)	(15 288)	(18 152)	(13 046)	–	(228 598)
Gross profit	679 343	93 322	84 593	55 121	12	912 391
Other income	2 846	516	2 827	607	–	6 796
Net operating foreign exchange (loss)/gain*	(4 003)	603	1 689	76	–	(1 635)
Operating expenses*	(364 913)	(54 697)	(69 510)	(55 341)	(4 260)	(548 721)
Operating profit	313 273	39 744	19 599	463	(4 248)	368 831
Financing cost	(5 462)	(67)	(230)	(16)	–	(5 775)
Financing revenue	1 804	2 157	–	1	–	3 962
Net non-operating foreign exchange 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
<b>Equity</b>						<b>461 777</b>

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

\* Net operating foreign exchange gain/(loss) is disclosed as part of operating expenses in note 6.

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

Figures in rand thousand

	2017	2016
<b>4. Trade and other receivables</b>		
Trade receivables	157 284	126 272
Allowance for impairment of trade receivables	(33 898)	(19 509)
	<b>123 386</b>	106 763
Prepayments	16 131	12 031
Deposits	2 033	4 616
Sundry debtors	5 846	3 512
Value added taxation receivable	4 042	1 733
	<b>151 438</b>	128 655

#### Credit quality of trade and other receivables

The credit quality of trade and other receivables can be assessed by reference to historical information. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, legal handover, financial re-organisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

Figures in rand thousand	2017	2016
<b>Trade receivables not provided for</b>		
The ageing of amounts not provided for is as follows:		
Not past due	73 036	58 991
1 month past due	17 746	15 719
2 months past due	14 563	11 412
3 months past due	18 041	20 641
	<b>123 386</b>	106 763

# CONDENSED ANNUAL FINANCIAL STATEMENTS

## (continued)

### NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

Figures in rand thousand	2017	2016
<b>4. Trade and other receivables (continued)</b>		
<b>Reconciliation of allowance for impairment of trade and other receivables</b>		
Opening balance	(19 509)	(6 649)
Increase in allowance for impairment	(45 728)	(39 071)
Amounts utilised	31 339	26 211
	(33 898)	(19 509)
<b>5. Revenue</b>		
Sale of hardware	144 008	147 360
Subscription revenue	980 017	842 095
Sundry sales	16 964	16 026
	1 140 989	1 005 481
<b>6. Operating expenses</b>		
Depreciation in operating expenses	71 794	48 286
Employee costs	270 312	254 639
Lease rentals on operating lease	25 504	23 068
Motor vehicle expenses	34 995	34 251
Net operating foreign exchange loss/(gain)	1 635	(11 332)
Other operating expenses	66 190	93 290
Research and development	79 926	37 786
	550 356	479 988
<b>7. Financial instruments – Fair values and risk management</b>		
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. Finance lease agreements are variable rate instruments which mature over a period of approximately 60 months. We estimate 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 thousand		2017	2016
<b>8. Basic earnings per share</b>			
8.1. <i>Basic earnings per share</i>			
<b>Basic earnings per share</b>			
Basic earnings per share (cents)		86	80
<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)	(51)
		298 766	299 949
<b>Basic earnings</b>			
Profit attributable to ordinary shareholders		256 895	239 674
8.2. <i>Headline earnings per share</i>			
Headline earnings per share (cents)		85	81
<b>Reconciliation between basic earnings and headline earnings</b>			
Basic earnings		256 895	239 674
<b>Adjusted for:</b>			
Reversal of bargain purchase		–	3 279
Gain on disposal of assets net of tax		(1 610)	(1 019)
		255 285	241 934
8.3. <i>Normalised earnings per share</i>			
Normalised earnings per share (cents)		85	75
<b>Reconciliation between headline earnings and normalised earnings</b>			
Headline earnings		255 285	241 934
Net non-operating foreign exchange gain		(2 607)	(15 667)
		252 678	226 267

# CONDENSED ANNUAL FINANCIAL STATEMENTS

## (continued)

### NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

Figures in rand thousand	South Africa	Africa-Other
<b>9. Supplementary information</b>		
<b>Constant currency segment report<sup>1</sup></b>		
Revenue	861 455	140 699
Cost of sales	(173 222)	(10 480)
Gross profit	688 233	130 219
Other income	2 846	579
Net operating foreign exchange gain/(loss)	(4 003)	405
Operating expenses	(364 913)	(68 580)
Operating profit	322 163	62 623
Financing cost	(5 462)	(67)
Financing revenue	1 804	3 322
Net non-operating foreign exchange gain	2 607	–
Profit before taxation	321 112	65 878

<sup>1</sup> This pro forma information is the responsibility of the directors of Cartrack.

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

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

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



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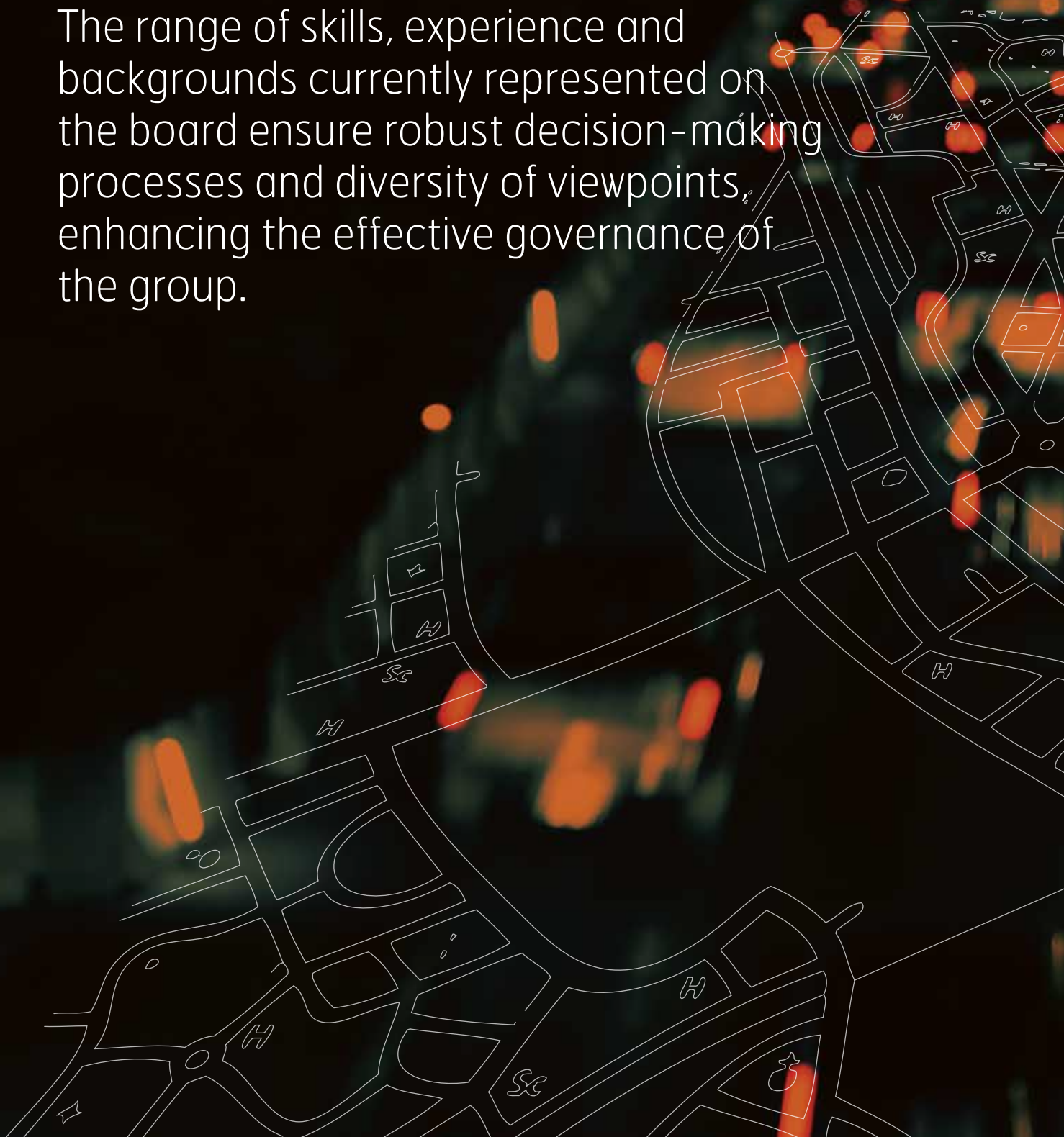
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Europe	Asia-Pacific and Middle East	USA	Total 2017	Total 2016
98 975 (17 843)	64 650 (14 561)	12 —	1 165 790 (216 106)	1 005 481 (186 749)
81 132 2 716 1 601 (67 152)	50 089 576 73 (53 330)	12 — — (4 260)	949 685 6 717 (1 924) (558 235)	818 732 6 062 11 333 (491 321)
18 297 (220) — —	(2 592) (16) 1 —	(4 248) — — —	396 243 (5 765) 5 128 2 607	344 806 (4 463) 6 256 15 667
18 077	(2 607)	(4 248)	398 212	362 266

# LEADERSHIP AND GOVERNANCE

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.

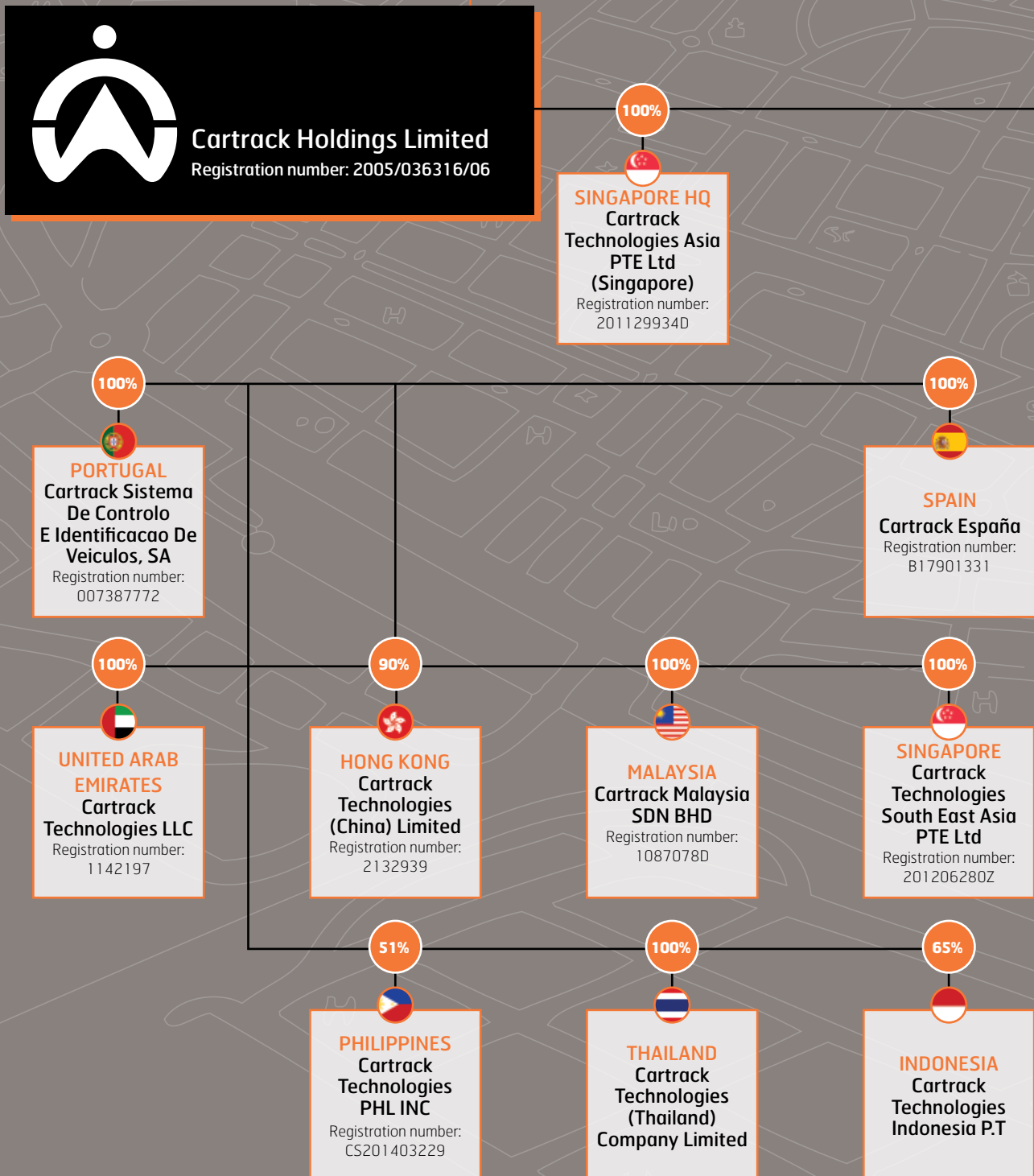


THE BOARD OPERATES  
IN ACCORDANCE WITH  
**APPROVED TERMS**  
OF REFERENCE THAT  
ARE REVIEWED ON AN  
**ANNUAL BASIS**

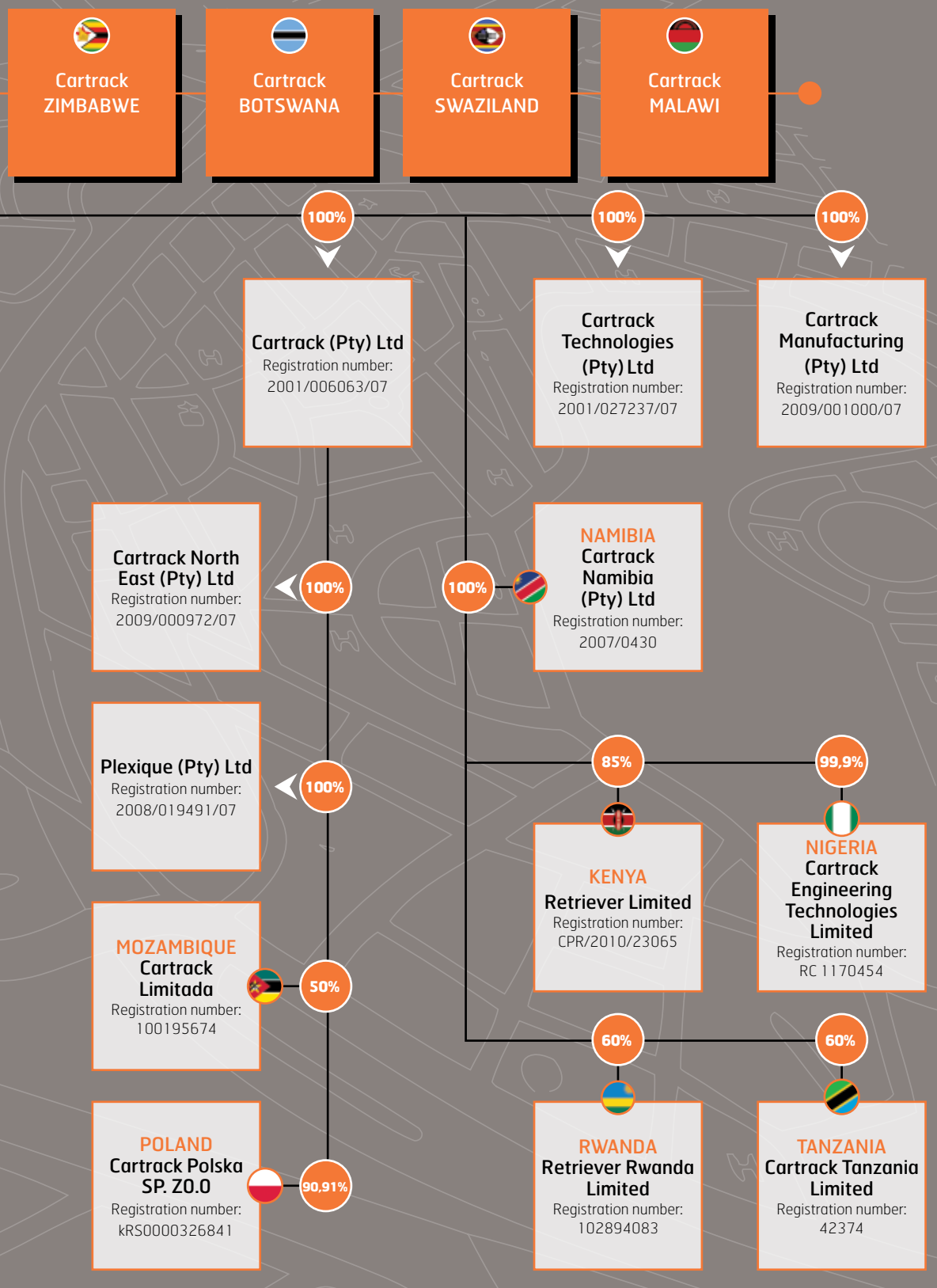
ALL NON-EXECUTIVE  
DIRECTORS, INCLUDING  
**THE CHAIRMAN,**  
ARE INDEPENDENT

# GROUP STRUCTURE

## Distributor/licence agreements







# BOARD OF DIRECTORS

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

## Isaias Jose Calisto (Zak) (50)

*Global chief executive officer (CEO)*

Appointed: 1 July 2008

Years of service as executive: 14

Zak is the founder of Cartrack and global CEO. Zak has an impressive entrepreneurial history with over 22 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 (63)

*Global chief financial officer and deputy global CEO*

Appointed: 2 July 2014

Years of service as executive: 9

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 (62)

*Independent chairman*

Appointed: 13 October 2014

Years of service: 2

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 (50)

*Independent non-executive director*

Appointed: 13 October 2014

Years of service: 2

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 (41)

*Independent non-executive director*

Appointed: 13 October 2014

Years of service: 2

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 (60)

*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.



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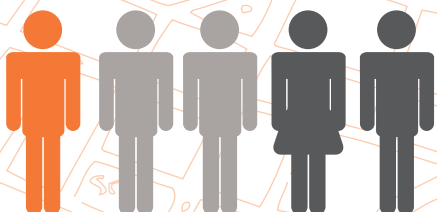
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### Board structure



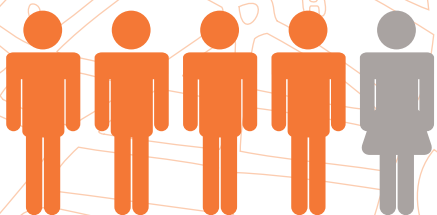
- Independent non-executive chairman
- Executives
- Non-executives

### Length of service on the board



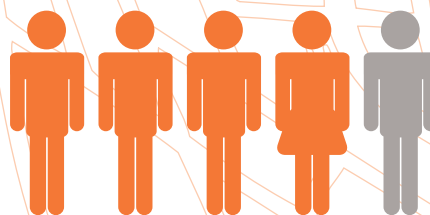
- 0-2 years
- 2-8 years

### Gender split



- Male
- Female

### Racial profile



- White
- Black

# CORPORATE GOVERNANCE

## Leadership and governance

### Commitment and approach

The board endorses the principles of the King III Report on Corporate Governance for South Africa, 2009 (King III) in both letter and spirit to ensure consistent practices throughout the group, providing effective leadership, integrity and judgement in directing the business of the company to create and maintain value.

The directors have proactively taken steps to ensure that the company is fully compliant with King III and the board continuously reviews and assesses the assimilation and entrenchment of governance best practices in the group. A full analysis of the steps taken by the company to comply with King III is available on the company's website ([www.cartrack.com/About Us/Corporate Governance](http://www.cartrack.com/About Us/Corporate Governance)).



The board will assess the recommended practices of the King IV Code to ensure mindful application that is appropriate for the company and sector in which it operates.

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. Directors, their associates and their investment managers are subject to restrictions in dealing in the company's securities. Any reference to 'directors' includes alternate directors, prescribed officers (as defined in the Companies Act) and the company secretary. To enable appropriate control of directors' dealings, the company has implemented a personal account dealing policy which contains the procedures to be followed before trading in the company's shares.

In accordance with the requirements of the Companies Act, the board continuously reviews the solvency and liquidity of the company and has delegated this function to the audit and risk committee, who includes it as a standard item on the agenda.

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 Companies Act.

### Responsibility

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 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.

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. There are five directors in total, three of whom are non-executive and two full-time salaried executive directors. The size of the board is appropriate given the nature and size of the business. In accordance with the provisions of section 3.84(k) of the JSE Listings Requirements, the company supports the principles and aims of gender diversity at board level and has adopted a board diversity policy. In order to enhance the board's diversity, including the representation of women on the board, the company is committed to, on an annual basis:

- considering the representation of women on the board;
- considering the representation of Black (as defined) directors on the board; and
- ensuring that the board is comprised of a good balance of skills, experience, knowledge, perspective and varied backgrounds.

The roles of the independent non-executive chairman and the chief executive officer (CEO) 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

*“The company supports the principles and aims of diversity at board level, including the number of women on the board.”*

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.

### Board appointments

Directors are appointed by the board in a formal and transparent manner. The nomination committee is required to annually review 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 CEO, 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. The employment contracts of the CEO and chief financial officer (CFO) are subject to a notice period of three months. 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 in which the company operates.

### Director independence

All non-executive directors, including the chairman, are independent in terms of the definition in King III and the guidelines outlined in the LR. The directors have a clear understanding of their fiduciary duties as directors of

Cartrack. The board will, at all times, 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.

### 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 evaluation of the CEO is distributed to all board members for consideration.

### 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. She is the secretary for all committees of the board and has unrestricted access to the CEO and the non-executive directors. The company secretary is responsible for, among other things:

- 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, CEO, CFO 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 King III, the company secretary is not a director of the group and is suitably independent of the board to be effective.

# CORPORATE GOVERNANCE

## (continued)

### 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	Two years and seven months (Appointed Oct 2014)	5/5	7/7	4/4	3/3
<b>AT Ikalafeng</b> Chairman of the remuneration committee	Independent non-executive	Two years and seven months (Appointed Oct 2014)	5/5	7/7	4/4	N/A
<b>K White</b> Chairperson of the audit and risk committee	Independent non-executive	Two years and seven months (Appointed Oct 2014)	5/5	7/7	4/4	N/A
<b>IJ Calisto</b> Global CEO	Executive	16 years and 10 months (Appointed July 2008)	5/5	7/7	2/4	N/A
<b>JR Edmeston</b> CFO Deputy Global CEO	Executive	Two years and 10 months (Appointed July 2014)	5/5	6/7	4/4	N/A

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### Certificate by company secretary in accordance with section 88(2)(e) of the Companies Act 2008

I, Annemè 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 2017, and that all such returns and notices submitted appear to be true, correct and up to date.

**A de Villiers**  
Group company secretary

### Committee composition, responsibilities and focus

#### Board\*

Membership	Summarised roles and responsibilities	Focus
<b>DJ Brown (chairman)</b> <b>AT Ikalafeng</b> <b>K White</b> <b>IJ Calisto</b> <b>JR Edmeston</b>	Acting as the custodian of corporate governance and ethics; and ensuring regulatory compliance	Governance
	Ensuring that long-term and short-term strategies are aligned with performance, risk and sustainability	Sustainability, growth and enhancement of investments in developed and emerging markets
<b>Meeting schedule: five times in 2017</b>	Responsible for the governance of risk and overseeing the implementation and regular monitoring thereof at management level	Risk management
	Approving the annual financial budget and capital expenditure; and ensuring the integrity of financial reporting and internal financial controls	Cash flow management and balance sheet optimisation
	Establishing a framework for the delegation of authority within the company and reviewing it on an annual basis	
	Performing annual evaluations of the board, its committees, the individual directors (non-executive and executive) and company secretary	Board diversification
	Ensuring communication to stakeholders is accurate and timely	



\* For the full terms of reference, refer to [www.cartrack.co.za/about-us/corporate-governance](http://www.cartrack.co.za/about-us/corporate-governance)

# CORPORATE GOVERNANCE

## (continued)

### Audit and risk committee\*

Membership	Summarised roles and responsibilities	Focus
K White (chairperson) DJ Brown AT Ikalafeng	Overseeing the external audit process and ensuring that the auditors are independent	Internal and external audit matters
Meeting schedule: seven times in 2017	Assessing the suitability of the CFO, and the adequacy of the resources and experience of the finance department	Financial and integrated reporting
	Reviewing the effectiveness of internal control systems	Risk management
	Reviewing the annual financial statements, interim reports and the integrated annual report	Financial sustainability
	Ensuring effective risk management and disclosure	Internal controls
	Ensuring compliance with relevant legislation and sound corporate governance principles	
	Overseeing the internal audit function	



\* For the full terms of reference, refer to [www.cartrack.co.za/about-us/corporate-governance](http://www.cartrack.co.za/about-us/corporate-governance)



\*\* Refer to page 4 of the annual financial statements for the audit and risk report

### Audit and risk 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, the members of the ARC are appointed by shareholders at the AGM.

The primary responsibilities of the ARC are to ensure the integrity of the financial reporting and audit processes, as well as that of the internal control system and risk management process. The complete terms of reference are available on [www.cartrack.co.za/about-us/corporate-governance](http://www.cartrack.co.za/about-us/corporate-governance).

#### Membership and meetings

Members: K White (chairperson), DJ Brown, AT Ikalafeng

The CEO and CFO attend the meetings by invitation, but do not vote. The internal and external auditors have unlimited access to the chairperson of the ARC. The ARC meets with the external auditors at least once a year without the presence of executive management.

#### Independent external audit

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

#### Internal audit

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



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### Annual reviews

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

### Annual financial statements

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

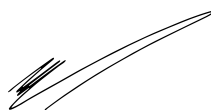
- confirmed the going concern as the basis of preparation of the annual financial statements;
- ensured that the annual financial statements fairly present the financial position of the group as at the end of the period and the results of operations and cash flows for the financial period;
- considered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

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

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

### 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 2017.



**K White**

*Chairperson: audit and risk committee*

# CORPORATE GOVERNANCE (continued)

## Social and ethics committee\*

Membership	Summarised roles and responsibilities	Focus
DJ Brown (chairman) JR Edmeston A Ittmann M van Reenen	Social and economic development, implementation of the Employment Equity Act	Employment equity
Meeting schedule: three times in 2017	Good corporate citizenship, promotion of equality, prevention of unfair discrimination, and reduction of corruption	Equality
	Business impact on the environment, health and public safety	Health and safety
	Consumer relationships, advertising, public relations and compliance with consumer protection laws	Consumer relationships
	Labour and employment	Ethics controls
	Ensuring compliance with relevant legislation and sound corporate governance principles	
	Management of ethics	



\* For the full terms of reference, refer to [www.cartrack.co.za/about-us/corporate-governance](http://www.cartrack.co.za/about-us/corporate-governance)

### 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 United Nations Global Compact and the Organisation for Economic Co-operation Development (OECD) recommendations regarding corruption.

An annual plan is reviewed and 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 and ethics committee concluded that it had achieved its objectives for the financial year.

**DJ Brown**

*Chairman: social and ethics committee*

The directors believe that effective corporate governance and good business ethics underscore the development of a sustainable business

### Remuneration and nominations committee\*

Membership	Summarised roles and responsibilities	Focus
<p><b>AT Ikalafeng (chairman)</b></p> <p><b>DJ Brown</b></p> <p><b>K White</b></p> <p><b>Meeting schedule: four times in 2017</b></p>	<p><b>Remuneration:</b></p> <ul style="list-style-type: none"> <li>• Disclosure of executive and non-executive directors' remuneration as well as that of prescribed officers</li> <li>• Reviewing and advising on the remuneration policy, payment of performance bonuses, director and executive director remuneration, and short, medium and long-term incentive schemes</li> <li>• Advising on employee retention, development and succession planning</li> <li>• Labour and employment</li> <li>• Ensuring compliance with relevant legislation and sound corporate governance principles</li> </ul>	<p>Retention</p> <p>Incentive scheme</p> <p>Succession</p> <p>Ethics controls</p>
	<p><b>Nominations:</b></p> <ul style="list-style-type: none"> <li>• Reviewing the board structure, size and composition, and split between executive and non-executive directors and independent directors to ensure a balance of power</li> <li>• Identification and nomination of new directors for approval by the board</li> <li>• Approving the classification of directors as independent</li> <li>• Overseeing the induction and training of directors and conducting annual performance reviews of the performance and effectiveness of the board and board committees</li> </ul>	<p>Board structure</p> <p>Induction</p> <p>Performance</p>



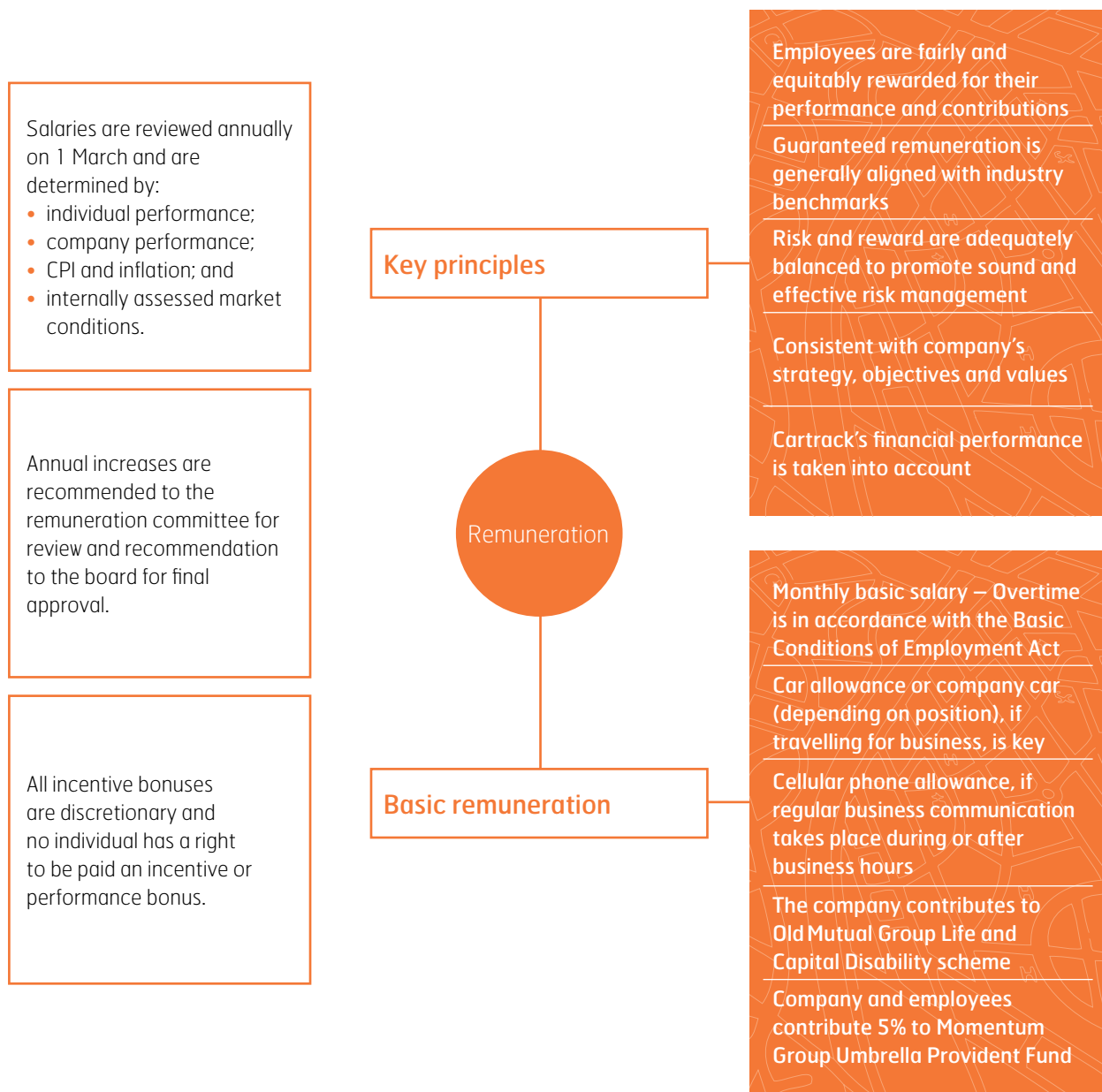
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# REMUNERATION REPORT

## 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.

## Key principles underpinning our approach to remuneration



## Incentive schemes

At present, Cartrack has six approved incentive schemes:

Approved incentive schemes

Non-guaranteed annual 13th cheque for all permanent staff, payable in December, based on both individual and company performance

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Incentives are payable for collections and performance on a monthly basis in the credit control and voice logging/customer services departments

---

Quarterly and annual incentives are payable to sales managers. These are based on the performance of their employees and reaching national sales targets

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Branch managers also qualify for incentives which are calculated annually and based on the performance of the branch and reaching various targets

---

Individual contractual bonuses are payable to the international CFO and the deputy global CEO in accordance with annual performance parameters approved by the board

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Executive incentive scheme

### Executive incentive scheme

This long-term incentive scheme, operating through a trust, affords 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 acquires ordinary Cartrack shares in the market once participants have been determined (trust shares) and creates a pool of units (the units), corresponding to the trust shares. Units are allocated to participants for no consideration and are subject to an incentive period and specific vesting criteria as determined by the board, which include achievement targets for the following categories:

- Basic earnings per share (EPS) for the group
- Number of tracking units on the system
- SVR rate

The first incentive period will mature on 1 March 2018. Within four months of each financial year-end, beneficiaries will receive an annual notification of the net value of the units allocated, as well as an indication of performance against the vesting criteria. After the expiry of the relevant incentive period, the trust shares that relate to the units may be disposed of and a cash payment made to the beneficiaries.

It is the company's intention to award more units from time to time, based on individual and group performance. At this stage, the board plans to consider further awards around the time that the current awards vest in 2018. Such additional awards could vest over an incentive period of two to three years, and will similarly be subject to specific vesting criteria.

# REMUNERATION REPORT

## (continued)

### Directors' and prescribed officers' remuneration

The total remuneration and benefits paid and payable to each director of the company for the year ended 28 February 2017 are set out below:

#### Directors' and prescribed officers' remuneration for the year ended 28 February 2017

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

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

#### Executive incentive scheme allocations

Director/prescribed officer	Units allocated	Allocation date	Maturity date	Vesting criteria
JR Edmeston	325 000	31 May 2016	1 Mar 2018	Basic EPS > 112 cents Units on system > 725 000 Recovery rate > 90%
A de Villiers	40 000	31 May 2016	1 Mar 2018	Basic EPS > 112 cents Units on system > 725 000 Recovery rate > 90%
C Sanderson	50 000	30 Dec 2015	1 Mar 2018	Basic EPS > 112 cents Units on system > 725 000 Recovery rate > 90%
RJ Schubert	150 000	30 Dec 2015	1 Mar 2018	Basic EPS > 112 cents Units on system > 725 000 Recovery rate > 90%



Other than as described, 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.

#### Proposed annual remuneration for non-executive directors for the year ending 28 February 2018

Director	Fees (R000)	Audit and risk committee (R000)	Remuneration and nomination committee (R000)	Social and ethics committee (R000)	Total (R000)
DJ Brown	718	175	71	111	1 075
AT Ikalafeng	320	175	111	–	606
K White	320	206	71	–	597
<b>Total</b>	<b>1 358</b>	<b>556</b>	<b>253</b>	<b>111</b>	<b>2 278</b>

#### Proposed total remuneration and benefits payable to each executive director for the year ending 28 February 2018

Executive directors	Salaries (R000)	Bonus (R000)	Travel allowance (R000)	Total (R000)
IJ Calisto	3 098	170	–	3 268
JR Edmeston	2 115	1 442	102	3 659
<b>Total</b>	<b>5 213</b>	<b>1 612</b>	<b>102</b>	<b>6 927</b>

#### Directors' interests

As at 28 February 2017 the directors, including their associates, held, directly or indirectly, the following number of Cartrack ordinary shares. There has been no change in the directors' interest between 28 February 2017 and 20 June 2017:

Director	2017		2016	
	Total indirect shareholding	Total percentage interest	Total indirect shareholding	Total percentage interest
IJ Calisto	203 980 424	68,0	203 980 424	68,0
J Marais (director of associated company)	36 019 576	12,0	36 019 576	12,0
<b>Total</b>	<b>240 000 000</b>	<b>80,0</b>	<b>240 000 000</b>	<b>80,0</b>

The remuneration committee concluded that it had achieved its objectives for the financial year.

**AT Ikalafeng**

Chairman: remuneration committee

# RISK MANAGEMENT

## Effective risk management is a strategic imperative

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 provides a foundation for the entrenchment of a risk management culture in every facet of the company.

Cartrack's risk management framework implements a bottom-up and top-down approach.

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 and regulatory risk. A dashboard of significant risks is compiled through the internal Risk Committee from identified risks. 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.

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

## 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

### 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

### 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

accountability, and established policies and procedures which are communicated throughout the group, and the careful selection, training and development of people. The company has established an independent internal audit function that 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 approved 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.

During the year, management established an information technology (IT) steering committee with the following key responsibilities:

- Strategically aligning IT and business
- Delivering value
- Measuring IT performance
- Managing risk
- Deploying IT resources
- Properly and effectively using IT within the business

The IT steering committee reports to the board through the audit and risk committee. An IT governance officer was also appointed. A strategic operating model and risk register were designed and presented to the board.

## TOP-OF-MIND RISKS

Risk ranking	Risk	Capital impacted	Risk rating	Mitigation	Residual risk rating
1	IT system failure due to service provider unavailability, impacting on Cartrack's ability to provide effective services	  		<ul style="list-style-type: none"> <li>• Redundancy links are in place</li> <li>• Service provider's business continuity and disaster recovery (DR) capabilities are periodically reviewed</li> </ul>	
2	Prolonged electricity failure/total blackout	  		<ul style="list-style-type: none"> <li>• Off-site DR site established</li> <li>• On-site generator, tested regularly</li> </ul>	
3	Key personnel risk, especially within the IT environment	  		<ul style="list-style-type: none"> <li>• Talent management, performance development and retention initiatives for key positions are in place, as is succession planning for top management and executives, which is monitored at board level</li> </ul>	
4	Non-compliance with legislation and industry regulation	   		<ul style="list-style-type: none"> <li>• Enforcing sound governance structures and monitoring compliance</li> </ul>	

Low      Medium

# DEFINITIONS

<b>“board” or “directors”</b>	the board of directors of the company, presently comprising the persons specified in the “board of directors” section commencing on page 68
<b>“business day”</b>	any day other than a Saturday, Sunday or official public holiday in South Africa
<b>“Cartrack” or “Cartrack Holdings” or “company” or “group”</b>	Cartrack Holdings Limited, a public company incorporated in South Africa under registration number 2005/036316/06, its subsidiaries and Cartrack Mozambique
<b>“cash conversion ratio”</b>	cash generated from operations divided by EBITDA
<b>“Companies Act”</b>	the Companies Act of South Africa, 71 of 2008, as amended and substituted from time to time
<b>“company secretary”</b>	the company secretary of the group
<b>“CSDP”</b>	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
<b>“data management”</b>	the collection, storage and analysis of telematics-related data
<b>“dematerialised shares”</b>	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
<b>“EBITDA”</b>	earnings before interest, tax, depreciation and amortisation
<b>“Exchange Control Regulations”</b>	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
<b>“Fleet Management” or “Fleet”</b>	range of functions relating to monitoring the location, movements, status and behaviour of a vehicle or fleet of vehicles
<b>“franchise agreements”</b>	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
<b>“Insurance Telematics”</b>	the usage of telematics to monitor driving behaviour and habits to assess and profile driver risk for insurance purposes
<b>“JSE”</b>	JSE Limited, a public company incorporated in South Africa under registration number 2005/022939/06, licensed as an exchange under the Financial Markets Act
<b>“King Code”</b>	the South African Code of Corporate Practices and Conduct as set out in the King III Report on Corporate Governance for South Africa, 2009
<b>“Listings Requirements” or “LR”</b>	the Listings Requirements of the JSE
<b>“ME”</b>	Middle East
<b>“OEM”</b>	original equipment manufacturer



<b>“operating profit”</b>	profit from operations, before interest and tax
<b>“PBT”</b>	net profit before tax
<b>“pre-listing statement”</b>	the pre-listing statement of Cartrack dated 14 November 2014
<b>“R&amp;D”</b>	research and development
<b>“rand”, “R” and “cents”</b>	the lawful currency of South Africa
<b>“RF”</b>	radio frequency, which is used to describe the use of wireless communication over this medium
<b>“SENS”</b>	the Stock Exchange News Service of the JSE
<b>“shareholder”</b>	the holder of shares
<b>“shares” or “ordinary shares”</b>	ordinary shares of no par value in the issuer's share capital
<b>“South Africa” or “SA”</b>	the Republic of South Africa
<b>“Stolen Vehicle Recovery” or “SVR”</b>	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
<b>“telematics”</b>	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
<b>“transfer secretaries”</b>	Computershare Investor Services Proprietary Limited incorporated in South Africa under registration number 2004/003647/07
<b>“vehicles”</b>	Vehicles include mainly cars, buses, motorbikes, trailers and freight vehicles; but also other assets that are tracked under subscription contracts, albeit in the minority

# SHAREHOLDER INFORMATION





A large white circle containing text, with a thin white line extending from its bottom center to a small white dot on the map below.

ANNUAL GENERAL  
MEETING  
**THURSDAY,**  
**20 JULY 2017**



# 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 14 July 2017 that the third annual general meeting (AGM) of shareholders of Cartrack Holdings Limited will be held at the 54 On Bath, 54 Bath Avenue, Rosebank, on Thursday, 20 July 2017 at 09:00 for purposes of dealing with the ordinary business of an AGM in accordance with the Companies Act, 71 of 2008 (the Companies Act) and considering, if deemed fit, passing, with or without modification, the resolutions set out below.

AGM participants (including shareholders and proxies) are, in accordance with the provisions of section 63(1) of the Companies Act, required to provide reasonably satisfactory identification before being entitled to attend or participate in the AGM. Acceptable forms of identification include valid identity documents issued by the Department of Home Affairs, driving licences or 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 AGM in accordance with the provisions of the Companies Act and the company’s memorandum of incorporation (MOI), and who, being eligible, offers himself for re-election:

“RESOLVED THAT Mr AT Ikalafeng be and is hereby re-elected as a director of the company.”

A brief biography of Mr AT Ikalafeng appears on page 68 of the integrated annual report.

### 2. Ordinary resolution number 2: Re-appointment of external auditor

Upon the recommendation of the audit committee, to re-appoint Grant Thornton Chartered Accountants (SA) as the independent auditors of the company for

the ensuing year and to hold office until the next AGM, 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 re-appointed 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 AGM:

#### Ordinary resolution number 3.1

“RESOLVED THAT Mrs K White be and is hereby elected as a member and the chairperson 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.”

### 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 AGM at which this ordinary resolution will be considered.”



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

**5. 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 2017 to 28 February 2018*

<b>Annual fee payable with effect from 1 March 2017</b>	<b>R'000</b>
Chairman of the board	718
Services as a director (excluding the board chairman)	320
Chairman of audit and risk committee	206
– Other audit and risk committee members	175
Chairman of remuneration and nomination committee	111
– Other remuneration committee members	71
Chairman of social and ethics committee	111

*1 March 2018 to 28 February 2019*

RESOLVED THAT the annual fee payable with effect from 1 March 2018 reflects an increase on the fees for the prior year of not more than the percentage increase approved for executive management by the remuneration and nomination committee of the board.

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

In terms of sections 65(11)(h), 66(8) and 66(9) of the Companies 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 80 for full particulars on the remuneration paid to non-executive directors during the year under review, and to the remuneration report on pages 78 to 81 of the integrated annual report for further detail on the company's remuneration practices.

**6. Special resolution number 2: Financial assistance**

"RESOLVED THAT: to the extent required by sections 44 and/or 45 of the Companies Act, the board of the company may, subject to compliance with the requirements of the company's MOI, the Companies Act and the JSE 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 or 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 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

# NOTICE OF AGM (continued)

- (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 Companies Act, at any time during the period commencing on the date of the passing of this resolution and ending on the next AGM."

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

Notwithstanding the title of section 45 of the Companies 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 Companies 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 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 Companies 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 Companies 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 may, where necessary, 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 Companies 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. In accordance with the Companies 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, are able to effectively organise their internal financial administration.

## Voting and proxies

A shareholder entitled to attend and vote at the AGM 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 hold 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 AGM, 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 Monday, 17 July 2017, for administrative purposes.

The completion of a proxy form will not preclude a shareholder from attending the AGM.

### Electronic participation

The company intends to offer shareholders or their proxies reasonable access to attend the AGM through electronic conference call facilities, in accordance with the provisions of the Companies Act. In the event that a shareholder or his/her proxy wishes to participate electronically in the AGM, he/she is required to deliver written notice to the company at 11 Keyes Avenue, Rosebank, Johannesburg, alternatively Anname.devilliers@cartrack.com, marked for the attention of Ms Annamè de Villiers, the company secretary, by no later than 09:00 on Thursday, 13 July 2017, that he/she wishes to participate, via electronic communication, in the AGM (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, driving licence 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 person/s who passed the relevant resolution,

which resolution must set out who from the relevant entity is authorised to represent the relevant entity at the AGM 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 AGM will need to be represented at the AGM, either in person, by proxy or by letter of representation. The company shall use its reasonable endeavours on or before 09:00 on Friday, 14 July 2017 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 AGM 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

20 June 2017

# 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 Corporate Finance division of Investec Bank Limited

2nd floor  
100 Grayston Drive  
Sandown  
Sandton  
2196  
(PO Box 785700, Sandton, 2146)

## 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)  
9th floor  
Standard Bank Centre  
5 Simmonds Street  
Johannesburg  
2001  
(PO Box 7725, Johannesburg, 2000)



# 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 third annual general meeting of shareholders to be held on Thursday, 20 July 2017 at 09:00 at 54 On Bath, 54 Bath Avenue, Rosebank.

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

Ordinary shareholders who have dematerialised their shares with a central securities depository participant (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 (number) 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>			
Re-appointment of Mr AT Ikalafeng as a director of the company			
<b>Ordinary resolution number 2</b>			
Re-appointment of external auditor			
<b>Ordinary resolution number 3.1</b>			
Appointment of Mrs K White as member and chairperson 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>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

2017

Signature(s)

Capacity

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

## NOTES

1. A shareholder may insert the name of a proxy or the names of two alternate proxies of the shareholder'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 shareholder should insert an "X" in the relevant space according to how he/she wishes his votes to be cast. However, if a shareholder wishes to cast a vote in respect of a lesser number of ordinary shares than he/she owns in the company, he/she should insert the number of ordinary shares held in respect of which he/she 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/she deems fit in respect of all the shareholder's votes exercisable at the annual general meeting. A shareholder is not obliged to exercise all of his/her votes, but the total of the votes cast and abstentions recorded may not exceed the total number of the votes exercisable by the shareholder.
3. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such shareholder 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, or deceased estate) 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 shareholders, will be accepted.
10. To be valid, the completed forms of proxy must either: (i) be lodged so as to reach the transfer secretaries by no later than 09:00 on Monday, 17 July 2017, for administrative purposes; or (ii) 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 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 any reasonable fee charged by the company for doing so.