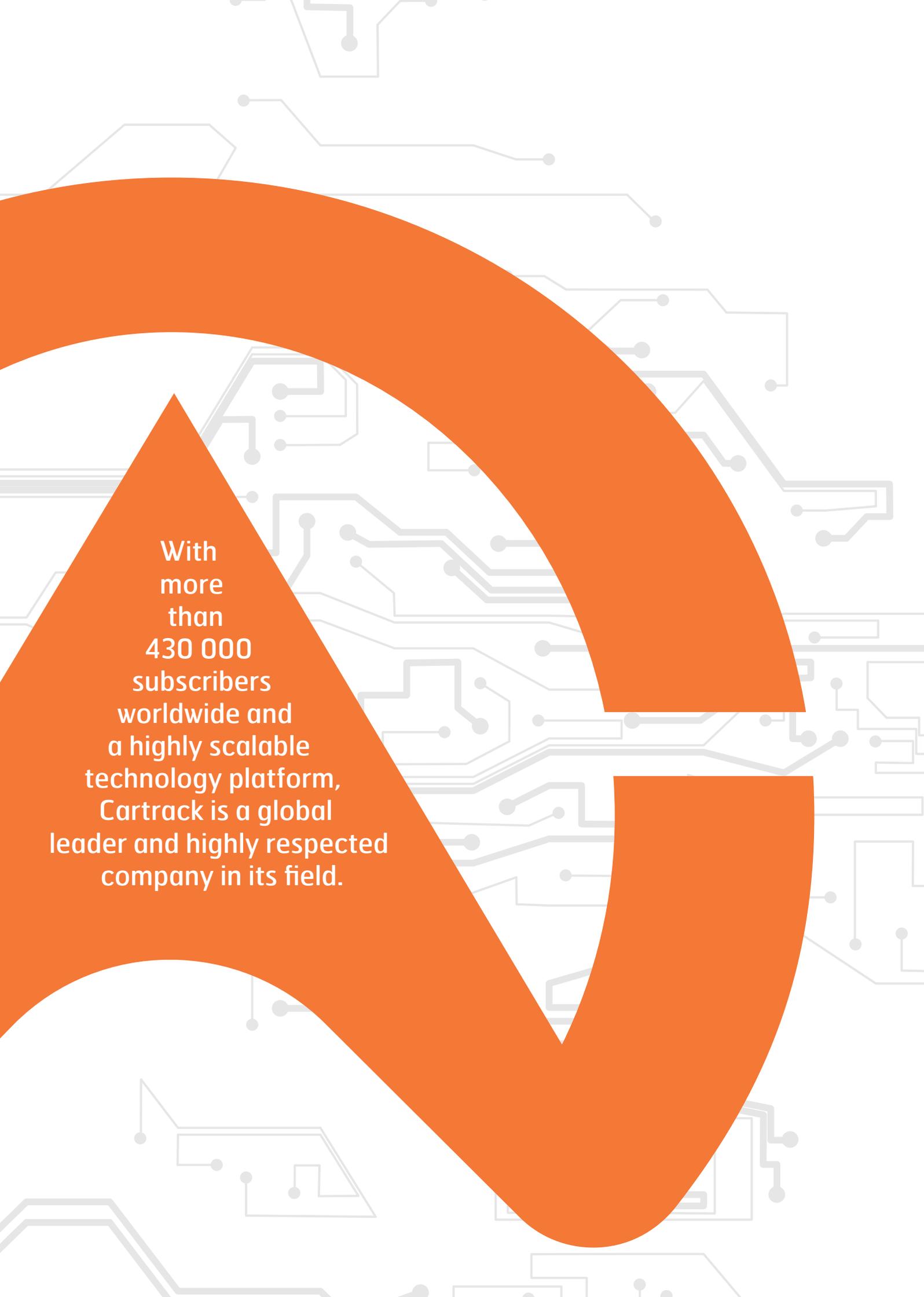


**CARTRACK**

PUTTING YOU IN CONTROL

**INTEGRATED ANNUAL REPORT 2015**  
for the year ending 28 February



With  
more  
than  
**430 000**  
subscribers  
worldwide and  
a highly scalable  
technology platform,  
Cartrack is a global  
leader and highly respected  
company in its field.

# CONTENTS

	<i>Page</i>
<b>IMPORTANT DATES AND TIMES</b>	2
<b>SCOPE AND BOUNDARY OF THIS REPORT</b>	3
<b>HIGHLIGHTS</b>	4
<b>CHAIRMAN'S AND CEO'S REVIEW</b>	6
<b>COMPANY OVERVIEW</b>	9
Group structure	10
Business overview	12
Forward-looking information	14
Corporate profile	16
Vision, mission, values and strategic objectives	17
Global footprint and areas of operation	18
Investment case	20
Value-added statement	22
Stakeholder engagement	23
<b>STRATEGIC FOCUS</b>	27
Business model and the six capitals	28
Strategy, objectives and performance	32
Risk management	37
<b>LEADERSHIP AND GOVERNANCE</b>	38
Board of Directors	40
Management structure	42
Corporate governance	42
Board committees	43
Directors' remuneration	49
Company Secretary Certificate	51
<b>FINANCIAL REPORTING</b>	52
CFO's report with key financial statistics	54
Condensed audited consolidated AFS	57
<b>DEFINITIONS</b>	68
<b>SHAREHOLDER INFORMATION</b>	70
Analysis of shareholders	70
Notice of AGM	71
Form of proxy and notes	77
<b>SUMMARY OF EXECUTIVE INCENTIVE SCHEME</b>	79
<b>CORPORATE INFORMATION</b>	83

# IMPORTANT DATES

Annual general meeting

Tuesday, 25 August 2015

**DIVIDENDS:**

Dividend declaration date

Monday, 25 May 2015

Last day to trade cum dividend

Thursday, 11 June 2015

Trading ex dividend

Friday, 12 June 2015

Record date

Friday, 19 June 2015

Payment date

Monday, 22 June 2015

# SCOPE AND BOUNDARY OF THIS REPORT



The aim of this Annual Integrated Report is to communicate with all Cartrack's stakeholders on the material activities of the Group for the financial year ended 28 February 2015. This being Cartrack's first report since listing in December 2014, it represents the commencement of a journey to implement the guiding principles of the King Report on Corporate Governance in South Africa ("King III") and the framework endorsed by the Integrated Reporting Committee of South Africa in our reporting. Cartrack fully complies with the Listings Requirements, the Companies Act, 2008 and the International Financial Reporting Standards and is committed to embrace best practice in reporting to ensure transparency and improve stakeholder engagement.

This report consists of the integrated annual report (which incorporates sustainability-focused information) and the condensed audited consolidated annual financial statements for the year ended 28 February 2015. All subsidiaries are included in the consolidated financial information.

The comprehensive audited consolidated annual financial statements and the audited annual financial statements for Cartrack Holdings Limited are available on our website: [www.cartrack.com](http://www.cartrack.com).

## 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.

# HIGHLIGHTS

New offices opened in Indonesia, Malaysia, Hong Kong, Thailand, UAE and Philippines

Mobile asset subscriber base up 26% to 430 000 active contracts

Revenue up 32% to R844 million. 26% earned outside of South Africa (2014: 17%)

Share price:

- listing price R8.50
- high R9.99
- low R8.51
- at 28 February 2015 R9.10

Launched Drive Vision (in cab camera) product and service

Won prisoner tracking tender award by Singapore government - commenced operation 2014/2015

R266 million net cash generated by operations; R53 million spent on acquisitions of licenses

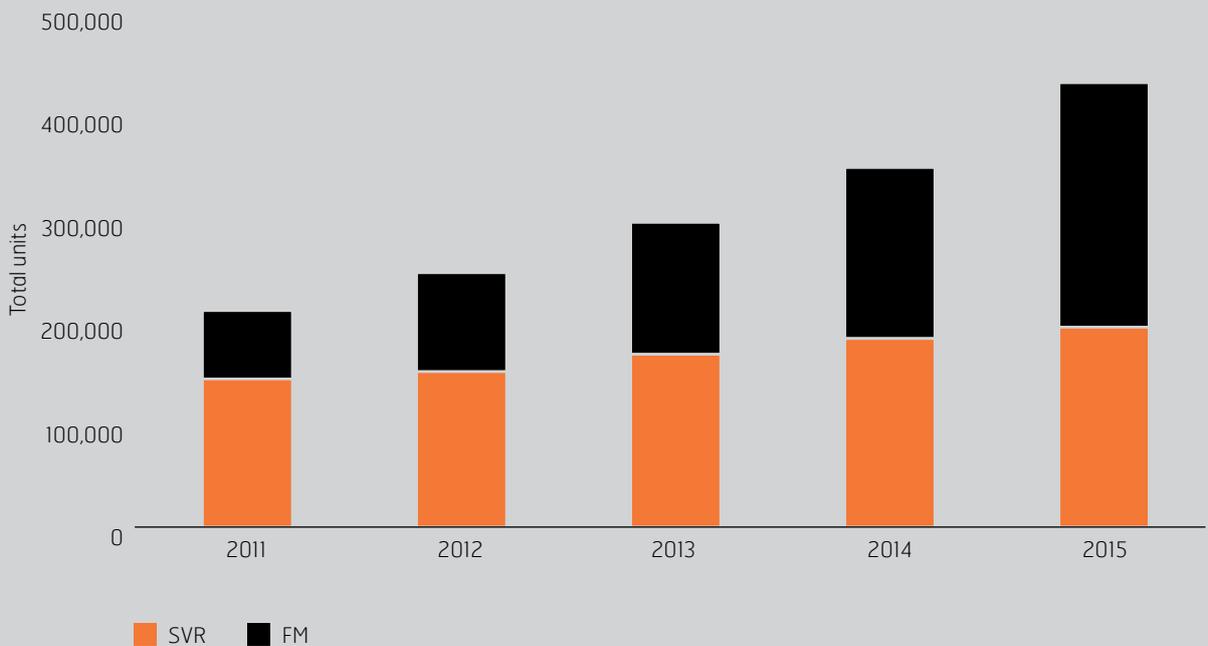
EBITDA up 23% to R370 million reflecting an EBITDA margin of 44%

Final dividend of 30 cents per share declared

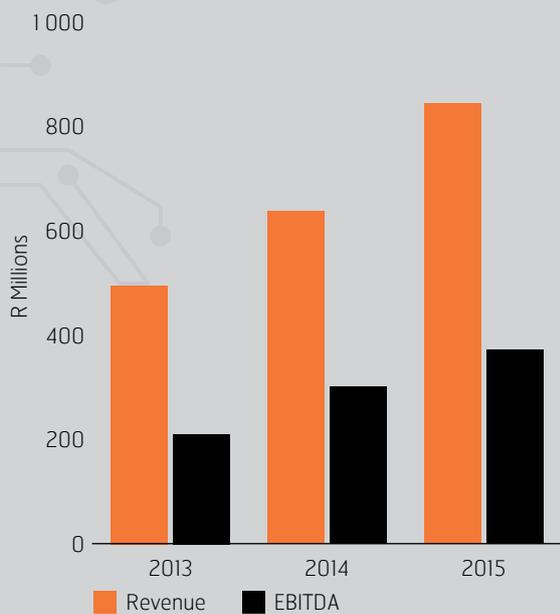
Record number of vehicles recovered, value at ± R450m

Headline earnings up 16%

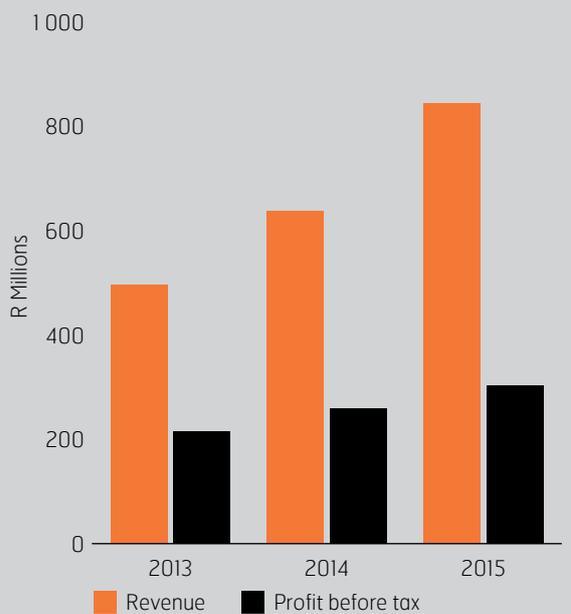
## Subscriber Base



## EBITDA



## Profit before tax



# CHAIRMAN'S AND CEO'S REVIEW





The business model of the Group, the dynamic nature of the market and the technology and, indeed the real benefits that accrue to the target market, comprising individual consumers and businesses of all shapes and sizes, provide a sound backdrop to the aspect of sustainability.



The successful listing of the Cartrack Holdings Group on the JSE on 19 December 2014 was a highlight for us all. This achievement was a culmination of just 11 years of trading in the Stolen Vehicle Recovery and Fleet Management space, using Software as a Service (SaaS) as the delivery model. The performance of our business over these formative years and ultimately this listing, bears testimony to the efforts, diligence and vision of our people, present and past, and we sincerely thank them all for their sterling contribution.

The wireless communications revolution is driving the world's major technological breakthroughs. From mobile phone apps and wearable devices to connected cars and homes, wireless technology is at the heart of innovation. Billions of people, as consumers or as part of businesses, big or small, are being connected through the power of wireless telecommunications and, importantly, enabled in many ways as a result thereof.

The Telematics industry throughout the world, as part of this revolution, has advanced considerably from basic location and trip reporting to a high level of data analytics and business intelligence. Its fields of influence are now extending well beyond just monitoring a vehicle and recovering stolen vehicles to those of performance enhancement, safety and risk management, vehicle diagnostics and related connectivity between consumers, business, drivers and vehicles. This is a dynamic industry to be part of, and, with the recent high growth experienced being projected to continue globally at almost exponential rates, the future augers to be exciting and rewarding. Cartrack is well positioned through its proven technology and service, scalable system platform, low cost base and increasing footprint to take advantage of this trend, using the SaaS delivery model.

Management focus areas include:

- Staying ahead of technological trends to be well positioned for future growth opportunities across different industries and geographies. Cartrack commits significant resources to R&D to drive innovation for enterprises to optimise their management of mobile assets and mobile workforces;
- Delivering high quality, first-rate service in a competitive environment. Cartrack's demonstrated operating cost model includes the owning of its entire end-to-end supply chain, differentiates the Company in an environment that is price competitive and demanding of service standards. Management continually explores processes and structures which can enable the Group to stay nimble and optimise productivity of its resources;
- Thoughtful and responsible approach to global expansion – management actively seeks to expand into lucrative international markets using our low cost of market entry model, to bring greater synergistic value to the Group and to ensure sustainability; and
- Staying financially disciplined to take advantage of new opportunities and delivering sustainable shareholder value, healthy growth and good cash flows.

The further roll-out of policies and structures to enhance the levels of governance is a continuous process in an organisation's development. This being our maiden year as a listed entity, governance will form a key focus for the Board in the year ahead. Already considerable progress has been made in formalising existing policies and processes and establishing all the applicable committees. We are satisfied with the standards of governance thus far and the commitment of the Board, management and staff in this regard.

Business sustainability is a key thread running throughout this integrated annual report. The business model of the Group, the dynamic nature of the market and the technology and, indeed, the real benefits that accrue to the target market, comprising individual consumers and businesses of all shapes and sizes, provide a sound backdrop to the quest for sustainability. The implementation of strong overall governance, alignment of practices with stakeholder requirements, combined with responsible deployment of the capital inputs, further supports sustainability of the Cartrack Group.

## Main successes

In the financial year ended February 2015, we invested significantly in improving the performance and features of our platform-based system, the skills and capacity of our human capital, the efficiency of our distribution model and our brand equity. All these factors are key to both our organic and new market growth and we are well positioned to take advantage of our scalable annuity based business model. We achieved a growth rate in our subscriber base of 24% and a revenue growth of 32%, despite difficult trading conditions in some of the Sub-Saharan African states in which we conduct business. Additionally, share of revenue derived from non-South African operations increased from 17% in 2014 to 26% in 2015, again a key objective being to increase the geographic distribution of our income.

New offices were opened in Malaysia, Philippines, Indonesia, Hong Kong and Thailand, using our already well established office in Singapore as the hub. An office has also been set up in the UAE. Initial trading commenced in these countries only at the beginning of the 2016 financial year.

Cartrack Singapore being awarded the prisoner tracking tender was a highlight, given the high reputation and standards of the Singaporean government. We see this being a great reference and giving significant credibility to our presence in the region. Additionally, this award reflects the flexibility and scalability of our technology platform and the innovative capabilities of our agile in-house engineers.

## Main challenges

Dealing with the depreciating Rand and its impact on the cost of our production is a reality. Fortunately, the cost of most electronic componentry has decreased in dollar terms and we have control over most links in our supply chain. With our centralised procurement strategy and the volume of purchases of main components, unit costs of production have been contained.

Competition is high in all the global markets we serve, but we welcome this as it is creating a vibrant and growing industry. It is essential to build a solid brand and distribution model in each new country we enter. This will always be a challenge that we face as we expand internationally, but our reliable systems, and focus on quality service and staff training will enable us to establish our brand in each of these markets over time.

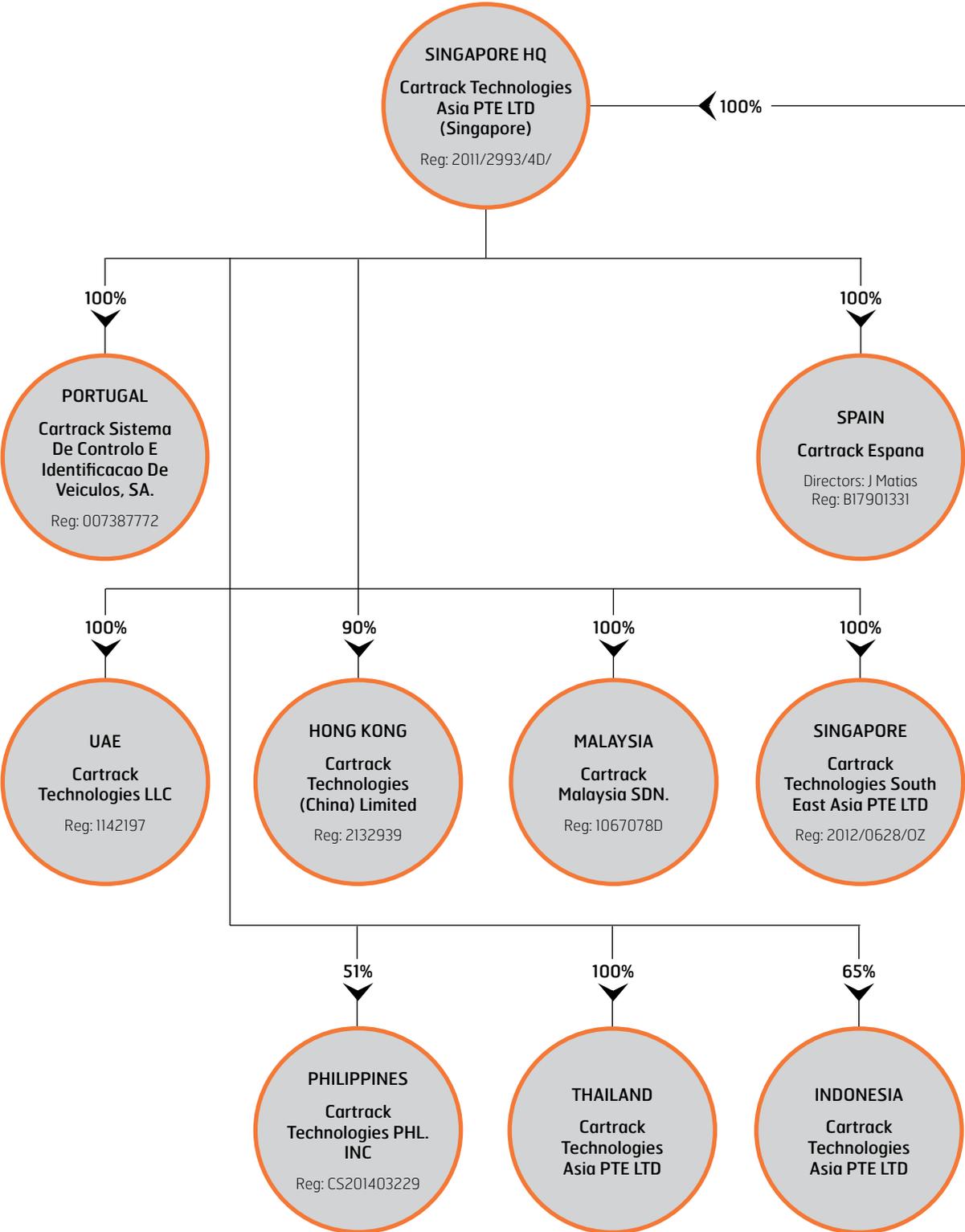


# COMPANY OVERVIEW

Group structure	10
Business overview	12
Forward-looking information	14
Corporate profile	16
Vision, mission, values and strategic objectives	17
Global footprint and areas of operation	18
Investment case	20
Value-added statement	22
Stakeholder engagement	23

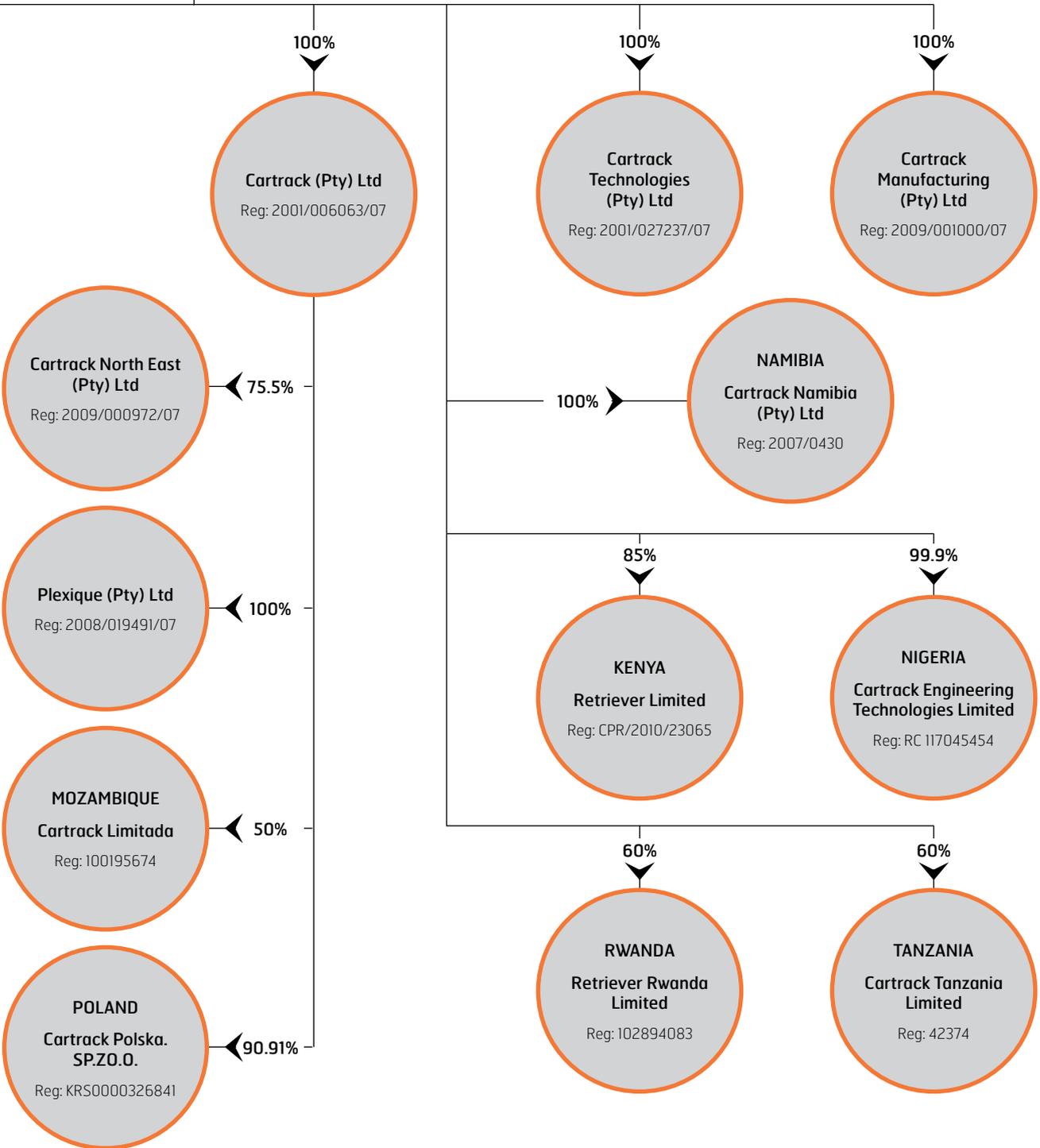
# COMPANY OVERVIEW

## Group Structure





Distributor / Licence Agreements



## Business overview

The year was characterised by a strong continued focus on sales growth in all countries of operation and an expansion drive through Africa, Europe, Middle East and Asia.

We have continued to grow our Stolen Vehicle Recovery (SVR) services even though the proportionate share of these services is declining in relation to our total business, due to stronger growth in our Fleet Management Services. This SVR growth is supported primarily by our proven ability to recover stolen vehicles, in conjunction with a strong marketing campaign in South Africa, emphasising our leading recovery rate and unique R150 000 recovery warranty. Our recovery warranty has been marketed through various media channels and, in particular, through a television campaign which ran throughout the year. Our experience is that this campaign has been, and continues to be successful in increasing the interest and demand for Cartrack systems in both the retail and corporate markets. Growth in Insurance Telematics, combining driver behaviour elements with vehicle recovery, is a new trend in the market for which we are well positioned.

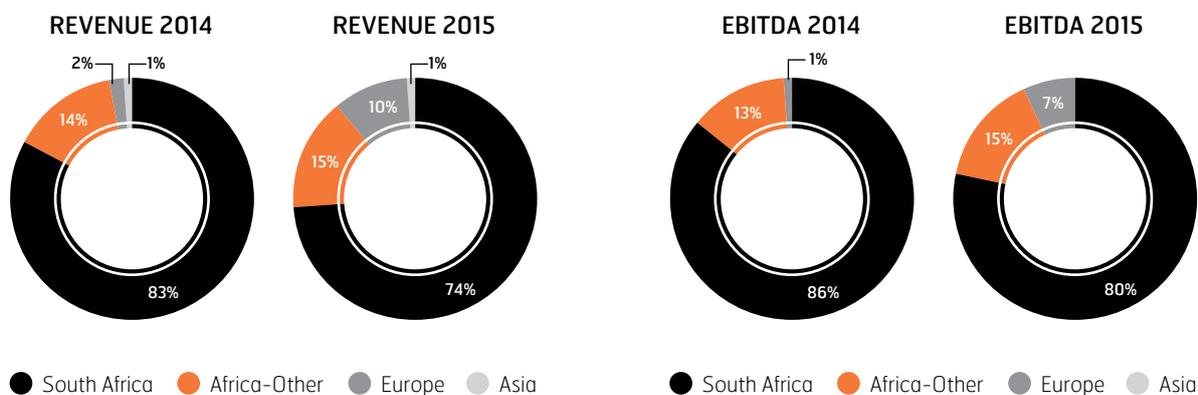
Strong growth has been achieved in Fleet Management services which are now contributing to an increasing proportion of total new subscribers. For the year, sales of Fleet Management products accounted for 64% of total global sales (2014: 52%). Currently, 45% of Cartrack's total global active subscriber base incorporates the Stolen Vehicle Recovery service.

Internationally, Cartrack focused both on driving sales in existing geographies as well as establishing businesses in new countries. For the financial year ended February 2015, 26% of revenue was attributable to operations outside of South Africa (17% in the prior year). Cartrack established six international operations during 2015. As expected, the associated start-up costs for these new operations have adversely impacted Cartrack's consolidated profits during the period. Cartrack has managed to curtail this impact to a minimum through the Group's low cost start-up business model and the ability to leverage off the Group's scalable infrastructure. In line with prior experiences, Cartrack believes that the timeframe required to reach a breakeven point for newly established operations averages three years from the date of establishment. These new operating entities incurred anticipated losses of R4.9m for the year.

On the technology front, Cartrack released an upgraded and miniaturised Fleet Management unit with ancillary Stolen Vehicle Recovery features. Several additional features were added for existing Fleet Management clients through the release of software updates. Cartrack's product range was supplemented further through an in-vehicle camera system, thereby complementing Cartrack's existing Telematics services and enhancing Cartrack's driver behaviour and safety monitoring capabilities. A miniature wireless and self-powered tracking device was released for multiple applications, including vehicle recovery and other forms of asset tracking and monitoring.

## Operating segments

	2015	2014	% CHANGE
<b>Revenue</b>	<b>843 700 543</b>	637 020 292	32
South Africa	<b>627 174 799</b>	530 962 678	18
Africa – Other	<b>124 279 954</b>	88 595 185	40
Europe	<b>80 422 114</b>	13 162 200	511
Asia and ME	<b>11 823 676</b>	4 300 229	175
<b>Profit before tax</b>	<b>302 518 639</b>	258 657 315	17
South Africa	<b>236 985 044</b>	218 554 972	8
Africa – Other	<b>56 776 144</b>	37 906 227	50
Europe	<b>15 836 286</b>	1 029 208	1 439
Asia and ME	<b>(7 078 835)</b>	1 166 908	NA
<b>EBITDA</b>	<b>370 507 738</b>	300 256 661	23
South Africa	<b>294 877 819</b>	258 391 168	14
Africa – Other	<b>55 987 856</b>	38 167 331	47
Europe	<b>26 232 289</b>	2 531 254	936
Asia and ME	<b>(6 590 226)</b>	1 166 908	NA



The Group is organised into geographical business units and has four reportable operating segments. Each operating segment provides essentially the same or similar products and services to a homogenous target market. Segment performance is evaluated by management based on revenue and profit or loss before tax.

The segmental analysis reflects the organic revenue and earnings growth in all segments which is further driven by the licensee acquisitions and new businesses opened up in the Africa-Other, Europe and Asia/ME segments. In particular, anticipated losses were incurred in the Asia/ME segment in 2015 being attributable to the start-up costs of the six new offices opened in the region – trading only commenced early in the 2016 financial year.

In South Africa, despite a revenue growth of 17%, we achieved a growth of 8.4% in profit before tax. This is primarily due to once-off listing costs and an increase in operational expenses to position ourselves with the right resources to take full advantage of the opportunities that we anticipate to arise in the next near-term. Average revenue per subscriber remained in keeping with the prior year. We forecast substantially better margins in the coming year.

We see Africa as an emerging market and have reason to believe that we have the required knowledge to achieve solid growth on this continent. In Europe, we acquired existing Cartrack licensees in Portugal and Spain and are confident that the current local management have the qualities required to drive future growth in Europe. The operations in Asia/ME are all start-up operations.

Due to a change in accounting policy in the 2015 financial year in respect of capitalisation of acquisition costs on rental sales, the numbers for the prior two financial years have been restated. This results in these numbers reflecting one year's full capitalisation for each of the three financial years, but only one year's depreciation for 2013; two for 2014 and three for 2015 (depreciation of acquisition costs are expensed over a thirty-six-month period). The effect is that profit growth in 2015 is negatively impacted by the additional year of depreciation. However, going forward, comparisons year-on-year will be fully comparable.

With effect from 1 March 2015, Cartrack purchased Onecell Manufacturing Proprietary Limited for R100, being the nominal value of the issued share capital, and changed the name to Cartrack Manufacturing Proprietary Limited. This acquisition, which was disclosed in the Pre Listing Statement, places Cartrack in full control of the procurement and manufacture of its own designed products.

**Dave Brown, Chairman**

**Zak Calisto, CEO**

### Forward-looking information

#### Growth

Subscriber and revenue growth in the short to medium term is anticipated to be consistent with that achieved in the past few years. Sustainable growth is expected in all operations.

The global expansion will generate a greater share of revenue and profit from operations located outside of SA, although the new Asian/ME operations will only achieve breakeven in the medium term.

Cartrack will maintain a disciplined approach to capital allocation to the new geographies.

Strong profit growth and commensurate dividend growth within our dividend cover targets of between 1.25 and 1.55 times headline earnings is expected for 2016, supported by the strong cash-generative nature of our business.

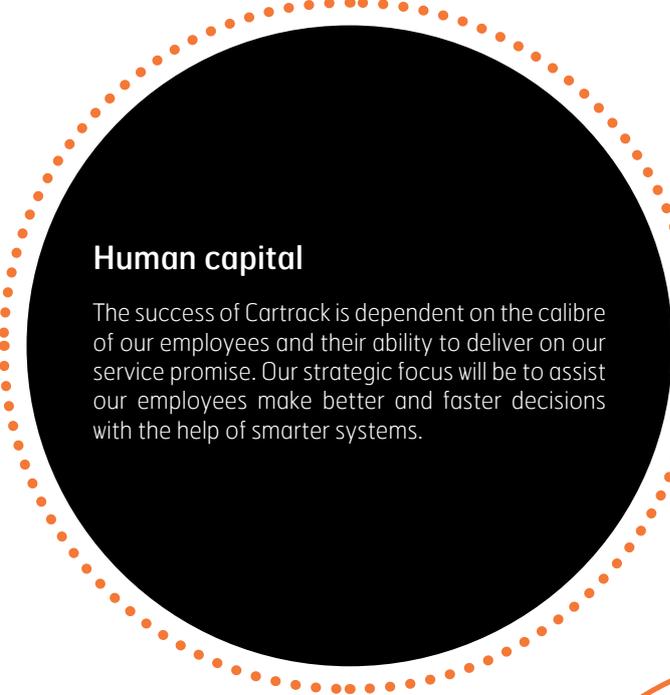
#### Governance

Given our recent listing, further roll-out of corporate governance policies and practices will ensue. Our internal audit team is being expanded to provide the capacity to cover our increasing footprint. Expanded implementation of internal audit policies and programmes will receive focus to further improve assurance and standardisation of financial practices throughout the different jurisdictions.



## Technology

Increased investment in R&D resources to strengthen our innovative software and services has been provided for, underpinning our strategy to enhance our relationship with current and future subscribers as their technology partners. In particular, we believe that the evolution and discovery of big data fits in well with our software offerings.



## Human capital

The success of Cartrack is dependent on the calibre of our employees and their ability to deliver on our service promise. Our strategic focus will be to assist our employees make better and faster decisions with the help of smarter systems.



## Operational efficiencies

Investigations have been undertaken to identify opportunities to further implement systems to increase operational efficiencies, manage costs and continue to improve subscriber service levels.

### Corporate profile

Since its foundation in 2001 and market launch in 2004, Cartrack has become a leading global provider of Telematics solutions for mobile asset tracking and related data management, using “Software-as-a-service” as the delivery model. Our primary focus areas have been, and continue to be, the provision of Fleet Management and Insurance Telematics solutions using intelligent data as a business enhancing tool, and Stolen Vehicle Recovery services in high crime regions. The nature of our services is also applicable to the tracking and management of other mobile assets and hence we do extend our solutions beyond vehicle Telematics as these opportunities present themselves.

By extracting, manipulating and analysing large volumes of data generated by installed Telematics devices, Cartrack provides its clients with intelligent management reporting that is actionable across a wide variety of applications via a scalable web-based platform. In particular, the management information provided enables business operators and consumers to save costs such as fuel, improve efficiencies and productivity of labour and assets, mitigate risk liability, protect their assets and contribute to road safety and security.

We currently provide our services to a wide range of clients and industries, with over 430 000 active subscribers and offices established in 21 different countries.

In December 2014 Cartrack listed on the JSE and we are proud to publish our first annual integrated report.

By extracting, manipulating and analysing large volumes of data generated by installed Telematics devices, Cartrack provides its clients with intelligent management reporting that is actionable across a wide variety of applications via a scalable web-based platform.

---

## Vision and mission

Cartrack's vision is to achieve global industry leadership in the Telematics industry including Fleet Management, Stolen Vehicle Recovery and Insurance Telematics.

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

## Core values

**Accountability** – taking responsibility for our actions and how they impact on our stakeholders

**Integrity** – to be trustworthy and reliable and do what is right in all circumstances

**Service orientation** – delivering on our promises and going beyond the expected

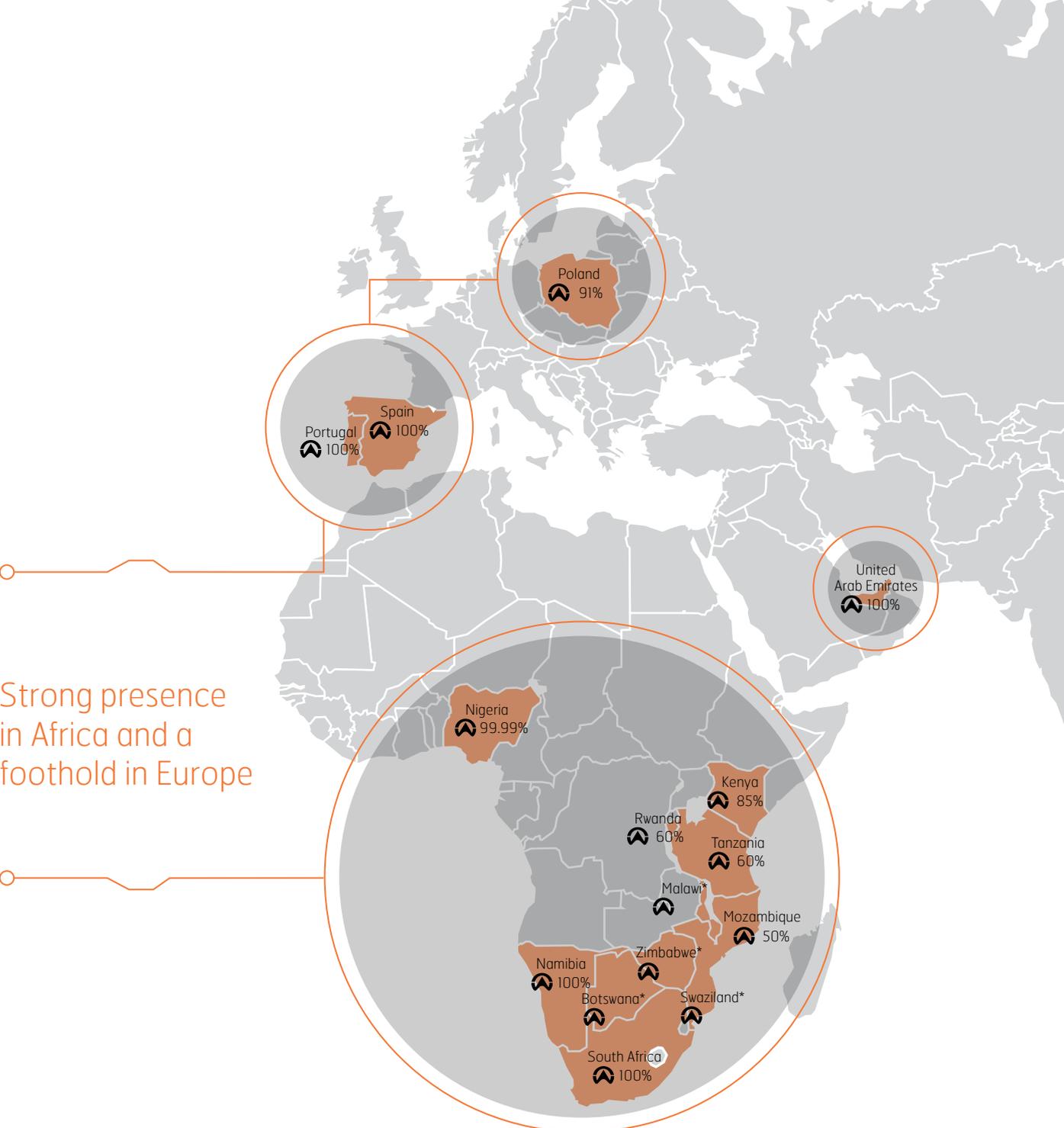
**Relationships** – working co-operatively and communicating transparently

**Entrepreneurial leadership** – being prepared to seize opportunities and to drive change and innovation, with an “open door” policy

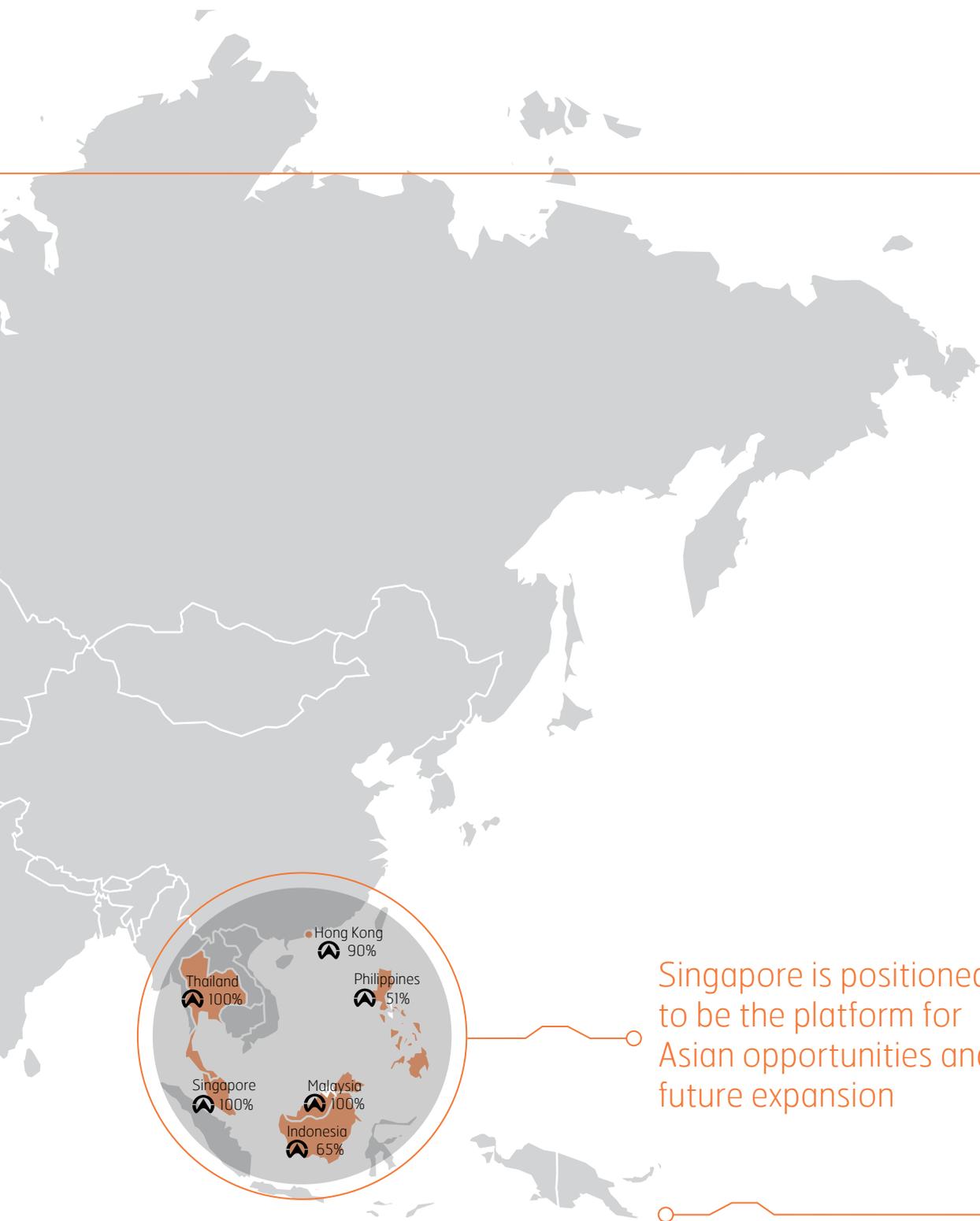
# GLOBAL FOOTPRINT AND AREAS OF OPERATION

Cartrack's current geographic presence is illustrated as follows:

\* indicates countries in which Cartrack currently has a presence through License Agreements



Strong presence in Africa and a foothold in Europe



Singapore is positioned to be the platform for Asian opportunities and future expansion

Positioned to participate in the growth of the largely undeveloped telematics market. Extensive geographic presence facilitates economies of scale and diversification

### Investment case

Cartrack has a well-established and experienced senior management team led by Zak Calisto, Group Global CEO.

Most members of the management team have in excess of 10 years' experience in the Telematics industry with each of the Executive Directors having in excess of 17 years' individual experience. The senior management team is equipped with specialist operational experience, deep industry knowledge and a high level of technical expertise. Cartrack has a flat management structure thereby facilitating quick decision-making and shortened response times.

### Proven track record of profitability and strong financial metrics

Cartrack has a proven track record since inception. This is demonstrated by Cartrack having achieved an average compound annual growth rate in revenue and net profit after tax for the period 2012 to 2015 of 23.5% and 23% respectively. Revenue is generated predominantly through annuity income from a diverse client base with a very low concentration level from any single client – less than 0.5% of revenue is generated from our largest client.

Cartrack is a leader in the industry in terms of gross profit, EBITDA and PBT margins, being 79.3%, 43.9% and 35.9% respectively.

Cartrack believes that its strong margins provide the Company with flexibility and resilience for sustainable revenue growth should the competitive pricing scenario become more aggressive.

### History of strong cash flow generation and cash conversion with low financial leverage and strong dividends

Cartrack's margins, coupled with low capital expenditure requirements, ensures high levels of cash conversion which has consistently been approximately 80% over the last two-year period. The strong cash flow generation and conversion, positions Cartrack for strong, sustainable growth with a healthy dividend policy.

Cartrack's capital discipline is demonstrated by its working capital efficiency, which is effectively managed through its receivables that are historically, on average, lower than one month of turnover for the Group.

Furthermore, Cartrack does not have any material third party debt on its balance sheet, providing it with the ability to leverage opportunities that may arise.

### Platform for growth

Cartrack has well established businesses, both locally and internationally, and a growing footprint in selected African, Asian/ME and European countries. The Company is well-positioned to take advantage of the under-developed SaaS market in these territories and to enter new high growth markets.

Pivotal to Cartrack's expansion strategy is a well-defined and tested expansion model with low initial set-up costs, and a hands-on approach from management.

In the four-year period ended February 2015, the Cartrack subscriber base has seen a 105% increase. This growth comprises of a 196% increase in Fleet Management subscribers and a 35% increase in Stolen Vehicle Recovery subscribers. Off the back of this growth, as at February 2015, Fleet Management accounts for more than 50% of Cartrack's subscriber base.

---

## Favourable industry dynamics

Telematics service and product demand is a direct by-product of the size of the global vehicle fleet (including both commercial and passenger vehicles). With the size of the global vehicle fleet currently estimated at 1.1 billion vehicles and forecasted to grow to 2.3 billion vehicles by the year 2035, Cartrack is ideally positioned in a burgeoning industry.

The uptake in SaaS is forecast to be even more pronounced with the global commercial Telematic subscriptions in 2019 set to treble from current levels.

The Fleet Management industry is mindful of the need to reduce costs, enhance efficiencies and margins and improve driver behaviour and road safety. Actionable data intelligence is rapidly evolving as a result of the ease of accessibility and the market demand is expected to rapidly increase.

Constantly adapting to cater to these trends, Cartrack's proven research and development team continuously develops innovative software to meet management's objectives of expanding through territorial growth, increased market share and service diversification.

In high crime rate countries, our Stolen Vehicle Recovery services and sophisticated Insurance Telematics services has proven to be indispensable and extremely effective in combating vehicle theft, thereby providing huge savings to the insurance industry and our clients.

## Competitive strengths

Cartrack is uniquely positioned through its:

### Scalable approach

Cartrack's success is attributable to its innovative and integrated approach in the provision of Fleet Management, Stolen Vehicle Recovery and Insurance Telematics services. This is achieved through a strong technology platform and innovation through Cartrack's in-house research and development department.

Cartrack has positioned itself to cater for the mainstream market and does not intend to position itself in low volume niche markets. This approach has allowed Cartrack to achieve economies of scale across its business.

Infrastructure requirements are minimised by utilising secure cloud-based computing services which are managed centrally by a team of technology specialists.

### Audited recovery success rate and warranty

Cartrack boasts an audited Vehicle Recovery success rate of 93% (2015) in South Africa.

### Focus on and investment in technology

A key pillar underpinning Cartrack's performance is the dedicated technical team that is focused on enhancing software offerings through continuous innovation, thereby ensuring adaptability and rapid deployment globally.

### International footprint and expansion provides increasing economies of scale

Cartrack has an international business footprint with operations in Africa, Asia/ME and Europe. Geographic diversification and expansion provides Cartrack with the ability to benefit from growth and income diversification.

### Value-added statement

#### Value creation – Resources

Cartrack achieves profitability and creates value through selling a range of Telematics services combined with actionable data that is presented to provide clients with business enhancing intelligence. Our services are primarily focused on Fleet Management, Insurance Telematics and Stolen Vehicle Recovery. To ensure sustainability, Cartrack's business model is underpinned by a set of core values and robust corporate governance principles and processes; focus is placed on all stakeholders and their issues and requirements. The environment in which we operate and our engagement with our stakeholders largely determine the risks we face and the opportunities that present themselves, and these play an important role in formulating our strategy.

“The overall result is a much more controlled fuel cost, a dramatic decrease in accidents and a fleet that operates to its optimal capacity,” \*

#### A Fleet Management Success Story

A Cartrack fleet management solution utilising CAN bus technology was installed at Fabucon Logistics with the main objective of reducing fleet operating costs by at least 10%, managing routes, reducing its carbon footprint and increasing driver behaviour.

##### Results

- Regular evaluation of the fleet routes utilising Cartrack's tracking reports ensured that the lowest possible travel distance was achieved while Telematics enabled control of the fuel costs and unplanned maintenance costs, largely attributable to a substantial reduction in speeding and harsh braking incidents
- Accidents and related costs were significantly reduced

The project has also greatly enhanced Fabucon's carbon footprint by reducing its carbon-dioxide emissions by 5.9 tons per year.

\* Note: from "A fleet management success story" by Hooghiemstra Logistical Services posted on FleetWatch on 4 July 2013

## Stakeholder engagement

Creating and managing stakeholder value is one of our key strategic objectives and essential to the sustainability of the Group. Engagement with stakeholders assists us in the formulation of our strategies and the continuous adaptation of our value creation model to remain relevant and have a positive impact on the environment in which we operate.

Stakeholder	Requirements	Issues	Engagement	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>OEM involvement in telematics</li> </ul>	<ul style="list-style-type: none"> <li>Formal announcements of half year and year end performance</li> <li>Periodic informal meetings and annual general meetings</li> <li>Investor events and roadshows</li> <li>Financial results and announcements are published in accordance with the JSE requirements and are recorded on our website</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 below under Strategic Focus</li> </ul>
<b>Our 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>Bi-annual performance appraisals</li> <li>Training and development sessions</li> <li>Newsletters and internal staff functions</li> <li>Induction training</li> <li>Intranet, formal and informal meetings, emails</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>

## COMPANY OVERVIEW continued

Stakeholder	Requirements	Issues	Engagement	Management approach
<b>Our 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>Face-to-face meetings, telephone and email</li> <li>Digital such as social media and web site</li> <li>Public media releases, advertising, newsletters and events</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>Shareholder reporting and announcements</li> <li>Meetings and events</li> <li>Distribution of media releases on topical development</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>
<b>Our 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>One-to-one communication via email and telephone and regular meetings</li> <li>Site visits and workshops</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>

Stakeholder	Requirements	Issues	Engagement	Management approach
<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>Direct engagement in community projects</li> </ul>	<ul style="list-style-type: none"> <li>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>Statutory reports</li> <li>Communicate through industry forums and directly with appropriate government bodies in connection with vehicle related crimes</li> </ul>	<ul style="list-style-type: none"> <li>Focus on governance and compliance</li> <li>Tender submission process and compliance</li> <li>Maximising stolen vehicle recovery rate and police relationships</li> </ul>





# STRATEGIC FOCUS

Business model and the six capitals	28
Strategy, objectives and performance	32
Risk management	37

## Business model and the six capitals

### Business model

We provide and install Telematics technology and real time systems to collect and analyse Telematics data from mobile assets and convert it into intelligent and actionable information for our clients. We furthermore recover stolen vehicles that are equipped with our differentiating technology that is specifically designed to combat vehicle crime. Cartrack's target market comprises clients that seek to optimise their fleets and workforce and provide for their safety and security.

Cartrack has positioned itself to cater for the mainstream high-volume Telematics markets so as 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 within a relatively short space of time and at a 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 the service delivery levels most effectively. Where appropriate, partnerships with technology providers are established to create further value in the markets we serve.

Our business model is underpinned to take 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 research and development department;
- Low fixed infrastructure cost; and
- A wide range of reliable services with appropriate features to service the needs of small to large clients.

As we show in this report, the performance of the business is consistent and demonstrates high growth and healthy margins. Our strategy for sustainable growth is reflected as a thread running throughout our systems and business model. As our more established operations generate strong cash flows and a high proportion of our revenue is recurring subscription revenue, a reliable income stream is available for expansions and technology investment, but at the same time meeting our commitment to a dividend policy of between 1.25 and 1.55 times headline earnings per share.

### Our performance against the six capitals

In accordance with the principles of the International Integrated Reporting Framework, the concept of capitals allows Cartrack to identify all the resources and relationships it deploys to enable comprehensive reporting:

#### Natural capital

Efficient use of radio spectrum, which is a limited resource, is essential to provide fast and clean data communication for telematics services. Renewable energy, air, land constitute other natural capital inputs on which we rely for the operation of our offices and our mobile work-force of installation technicians.

Our technology is primarily reliant on frequency spectrums. Consumption of bandwidth is routinely monitored to ensure volume of transmitted data is managed and optimised effectively; hardware and firmware are all approved by regulatory authorities to ensure compliance.

Cartrack has a significant team of mobile installers and as such is a large consumer of petrol and diesel. Operating systems are in place and are continually being evolved to measure and minimise distances travelled and fuel consumption.

The very nature of Cartrack's business enables fleet operators, both big and small, to be more efficient in the use of natural resources, in particular through fuel savings, improved driver performance and lower kilometres travelled.

### Human capital inputs

Our human capital comprises the people we employ as well as the others we work 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.

	2015
Number of employees	1 259
Spending on staff training	R1 236 773
Number of course participants	762
Spend on tertiary education of staff	R159 000
Remuneration paid	R209 118 745
Gender diversity (women: total employees)	42%
Gender diversity (women: total employees, excluding technicians and vehicle recovery agents*)	58%

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

### Learning and development

During the year an e-learning system was implemented to supplement the face-to-face training courses. This distance-learning system ensures that employees in all regions have common access to training and that standardisation of processes and service delivery is achieved.

### Labour practices

In each country in which we operate we comply with all applicable labour legislation. In South Africa where the majority of our staff are employed, we comply with the Labour Relations Act 1995, the Basic Conditions of Employment Act 1997, Occupational Health and Safety Act 1993, the Unemployment Insurance Act 1995 and the Broad-Based Black Economic Empowerment Act 2003; we are a member of the Services SETA (Sector Training Authority) and implement appropriate skills development plans and training facilitation.

### Employment equity and equal opportunities

Cartrack is committed to employment practices and the development of employees without regard to gender or race. In South Africa where compliance with the Employment Equity Act is required, management has submitted its plans and employment targets to the Department of Labour. Short-term employment targets have been achieved and the longer-term targets are expected to be achieved. In South Africa 70.5% of our staff is non-white. The challenge has been and continues to be, the skills shortage, particularly in management and technical roles.

### Apprenticeship programme

Cartrack has established a programme whereby people with low level skills and/or unemployed people or school leavers have the opportunity to enrol in a technical training course of approximately one year duration to become qualified to install tracking units in vehicles. After a year of intensive training 24 out of 29 apprentices qualified and were promoted to full technician status.

### Employee wellness

The health and wellness of our people is very important to Cartrack. A healthy lifestyle is an essential ingredient for a vital workforce and job satisfaction. Wellness initiatives are undertaken to improve the knowledge of employees of high risk diseases, to assist with avoidance of sicknesses and to assist them to a healthier lifestyle. During the year, Cartrack hosted a number of wellness programmes: education on the causes and treatment of tuberculosis and diabetes, two chronic pervasive ailments, and preventative measures against the diseases; flu vaccinations were made available to staff at no cost from a professional service provider.

## Social and relationship capital

The communities in which we operate form the core of our social and relationship capital. Cartrack is committed to participate where practicable in these communities so as to create improved living conditions through employment opportunities, educational initiatives and special programmes. Stakeholder relationships are initiated and developed through regular engagement.

### *Stolen vehicle recovery operations*

SA Police Services' statistics reflect approximately 70 000 vehicle thefts and hijackings in the year to March 2014, though it is estimated that many more than reported are stolen. In South Africa alone, Cartrack responded to 3 747 theft/hijacking cases in 2015 (2014: 2 208) and achieved an audited vehicle recovery rate of 93% in 2015 (2014: 94%). During 2015 Cartrack returned vehicles of an estimated value of R450 000 000 to their rightful owners, an increase of 38% over 2014. The success of this application of our technology and services provides significant economic benefit and contributes to the improved safety of our clients.

### CSI spend

Enterprise development programme A black owned fitment centre business has been established and funded by Cartrack. Management and operational assistance and training is given to the business so as to transfer skills which will lead to business independence and sustainability in the medium term. The business employs 15 staff and in its first 6 months of business has successfully performed 2 820 installations.

A number of sponsorship and charitable activities were undertaken in South Africa during the year:

- Wheel Well and the Car Seats for Kids Campaign: We sponsor this non-profit organisation which distributes car seats for babies, especially to the poor and underprivileged, to ensure they are transported in safety. Various campaigns are activated through the year with participation from our staff.
- Cartrack has donated a variety of goods to the Build The Future Container Pre-school in Kya Sands project to assist in the establishment of improved facilities.
- Every year Cartrack contributes to the community on Mandela Day. This year our staff collected a variety of much needed items for a homeless shelter and cooked a meal for the occupants.

An education fund has been established to assist with funding of schooling and tertiary education for eligible candidates, including children of our own employees. Additionally, a study assistance programme is offered to eligible staff wanting to increase their skill and competency levels through tertiary educational institutions.

	2015
Number of students sponsored for schooling/tertiary education	<b>74</b>
Funds committed for schooling/tertiary education	<b>R905 000</b>
Staff study/assistance spend	<b>R159 000</b>
Various donations to social welfare organisations	<b>R400 000</b>

### Intellectual capital

Core to our intellectual capital are:

- Our brand;
- Our own designed and developed hardware technology for mainstream products;
- Our backbone of scalable proprietary operating platform, systems and user interface; and
- Trade secrets developed around the application of our services through the 11 years of operation and the extensive years of senior management experience in the Telematics and stolen vehicle recovery industry.

Harnessing the intellectual and human capital that exists in our business, our products and services provide the economic and social benefits described in this report to a wide range of industries and consumers clients.

### Manufactured capital

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

We manage and control the supply chain from design, to manufacture and ultimately through to installation of our units and to recovery of stolen vehicles.

Components are sourced from legitimate and responsible producers and manufacture is performed under ISO 9000 standards. Waste, including batteries, is responsibly disposed of. Our motor vehicle fleet is managed, using our own Telematics devices, to obtain the benefits of control over fuel usage, kilometers travelled, and labour and vehicle productivity.

At a micro-economic level, through the data analytics generated and presented via our products and services, business is enabled to achieve cost, productivity, efficiency and safety benefits; likewise, consumers benefit both directly and indirectly from our services. These benefits in turn have a positive impact on manufactured capital and ultimately financial capital.

### Financial capital

The funds available to us for use in our business are our financial capital inputs. Being cash-generative, Cartrack has no debt.

Market value on the JSE at 28 Feb 2015	R9.10 per share
Net cash generated from operating activities	R265 948 790 (2014: R214 445 741)
Dividends paid to shareholders of the Group	R48 000 000 (2014: R184 909 000)
Final dividend declared in respect of the financial year ended February 2015	R90 000 000

### Strategy, objectives and performance

#### Operating environment

##### Industry

The global Telematics market has developed rapidly into a more sophisticated industry providing performance enhancing data rather than just positional data. Data analytics and actionable management information is providing profit enhancing solutions to many businesses both through cost savings as well as service delivery improvement. Additionally, Telematics is contributing to better regulatory compliance, lower carbon emissions and improved safety on our roads.

The market is increasingly competitive with more operators expanding globally and some market consolidation is likely to happen in the short- to medium-term.

International surveys report substantial growth forecasts in the short to medium term as penetration rates are still relatively low.

##### Key drivers

- Vehicle and driver performance monitoring with consequential productivity/efficiency improvement and cost reductions;
- Insurance risk management through better control of safety and security;
- Crime rate creating demand for Stolen Vehicle Recovery;
- Increased regulations to improve safety on roads and reduced CO<sub>2</sub> emissions with consequential cost savings and positive economic and social impacts.

## Strategic pillars

Strategic Theme	Priorities	What we measure	2015 Performance	Short- to medium-term focus
<b>Creating and managing stakeholder value</b>	<ul style="list-style-type: none"> <li>Generate sustainable and attractive shareholder returns</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable growth in mobile assets under management, geographic spread of revenue and shareholder returns</li> </ul>	<ul style="list-style-type: none"> <li>Grew subscriber base by 24 %</li> <li>Revenue from non-South African sources increased to 26% (2014 17%)</li> <li>Earnings attributable to owners of the group grew by 13.8%</li> </ul>	<ul style="list-style-type: none"> <li>Subscription revenue growth</li> <li>Increase proportion of revenue and profits outside of South Africa</li> <li>Cash management and dividend growth</li> </ul>
	<ul style="list-style-type: none"> <li>Apply sound corporate social responsibility practices</li> </ul>	<ul style="list-style-type: none"> <li>CSI spend</li> </ul>	<ul style="list-style-type: none"> <li>Spent R 1 464 000 on various projects</li> </ul>	<ul style="list-style-type: none"> <li>Continue to identify relevant projects and allocate funds responsibly</li> </ul>
	<ul style="list-style-type: none"> <li>Invest in our people</li> </ul>	<ul style="list-style-type: none"> <li>Skills development and productivity</li> </ul>	<ul style="list-style-type: none"> <li>762 employees trained</li> </ul>	<ul style="list-style-type: none"> <li>E-learning and standardisation of skills across regions</li> </ul>
	<ul style="list-style-type: none"> <li>Apply sound corporate governance principles</li> </ul>	<ul style="list-style-type: none"> <li>Rollout of governance and ethics policies</li> </ul>	<ul style="list-style-type: none"> <li>Formalised governance charter implemented and ethics policies further strengthened</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of internal audit team and standardisation of financial policies and practices globally</li> </ul>
	<ul style="list-style-type: none"> <li>Continuously invest in appropriate technology innovation and development</li> </ul>	<ul style="list-style-type: none"> <li>R &amp; D resources and technology spend</li> </ul>	<ul style="list-style-type: none"> <li>Technology spend of R16.4m</li> <li>Release of: upgrades to main stream products and software platform; miniature wireless and self-powered tracking device; in-vehicle camera integrated into software platform</li> </ul>	<ul style="list-style-type: none"> <li>Development of R &amp; D resources and IP with particular reference to data-mining and mobile applications</li> </ul>

Strategic theme	Priorities	What we measure	2015 Performance	Short- to medium-term focus
<b>Providing great customer experience and satisfaction</b>	<ul style="list-style-type: none"> <li>• Top recovery rate through continuous enhancement of theft recovery technology and systems</li> </ul>	<ul style="list-style-type: none"> <li>• Recovery statistics</li> </ul>	<ul style="list-style-type: none"> <li>• Audited recovery rate of 93% in South Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing improvement of emergency alarms management systems and hardware development</li> </ul>
	<ul style="list-style-type: none"> <li>• Efficient and effective operating systems</li> </ul>	<ul style="list-style-type: none"> <li>• Client service levels</li> </ul>	<ul style="list-style-type: none"> <li>• System uptime of 99.6% achieved</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of CRM and ERP systems</li> </ul>
	<ul style="list-style-type: none"> <li>• Training and support</li> </ul>	<ul style="list-style-type: none"> <li>• Skills development</li> </ul>	<ul style="list-style-type: none"> <li>• Refer training statistics above</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing development of training programmes to build competencies of client-facing call centres</li> </ul>
	<ul style="list-style-type: none"> <li>• Generate return on client investment</li> </ul>	<ul style="list-style-type: none"> <li>• Client additions, retentions and churn</li> </ul>	<ul style="list-style-type: none"> <li>• Net additions to subscriber base of 82 037</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on training clients to maximise benefits from their investment and improving our processes for providing technical and administrative support</li> </ul>

Strategic theme	Priorities	What we measure	2015 Performance	Short- to medium-term focus
<b>Driving sustainable growth</b>	<ul style="list-style-type: none"> <li>Build brand leadership</li> </ul>	<ul style="list-style-type: none"> <li>Brand awareness and ranking</li> <li>Customer experience measurements (above)</li> </ul>	<ul style="list-style-type: none"> <li>Consumer survey performed indicating 4<sup>th</sup> position in brand awareness in South Africa</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing brand and market education campaigns</li> </ul>
	<ul style="list-style-type: none"> <li>Expand globally in a responsible and sustainable manner</li> </ul>	<ul style="list-style-type: none"> <li>Subscription revenue and geographic distribution</li> </ul>	<ul style="list-style-type: none"> <li>Subscription revenue grew by 51 % in total and proportion from countries outside South Africa grew to 25% (2014: 5%)</li> <li>Offices in 6 new countries opened</li> </ul>	<ul style="list-style-type: none"> <li>Build all new start-up operations to reach profitability</li> <li>Identify new global opportunities for growth</li> </ul>
	<ul style="list-style-type: none"> <li>Drive product and service innovation so as to broaden our target markets and customer base</li> </ul>	<ul style="list-style-type: none"> <li>New products launched and new markets entered</li> </ul>	<ul style="list-style-type: none"> <li>Refer new products and services released (above)</li> </ul>	<ul style="list-style-type: none"> <li>Rollout new products and services according to market strategies</li> </ul>
	<ul style="list-style-type: none"> <li>Drive efficiencies in our operating model</li> </ul>	<ul style="list-style-type: none"> <li>Productivity</li> </ul>	<ul style="list-style-type: none"> <li>Average revenue per employee increased by 7%</li> <li>Increased average number of installations per fitment technician</li> </ul>	<ul style="list-style-type: none"> <li>Implement fitment technician scheduling system</li> <li>Implement ERP and CRM systems</li> </ul>
	<ul style="list-style-type: none"> <li>Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>Cost of inputs of products/services and cost of service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Product costs impacted by 8% deterioration of Rand:US\$ exchange rate; increase in product costs contained to under 1 % increase</li> </ul>	<ul style="list-style-type: none"> <li>Continually review all input costs and supplier efficiencies and build relationships through constructive engagement</li> </ul>

Strategic theme	Priorities	What we measure	2015 Performance	Short- to medium-term focus
<b>Driving sustainable growth</b> continued	<ul style="list-style-type: none"> <li>Pursue strategic partnerships with core clients, service providers and technology providers</li> </ul>	<ul style="list-style-type: none"> <li>Market trends and competition</li> </ul>	<ul style="list-style-type: none"> <li>Further strengthened Telematics data integration with major fleet client</li> <li>Established reseller partnership with technology provider for DriveVision product</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing identification of areas of strategic engagement with key clients and specialised technology providers</li> </ul>
	<ul style="list-style-type: none"> <li>Pursue strategic acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>Market trends and competition</li> </ul>	<ul style="list-style-type: none"> <li>Whilst opportunities are continually identified and evaluated, no acquisitions were undertaken, other than of existing licensees and through a restructuring of the Group</li> </ul>	<ul style="list-style-type: none"> <li>Keep abreast of trends and market consolidation opportunities</li> </ul>
<b>Technology development and innovation</b>	<ul style="list-style-type: none"> <li>Research innovative and appropriate technologies</li> </ul>	<ul style="list-style-type: none"> <li>Technology spend</li> <li>Market trends</li> </ul>	<ul style="list-style-type: none"> <li>Technology spend of R16.4m (2014: R15.4m)</li> </ul>	<ul style="list-style-type: none"> <li>Focus on resource capacity to ensure development objectives and time-to-market targets are achieved</li> </ul>
	<ul style="list-style-type: none"> <li>Continuously upgrade products and services</li> </ul>	<ul style="list-style-type: none"> <li>Technology advances</li> </ul>	<ul style="list-style-type: none"> <li>New miniaturised fleet management unit with enhanced functionality and integrated SVR feature released</li> </ul>	<ul style="list-style-type: none"> <li>Manage upgrade path where key components are discontinued</li> <li>Upgrade to 3G network capabilities for new markets and to protect against obsolescence</li> </ul>

---

## Risk Management

### Internal control systems

To meet the Company's responsibility to discharge its governance responsibilities and provide reliable financial and operational information, the Company maintains systems of internal controls and risk management. The controls are designed to encompass financial, operational, compliance and sustainability issues, providing reasonable assurance that transactions are concluded in accordance with delegated authority and are properly processed and recorded, that assets are adequately protected against material losses, unauthorised acquisition, use or disposal, and that policies and procedures are consistently applied.

These systems include a documented organisational structure and division of responsibility, clarity of accountability, established policies and procedures which are communicated throughout the Group, and the careful selection, training and development of people. The Company is in the process of establishing an independent internal audit function.

The Company monitors the operation of the internal control systems in order to determine if there are deficiencies and corrective actions are taken to address control deficiencies as they are identified. The Board of Directors, operating through the Audit and Risk Committee, is responsible for the review of the effectiveness of the system of internal controls and risk management.

There are inherent limitations to the effectiveness of any system of internal controls, including the possibility of human error and the circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable assurance.



# LEADERSHIP AND GOVERNANCE



Board of Directors	40
Management structure	42
Corporate governance	42
Board committees	43
Directors' remuneration	49
Company Secretary Certificate	51

# LEADERSHIP AND GOVERNANCE

## Board of Directors

Short *curricula vitae* of the Directors and Company Secretary are set out below.

## Executive Directors



**Isaias Jose Calisto** (Zak) 48

*Global Chief Executive Officer*

**Appointed:** 1 July 2008

Zak is the founder of Cartrack and Global Chief Executive Officer. Zak has an impressive entrepreneurial history with over 20 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 R Edmeston** 60

*Global Chief Financial Officer and Deputy Global Chief Executive Officer*

**Appointed:** 2 July 2014

John is the Global Chief Financial Officer and Deputy Global Chief Executive Officer of Cartrack and is a qualified Chartered Accountant. John joined the Company in 2008 after having left Altech Netstar as their managing director following nine years of service. John is a member of the South African Institute of Chartered Accountants (SAICA).

## Company Secretary



**Annamè de Villiers** 58

*Company Secretary*

Annamè holds B.Proc and LLB degrees 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.

Notes:

All directors are South African citizens

## Independent Non-executive Directors

### **David J Brown** 60

*Independent Chairman*

**Appointed:** 13 October 2014

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 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** 48

*Independent Non-executive Director*

**Appointed:** 13 October 2014

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 Chairman and Founder of Brand Leadership Group and Brand Africa.



### **Kim White** 38

*Independent Non-executive Director*

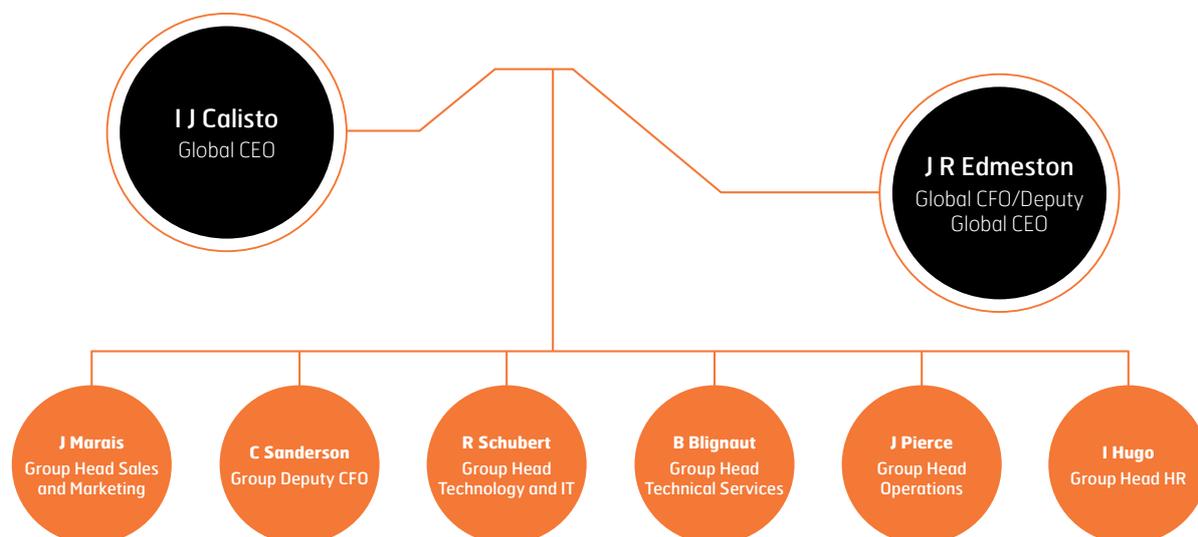
**Appointed:** 13 October 2014

Kim is a qualified Chartered Accountant and Registered Auditor. Kim has over 15 years of experience within 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 The South African Institute of Chartered Accountants (SAICA), a member of The South African Institute of Tax Professionals (SAIT) and is registered with The Regulatory Board of Auditors (IRBA).



The Company Secretary will support the Directors in maintaining the regulatory compliance of Cartrack. The Board has considered and satisfied itself as to the competence, qualifications and experience of the Company Secretary and believes that the Company Secretary will be able to provide the Board with the requisite support for its efficient functioning and discharge of its duties. In accordance with the recommendations of the King Code, the Company Secretary is not a Director of Cartrack and will maintain an arms-length relationship. The Company Secretary will be subject to an annual evaluation by the Board.

## Management structure



## Corporate Governance Report

### Commitment and approach

The Directors accept full responsibility for the application of the principles necessary to ensure that effective corporate governance and ethics are practiced consistently throughout the Group. In discharging this responsibility, the Board endorses the King Code in both letter and spirit, providing effective leadership, integrity and judgement in directing the business of the Company to create and maintain value.

The Directors have pro-actively taken steps to ensure that the Company is fully compliant with the King Code recommendations considered mandatory by the JSE and the Board is of the opinion that Cartrack is compliant with such recommendations in all material respects. The Board will continuously review and assess the assimilation and entrenchment of governance best practices in the Group. A full analysis of the steps taken by the Company to comply with the King Code is available on the Company's website ([www.cartrack.com/AboutUs/Corporate Governance](http://www.cartrack.com/AboutUs/CorporateGovernance)).

## The Board

### Board structure and composition

The Group has a unitary Board structure with three non-executive directors and two full-time salaried executive Directors at the end of the reporting period. In the view of the Board the qualifications, experience and personal characteristics of the independent non-executive Directors, together with the fact that they have no material contractual relationships with the Group, ensure that their judgement is exercised independently and in an unfettered manner. The roles of the independent non-executive Chairman and the Chief Executive Officer are separate and clearly defined. This division of responsibilities ensures a balance of authority and power, with no individual director having unrestricted decision-making authority.

---

## Board appointments

Directors are appointed by the Board in a formal and transparent manner. The Nomination Committee, in consultation with the Chief Executive Officer 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. Retiring Directors may offer themselves for re-election. In terms of the Listings Requirements, all Directors will retire at the first annual general meeting of Cartrack, but will make themselves available for re-election by the Shareholders. Directors appointed during the 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 Chief Executive Officer and CFO are subject to a notice period of 3 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.

## Director independence

All non-executive Directors, including the Chairman, are independent in terms of the definition in the King Code and the guidelines outlined in the Listings Requirements. All 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.

## Board and director evaluations

An annual evaluation will be conducted to assess the effectiveness of the Board as a unit, the Board committees and the individual contributions of the Directors. The Chairman will discuss results of the individual Director evaluations with the relevant Directors and suitable developmental plans will be agreed with them if required. The results of the evaluation of the Chief Executive Officer will be distributed to all Board members and considered by them.

## Company Secretary assessment

The Company Secretary works to ensure that Board procedures and relevant legislation and regulation is observed, and is responsible for preparing meeting agendas and recording minutes. The Company Secretary also provides guidance to directors on governance, compliance and fiduciary responsibilities. Based on the outcome of a formal assessment conducted by the Chairman, Chief Executive Officer, Chief Financial Officer and Audit Committee Chairman, the Board is of the opinion that the Company Secretary competently fulfills the role as she possesses the requisite competence, knowledge and experience to carry out the duties of a secretary of a public company. In line with the principles of the King Code, the Company Secretary is not a director within the Group and is suitably independent of the Board to be an effective steward of the Group's corporate governance framework.

## 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 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 meets four times during the financial year, excluding any *ad hoc* meetings held to consider special business.

## Board Committees

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

### Audit and Risk Committee Report

The Audit and Risk Committee operates in accordance with its Terms of Reference, which are reviewed annually and is responsible for performing the functions required of it in terms of section 94(7) of the Companies Act.

#### Composition

Chairman: Kim White (Independent non-executive director)

#### Members

Dave Brown (Independent non-executive director)

Thebe Ikalafeng (Independent non-executive director)

The Audit and Risk Committee meets four times during a financial year. The Chief Executive Officer and Chief Financial Officer are invited to attend meetings, but do not have a vote. The committee meets at least once a year with the external auditors without the presence of management, excluding any *ad hoc* meetings held to consider special business.

#### Objectives and functions

- Nominating and appointing the Group's auditors and ensuring that such auditors are independent of the Group
- Determining the fees to be paid to the auditor and the auditor's terms of engagement
- Ensuring that the appointment of the auditor complies with the provisions of the Companies Act and any other relevant legislation
- Determining the nature and extent of any non-audit services that the external auditor may provide to the Group
- Preparing a report for inclusion in the annual financial statements on the functions and activities of the committee
- Dealing with any complaints (whether from within or outside the Company) relating to accounting practices, internal audits of the Company or the content of the Company's financial statements and related matters
- Annually assessing the qualification and experience of the financial director as well as the adequacy of the resources and experience of the finance department of the Company and report its findings to the shareholders
- Reviewing the effectiveness of internal control systems in the Group with reference to the findings of external auditors
- Reviewing the annual financial statements and interim reports of the Group as well as other public communications of a financial nature
- Considering accounting issues, ensuring that all key areas of risks have been properly identified and that the Group mitigates such risks
- With regard to the governance of risk, ensuring that the Group has an effective risk framework, policy and a plan for risk management in order to assist the Group in achieving its strategic goals and that the disclosure and reporting of risk is complete, timely and relevant
- Overseeing the mitigation or optimisation plans within the Group with respect to all its significant risks
- Reviewing the effectiveness of the system for monitoring the Group's compliance with laws and regulations
- Ensuring that the Group code of conduct is in writing and that arrangements are made for all employees to be aware of it
- Ensuring that the Group complies with relevant legislation and sound corporate governance principles
- Reviewing any significant cases of fraud, misconduct or conflicts of interests

The Company's external auditors have unrestricted access to the Audit and Risk Committee and may, with the approval of the chairperson of the Audit and Risk Committee (which approval may not be unreasonably withheld), attend its meetings.

---

The Audit and Risk Committee annually reviews the appropriateness of the qualifications and experience of Cartrack's Global Chief Financial Officer, John Edmeston, and reports on whether or not it is satisfied therewith. In addition, the Audit and Risk Committee reviews and reports on the expertise, resources and experience of the Company's finance function.

This committee has considered and satisfied itself as to the appropriateness of the qualifications and experience of the Global Chief Financial Officer, as well as the expertise, resources and experience of the Company's finance function.

## Annual financial statements

Following the review of the consolidated and separate annual financial statements of the Cartrack Group for the year ended 28 February 2015, the Audit and Risk Committee is of the view that, in all material respects, it complies with the relevant provisions of the Companies Act and IFRS and fairly presents the financial position at that date and the results of its operations and cash flows for the year. The committee has also satisfied itself as to the integrity of the remainder of the annual integrated report.

Having achieved its objectives for the financial year, the committee recommended the consolidated and separate annual financial statements and annual integrated report for the year ended 28 February 2015 for approval to the Board.

### Kim White

*Chairman*

## Remuneration and Nomination Committee Report

The Remuneration and Nomination Committee operates in accordance with its Terms of Reference, approved by the Board and reviewed annually.

### Composition

Chairman: Thebe Ikalafeng (Independent non-executive director)

### Members

Dave Brown (Independent non-executive director)

Kim White (Independent non-executive director)

The Chief Executive Officer and other executives may attend meetings of the Remuneration and Nomination Committee by invitation, but do not participate in discussions regarding their own remuneration and benefits and do not have a vote.

The Remuneration and Nomination Committee meets at least twice during a financial year.

### Objectives and functions

- Reviewing the Group's Board structures, the size and composition of the various Boards within the Group and to make recommendations in respect of these matters as well as an appropriate split between Executive and Non-executive Directors and Independent Directors
- Assisting in identification and nomination of new Directors for approval by the Board.
- Considering and approving the classification of Directors as independent
- Overseeing the induction and training of Directors and conducting annual performance reviews of the performance and effectiveness of the Board and various Board committees.
- Ensuring the proper and effective functioning of the Group's Boards and assists the Chairman in this regard.

## LEADERSHIP AND GOVERNANCE continued

- Considering and making recommendations to the Board on, *inter alia*, the remuneration policy of the Company, the payment of performance bonuses, Director and Executive Director remuneration, short, medium and long-term incentive schemes and employee-retention schemes.

This committee is satisfied that it has achieved its objectives for the financial year ended on 28 February 2015.

### Thebe Ikalafeng

*Chairman*

### Meetings and attendance

Board Meeting	DJ Brown	TI Ikalafeng	K White	IJ Calisto	JR Edmeston
13/10/2014	✓	✓	✓	✓	✓
02/02/2015	✓	✓	✓	✓	✓
<b>Audit and Risk Committee</b>					
12/02/2015	✓	✓	✓	✓	✓
16/03/2015	✓	✓	✓	✓	✓
<b>Remuneration and Nomination Committee</b>					
16/03/2015	✓	✓	✓	✓	✓

#### Notes:

**Audit and Risk Committee** – the meeting held on 12/02/2015 dealt with Audit matters exclusively while the meeting held on 16/03/2015 dealt with Risk matters exclusively. Mr IJ Calisto is an invitee to the Audit Committee and Mr JR Edmeston is an invitee to the Audit Committee and member of the Risk Committee.

**Remuneration and Nomination Committee** – both Messrs Calisto and Edmeston are invitees to this committee.

### Social and Ethics Committee

The Social and Ethics Committee operates in accordance with its Terms of Reference, approved by the Board and reviewed annually. It will meet at least twice during the financial year.

#### Composition

Chairman: Dave Brown (Independent non-executive director)

#### Member:

John Edmeston (Executive director)

Irma Hugo (HR Manager)

The Social and Ethics Committee assumes the following statutory responsibilities as set out in Regulation 43 of the Companies Regulations, 2011:

#### Objectives and functions

- Social and economic development, including sponsorships and donations, implementation of the Employment Equity Act
- Good corporate citizenship, including the promotion of equality, prevention of unfair discrimination, reduction of corruption, social responsibility policies and strategies

- 
- Business impact on the environment, health and public safety
  - Consumer relationships, including advertising, public relations and compliance with consumer protection laws
  - Labour and employment
  - Management of ethics

This committee is a newly established committee of the Board following the listing in December 2014. Although an annual planning framework has been agreed, a comprehensive report on its activities and achievements will be provided in the next reporting period.

## Remuneration and Recruitment Philosophy

Cartrack aims to attract, motivate, reward and retain high-calibre people with above-average industry ability and leadership potential to effectively run the Company, but to also enable the Company to rise above competitors.

To this end Cartrack aims to ensure that an appropriate balance is achieved between:

- The interests of shareholders;
- Operational and strategic requirements; and
- Providing attractive and suitable remuneration packages to executives, management and employees.

The remuneration principles are designed to ensure that:

- Employees are fairly rewarded for their individual contributions and performance; and
- Remuneration is generally aligned with industry and market benchmarks. While external bench-marking of salaries is not undertaken, fair market prices for jobs is reasonably determinable from the salaries of job applicants and recruitment agencies as well as from discussions/exit interviews where staff may consider leaving Cartrack's employ for reason of salary. Cartrack aims to provide remuneration at what may be considered to be the median market price.

As such, the objectives of the remuneration policy shall be to ensure that the remuneration system:

- Manages remuneration expenditure in an appropriate manner and offers the desired yield in terms of the behaviour and performance of employees, in line with the values and performance indicators of Cartrack;
- Rewards individuals for the achievement of the Company's objectives and motivates high levels of performance;
- Rewards exceptional performance by individuals through the performance incentive system;
- Allows the Company to compete effectively in the labour market and to attract, recruit and retain high calibre employees;
- Achieves consistency and fairness in relation to the need to equitably remunerate employees with similar responsibilities and levels of performance.

At Cartrack, remuneration consists of the following:

- A monthly basic salary;
- A car allowance or Company car (depending on the position), if traveling for business purposes is a key requirement;
- A cellular phone allowance, if regular business communications during or after business hours is a requirement;
- Overtime in accordance with the determinations of the Basic Conditions of Employment Act;

## LEADERSHIP AND GOVERNANCE continued

- Remuneration for the sales force is based on performance and commission, measured against sales targets, which makes this a variable cost for the business
- Following the successful completion of the three month probation period, employees commence contributions to a Provident Fund. This Fund forms part of a Momentum Group Umbrella Fund and employees are expected to contribute 5% of the basic salary. A Company contribution of 5% is also payable; and
- The Company contributes towards an Old Mutual Group Life and Capital Disability scheme currently providing for a payment of twice the annual salary of the employee in case of death or permanent disability.

Salaries are generally reviewed annually, on 1 March, to coincide with the commencement of the new financial year and are determined by factors such as:

- Individual performance;
- Company performance;
- CPI and inflation; and
- Internally assessed market conditions.

Annual increases are recommended to the Remuneration Committee by executive management for review and recommendation to the Board for final approval.

It is a general principle that all incentive bonuses are discretionary and no individual has a right to be paid an incentive or performance bonus.

At present, Cartrack has five approved incentive schemes:

- A non-guaranteed annual 13<sup>th</sup> cheque, payable in December of each year, based on both individual and Company performance and awarded at the discretion of management for all permanent staff;
- Incentives are payable for collections and performance on a monthly basis in the Credit Control and Voice Logging/ Customer Services departments. Calculations are based on set criteria;
- Quarterly and annual incentives are payable to Sales Managers. These are based on the performance of their employees and the reaching of national sales targets; and
- Branch managers also qualify for incentives which are calculated annually and based on the performance of the branch and the reaching of various targets during a financial year.
- Individual contractual bonuses are payable to the Deputy Chief Financial Officer and the Deputy Global Chief Executive Officer in accordance with annual performance parameters approved by the Board upon recommendation by the Remuneration Committee.

In line with Cartrack's aim to retain and attract key staff, Cartrack intends to implement a long-term incentive scheme through the establishment of a trust, subject to the requisite JSE and shareholder approvals being obtained. The incentive scheme will afford qualifying key members of management the opportunity to participate in the equity and future growth of the business. This will align the interests of the employees with those of the Cartrack shareholders as well as retain and incentivise key skills to achieve the targets set by Cartrack.

Recruitment at Cartrack is done in accordance with the Recruitment Policy, which is summarised as follows:

- Cartrack aims to ensure that the recruitment and promotion practices are fair and equitable to meet all the requirements of the Company, while adhering to Labour legislation such as the Employment Equity Act in South Africa;
- Preference is given to Historically Disadvantaged candidates to meet the targets contained in our Employment

Equity Plan which aims to reflect the national demographics;

- All positions are advertised internally first and preference is given to the placement or promotion of internal candidates;
- Should external advertisement be required, the position is placed on numerous recruitment portals;
- Should recruitment via the internal resources be unsuccessful, Cartrack has agreements with various external Recruitment Agencies at negotiated preferential rates;
- Initial interviews are done by the recruitment officers and the selected candidates are then presented to senior management for the final interview. Thereafter, criminal record checks, ITC checks and reference checks are conducted and qualifications are verified;
- Unsuccessful candidates are declined by the recruitment department;
- Should the candidate be successful, an Offer of Employment is prepared and authorised by management;
- Following the placement, induction and training of the new staff member is done to ensure performance in accordance with the standards set by management to align to Company objectives.

## Directors' Remuneration

The total remuneration and benefits paid and payable to each Director of the Company for the year ended 28 February 2015 is set out below:

### Directors' remuneration for the year ended 28 February 2015

Director	Salaries (R'000)	Bonus (R'000)	Travel allowance (R'000)	Total (R'000)
<b>Executive Directors:</b>				
Zak Calisto*	1 712	160		1 872
John Edmeston	1 758	1 386	96	3 241
Luiz Madeira*	–	–	–	–
Craig Sanderson*	1 070	211	–	1 281
Juan Marais*	1 452	131	120	1 703
<b>Total remuneration</b>				
Executive Directors	<b>5 993</b>	<b>1 888</b>	<b>216</b>	<b>8 097</b>
<b>Non-executive Directors:</b>				
David Brown	319	–	–	319
Thebe Ikalafeng	189	–	–	189
Kim White	168	–	–	168
<b>Total remuneration</b>				
Non-executive Directors	676	–	–	676
<b>Total</b>	<b>6 669</b>	<b>1 888</b>	<b>216</b>	<b>8 773</b>

#### Notes:

\* Zak Calisto received a portion of his remuneration for the year from Cartrack Technologies South East Asia PTE LTD

Luiz Madeira resigned as a director of Cartrack on 13 October 2014.

Craig Sanderson resigned as a director of Cartrack on 13 October 2014. Craig will remain employed at Cartrack Proprietary Limited as Deputy Chief Financial Officer.

Juan Marais resigned as a director of Cartrack on 13 October 2014. Juan will remain employed at Cartrack Proprietary Limited as Head of Group Sales and Marketing.

## LEADERSHIP AND GOVERNANCE continued

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

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

No fees have been paid or accrued to third parties *in lieu* of Directors' fees in the years ended 28 February 2015, 2014 and 2013.

### Proposed annual remuneration for Non-executive Directors for the year ending 28 February 2016

Director	Fees (R'000)	Audit and Risk Committee (R'000)	Remuneration and Nomination Committee (R'000)	Social and Ethics Committee (R'000)	Total (R'000)
David Brown	639	156	63	99	957
Thebe Ikalafeng	285	156	99	–	540
Kim White	285	183	63	–	531
<b>Total</b>	<b>1 209</b>	<b>495</b>	<b>225</b>	<b>99</b>	<b>2 028</b>

### Proposed total remuneration and benefits payable to each Executive Director for the year ending 28 February 2016

	Salaries (R'000)	Bonus (R'000)	Travel allowance (R'000)	Total (R'000)
<b>Executive Directors:</b>				
Zak Calisto	2 784	160	–	2 944
John Edmeston	1 872	1 373	102	3 347
<b>Total</b>	<b>4 656</b>	<b>1 533</b>	<b>102</b>	<b>6 291</b>

### Directors' interests

As at 28 February 2015 the Directors, including their associates, held, directly or indirectly, the following number of Cartrack Ordinary Shares:

Director	Total indirect shareholding	Total percentage interest
Zak Calisto	203 980 424	68.0
Juan Marais	36 019 576	12.0
<b>Total</b>	<b>240 000 000</b>	<b>80</b>

J Marais resigned as director of Cartrack on 13 October 2014 but remains a director of Cartrack Proprietary Limited and a member of the executive management team. Since 28 February 2015, no change in the above shareholding has occurred.

---

## Governance priorities

Governance priorities for the 2016 financial period will include:

- The enhancement of an independent Internal Audit function;
- Review of Board committee charters to ensure alignment with regulatory requirements and methods of functioning;
- Ongoing development of the IT governance framework, through the adoption of enhanced processes and policies aimed at performance improvement and further embedding good IT governance practices in the day-to-day business operations;
- Further improving the Group's understanding of the regulatory requirements in the foreign territories in which it conducts operations;
- Further enhancing the reporting by management to, and the scope of monitoring undertaken by, the Social and Ethics Committee.

Generally, management will continue to follow a philosophy of continuous improvement as regards governance practices and structures to ensure the reasonable expectations of stakeholders are met.

## Board responsibility

The Board assumes responsibility for the reliability and accuracy of Cartrack's integrated report and believes that it addresses all material issues and fairly presents the integrated performance of the Group. Based on the recommendation of the Audit and Risk Committee, the Board reviewed and approved the annual financial statements for publication. This integrated report was approved by the Board on 28 May 2015.

## Certificate by Group Company Secretary in accordance with section 88(2)(e) of the Companies Act, 2008 ("the Act")

I, Annamè de Villiers, in my capacity as Group Company Secretary, confirm to the best of my knowledge and belief, that, for the year ended 28 February 2015, Cartrack has filed the returns and notices required in terms of the provisions of the Act and that all such returns and notices appear to be true, correct and up to date.



**Annamè de Villiers**  
*Company Secretary*





# FINANCIAL REPORTING

CFO's report with key financial statistics	54
Condensed audited consolidated AFS	57

# FINANCIAL REPORTING

## CFO'S REVIEW OF FINANCIAL PERFORMANCE

Our considerable preparations and financial planning culminated in the successful listing of Cartrack in December 2014. Growth and financial objectives for the year were substantially achieved and the business is well positioned and aligned to pursue our strategies going into 2016.

The key financial statistics are reflected in the table below:

Financial Statistics	2015	2014	% change
<b>Revenue</b>	<b>843 700 543</b>	637 020 292	32
<b>Subscription Revenue (% of total revenue)</b>	<b>84%</b>	74%	
<b>Increase in subscription revenue</b>	<b>51%</b>	25%	
<b>Operating Profit</b>	<b>298 910 031</b>	258 126 363	16
<b>Operating Profit margin</b>	<b>35%</b>	41%	
<b>EBITDA</b>	<b>370 507 738</b>	300 256 661	23
<b>EBITDA margin %</b>	<b>44%</b>	47%	
<b>Headline Earnings per share (HEPS)</b>	<b>0.65</b>	0.58	12
<b>Final dividend declared</b>	<b>90 000 000</b>		
<b>- cents per share</b>	<b>30</b>		
<b>Net cash from operating activities</b>	<b>265 948 790</b>	214 445 741	24

The results for 2015 primarily reflect Cartrack's focus on revenue growth and the establishment and integration of new international operations.

A number of Cartrack licensees in Africa and Europe were acquired during the year, either as wholly owned or majority owned together with a strategic partner, for the outlay of approximately R53 million. In addition, offices were opened in 6 new countries within Asia and the Middle East. The effect of these acquisitions and new operations, being consolidated for the first time, is evident in the financial statistics from both a growth and mix point of view – commentary is provided in this report to explain the key points of impact.

Net additions to our subscriber base of 82 155 units generated a revenue growth of 32% and an increase of 51% in the annuity revenue received from subscriptions, which constitutes 84% of total revenue.

Revenue from non-South African operations increased from 17% of total revenue in 2014 to 26% in 2015.

---

Gross profit margins reduced slightly from 81% to 79%, primarily as a result of the competitive influences in South Africa prompting marginally reduced pricing structures in order to increase market share. The impact relating to the deterioration of the Rand on the cost of goods manufactured has not been material and component procurement processes are expected to minimise the associated impact for the year ahead.

Cartrack's operating profit saw an increase of 16% despite a reduction of 6% in operating profit margin. This margin reduction is attributable primarily to somewhat lower trading margins in the entities acquired in Africa and Europe during the year plus the set up costs associated with the newly established Asian/ME operations which are yet to break even; the once-off listing costs also impacted on margins.

The profitability of the operations in new geographies is anticipated to improve in the short- to medium-term as these businesses gain traction in their respective markets. Typically, operating margins are expected to increase as each new entity increases its critical mass of subscribers.

Total comprehensive income reflects a negative R7.3m in exchange rate differences arising from the Rand's recent appreciation against certain of the main international currencies in which we trade. In particular, the Rand strengthened against the Euro, the Polish Zloty and the Mozambique Metical.

A final dividend of 30 cents per share has been declared. This final dividend, together with the interim dividend paid of R48m, brings the total dividend in respect of 2015 to R138m payable to equity holders of the Group.

### **Achievement of Pre-listing Statement projections**

We are pleased to report that our profits for 2015 exceed those forecast in terms of the PLS. The accounting policy change implemented subsequent to the date of publication of the PLS is described below and more fully in the notes to the Annual Financial Statements. We are satisfied that we have substantially achieved both the milestones and financial results reflected in the PLS.

### **Accounting practice compliance**

We have made a change in accounting policy in the year. This policy change relates to the capitalisation and depreciation of all costs of acquisition of rental sales and the reclassification of capital rental units from Pre-payment to Property, Plant and Equipment in the Consolidated Statement of financial position, and is fully described in the notes to the financial statements. Previously only hardware costs of rental units were capitalised. This policy change also conforms to the policies commonly adopted by our industry peers.

### **Managing our balance sheet**

Working capital control and cash generation are key financial management objectives.

Our current ratio stands at 1.7 and the quick ratio at 1.3, both very healthy. Interest bearing debt comprises only 3% of equity and relates to financed motor vehicles. Cash generated from operating activities increased. Continuous control over working capital and relatively low fixed asset infrastructure requirements ensure a high rate of conversion to cash from operating activities. Cash requirements for start-up operations in accordance with our global expansion plans are well provided for through the high cash generation abilities of our more established entities.

Difficult economic conditions generally experienced over the past year by consumers in South Africa, our most significant operation by far, did result in an increase in payment defaults. However, through maintaining tight credit control procedures our debtor's book remains healthy and the average debtor's days outstanding at year end 2015 stands just under 1 month of sales.

Inventory levels are managed by our centralised procurement department in accordance with supplier lead times, best-price negotiations and our growth strategies. As such, inventory levels will vary from time to time. Inventory value doubled over the year due to the acquisitions and global expansions, a strategic increase in stock levels to cover lengthening supplier lead times and to take advantage of volume price negotiations.

The streamlining of the Group structures that has now been concluded together with the groundwork that has been laid from a financial perspective to focus on continuous improvement in operational efficiencies, governance and management for growth, places us in on a very positive footing to meet the challenges and opportunities of the year ahead.



**John Edmeston**  
*CFO*

# CONDENSED AUDITED FINANCIAL STATEMENTS

For the year ended 28 February 2015

## Consolidated statement of financial position as at 28 February 2015

Figures in Rand	Note(s)	2015	Restated 2014	Restated 2013
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment		150 530 171	104 489 706	67 895 641
Goodwill	2	144 269 346	99 433 144	82 255 688
Deferred tax		8 910 024	5 047 768	4 869 468
		<b>303 709 541</b>	<b>208 970 618</b>	<b>155 020 797</b>
<b>Current Assets</b>				
Inventories		62 532 373	32 740 048	21 435 807
Loans to related parties		5 262 651	35 040 191	130 178 048
Current tax receivable		449 025	351 665	163 140
Trade and other receivables		68 177 211	45 080 451	11 111 183
Cash and cash equivalents		110 047 934	41 656 645	12 825 828
		<b>246 469 194</b>	<b>154 869 000</b>	<b>175 714 006</b>
<b>Total Assets</b>		<b>550 178 735</b>	<b>363 839 618</b>	<b>330 734 803</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
<b>Equity Attributable to Equity Holders of Parent</b>				
Share capital	3	42 487 600	42 487 300	100
Reserves		32 317 272	21 003 526	11 451 638
Retained income		300 414 544	157 306 237	204 587 246
		375 219 416	220 797 063	216 038 984
Non-controlling interest		24 081 808	33 712 854	32 079 534
		<b>399 301 224</b>	<b>254 509 917</b>	<b>248 118 518</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Finance lease obligation		5 618 255	4 169 494	3 481 516
Deferred tax		235 692	1 351	2 011
		<b>5 853 947</b>	<b>4 170 845</b>	<b>3 483 527</b>
<b>Current Liabilities</b>				
Loans from related parties		1 235 487	737 623	–
Current tax payable		36 321 297	27 142 914	15 088 725
Finance lease obligation		6 218 117	3 526 932	3 530 721
Trade and other payables		101 134 758	73 751 387	51 576 332
Dividend payable		–	–	8 936 980
Bank overdraft		113 905	–	–
		<b>145 023 564</b>	<b>105 158 856</b>	<b>79 132 758</b>
<b>Total Liabilities</b>		<b>150 877 511</b>	<b>109 329 701</b>	<b>82 616 285</b>
<b>Total Equity and Liabilities</b>		<b>550 178 735</b>	<b>363 839 618</b>	<b>330 734 803</b>

# CONDENSED AUDITED FINANCIAL STATEMENTS continued

## Consolidated Statement of Comprehensive Income for the year ended 28 February 2015

Figures in Rand	Note(s)	2015	Restated 2014	Restated 2013
Revenue		843 700 543	637 020 292	495 811 748
Cost of sales		(174 991 528)	(123 425 601)	(91 624 419)
<b>Gross profit</b>		<b>668 709 015</b>	<b>513 594 691</b>	<b>404 187 329</b>
Other income		7 284 614	11 946 375	7 489 829
Operating expenses		(377 083 598)	(267 414 703)	(200 753 557)
<b>Operating profit</b>		<b>298 910 031</b>	<b>258 126 363</b>	<b>210 923 601</b>
Investment revenue		4 532 683	1 742 023	4 778 721
Finance costs		(924 075)	(1 211 071)	(292 263)
<b>Profit before taxation</b>		<b>302 518 639</b>	<b>258 657 315</b>	<b>215 410 059</b>
Taxation		(88 441 756)	(74 130 054)	(61 553 584)
<b>Profit for the year</b>		<b>214 076 883</b>	<b>184 527 261</b>	<b>153 856 475</b>
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified to profit or loss:</b>				
Exchange differences on translating foreign operations		(7 291 984)	18 339 903	(7 902 438)
<b>Other comprehensive income for the year net of taxation</b>		<b>(7 291 984)</b>	<b>18 339 903</b>	<b>(7 902 438)</b>
<b>Total comprehensive income for the year</b>		<b>206 784 899</b>	<b>202 867 164</b>	<b>145 954 037</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent		190 488 352	181 144 005	129 311 082
Non-controlling interest		16 296 547	21 723 159	16 642 955
		<b>206 784 899</b>	<b>202 867 164</b>	<b>145 954 037</b>
<b>Profit attributable to:</b>				
Equity holders of the parent		195 242 597	171 592 117	137 213 520
Non-controlling interest		18 834 286	12 935 144	16 642 955
		<b>214 076 883</b>	<b>184 527 261</b>	<b>153 856 475</b>
Basic Earnings per Share	4	<b>0.65</b>	<b>0.59</b>	<b>0.65</b>
Headline Earnings per Share	5	<b>0.65</b>	<b>0.58</b>	<b>0.65</b>

## Consolidated Statement of Changes in Equity for the year ended 28 February 2015

Figures in Rand	Share capital	Share premium	Total share capital	Foreign currency translation reserve	Retained income	Total attributable to equity holders of the group/ company	Non-controlling interest	Total equity
Opening balance as previously reported	100	–	100	11 451 638	188 419 815	199 871 553	32 079 534	231 951 087
Adjustments	–	–	–	–	16 167 431	16 167 431	–	16 167 431
Change in accounting policy	–	–	–	–	–	–	–	–
<b>Balance at 01 March 2013 as restated</b>	<b>100</b>	<b>–</b>	<b>100</b>	<b>11 451 638</b>	<b>204 587 246</b>	<b>216 038 984</b>	<b>32 079 534</b>	<b>248 118 518</b>
Profit for the year	–	–	–	–	171 592 117	171 592 117	12 935 144	184 527 261
Other comprehensive income	–	–	–	9 551 888	–	9 551 888	8 788 015	18 339 903
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9 551 888</b>	<b>171 592 117</b>	<b>181 144 005</b>	<b>21 723 159</b>	<b>202 867 164</b>
Issue of shares	42	42 487 158	42 487 200	–	–	42 487 200	–	42 487 200
Acquisition of subsidiaries	–	–	–	–	(2 831 301)	(2 831 301)	3 083 588	252 287
Dividends	–	–	–	–	(184 909 000)	(184 909 000)	(11 819 012)	(196 728 012)
Increase in interest in subsidiary	–	–	–	–	(31 132 825)	(31 132 825)	(11 354 415)	(42 487 240)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>42</b>	<b>42 487 158</b>	<b>42 487 200</b>	<b>–</b>	<b>(218 873 126)</b>	<b>(176 385 926)</b>	<b>(20 089 839)</b>	<b>(196 475 765)</b>
<b>Balance at 01 March 2014</b>	<b>142</b>	<b>42 487 158</b>	<b>42 487 300</b>	<b>21 003 526</b>	<b>157 306 237</b>	<b>220 797 063</b>	<b>33 712 854</b>	<b>254 509 917</b>
Profit for the year	–	–	–	–	195 242 597	195 242 597	18 834 286	214 076 883
Other comprehensive income	–	–	–	(4 703 543)	–	(4 703 543)	(2 588 441)	(7 291 984)
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4 703 543)</b>	<b>195 242 597</b>	<b>190 539 054</b>	<b>16 245 845</b>	<b>206 784 899</b>
Foreign currency translation movements within equity	–	–	–	16 017 289	–	16 017 289	(16 017 289)	–
Acquisition of subsidiaries with NCI portion	–	–	–	–	–	–	1 837 843	1 837 843
Share issue	42 487 458	(42 487 158)	300	–	–	300	–	300
Dividends	–	–	–	–	(48 000 000)	(48 000 000)	(10 831 735)	(58 831 735)
Increase in interest of subsidiary	–	–	–	–	(41 342 290)	(41 342 290)	(865 710)	(5 000 000)
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>42 487 458</b>	<b>(42 487 158)</b>	<b>300</b>	<b>16 017 289</b>	<b>(52 134 290)</b>	<b>(36 116 701)</b>	<b>(25 876 891)</b>	<b>(61 993 592)</b>
<b>Balance at 28 February 2015</b>	<b>42 487 600</b>	<b>–</b>	<b>42 487 600</b>	<b>32 317 272</b>	<b>300 414 544</b>	<b>375 219 416</b>	<b>24 081 808</b>	<b>399 301 224</b>
Note(s)	3	3	3	3				

# CONDENSED AUDITED FINANCIAL STATEMENTS continued

## Consolidated Statement of Cash Flows for the year ended 28 February 2015

Figures in Rand	Note(s)	2015	Restated 2014	Restated 2013
<b>Cash flows from operating activities</b>				
Cash generated from operations		343 831 659	276 325 668	224 670 591
Interest income		4 532 683	1 742 023	4 778 721
Finance costs		(924 075)	(1 211 071)	(292 263)
Tax paid		(81 491 477)	(62 410 879)	(66 197 357)
<b>Net cash from operating activities</b>		<b>265 948 790</b>	<b>214 445 741</b>	<b>162 959 692</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(119 698 020)	(80 469 435)	(56 926 553)
Proceeds of property, plant and equipment		4 650 724	3 170 180	2 133 862
Acquisitions of subsidiaries		(53 428 030)	2 366 846	–
Acquisitions of increase in control of subsidiary		(5 000 000)	–	–
<b>Net cash from investing activities</b>		<b>(173 475 326)</b>	<b>(74 932 409)</b>	<b>(54 792 691)</b>
<b>Cash flows from financing activities</b>				
Proceeds on share issue	3	300	–	–
Finance lease receipts		4 139 946	684 189	3 263 338
Dividends paid		(58 831 735)	(205 664 992)	(23 983 833)
Increase in loans from related parties		497 864	–	(124 037 009)
Proceeds from related parties		29 777 540	95 875 480	–
<b>Net cash from financing activities</b>		<b>(24 416 085)</b>	<b>(109 105 323)</b>	<b>(144 757 504)</b>
<b>Total cash movement for the year</b>		<b>68 057 379</b>	<b>30 408 009</b>	<b>(36 590 503)</b>
Cash at the beginning of the year		41 656 645	12 825 828	49 341 361
Effect of exchange rate movement on cash balances		220 005	(1 577 192)	74 970
<b>Total cash at end of the year</b>		<b>109 934 029</b>	<b>41 656 645</b>	<b>12 825 828</b>

# ACCOUNTING POLICIES

## Presentation of Consolidated Financial Statements

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the South African Companies Act No 71 of 2008.

The financial statements are presented in South African Rand (ZAR), the functional currency of the group and are prepared on the historical cost basis, except where indicated.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Changes in accounting policy

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the change in accounting policy described below.

### **IAS 16 Property, plant and equipment & IAS 8 Accounting policies, changes in accounting estimates and errors**

During the year, the group changed its accounting policy with respect to the treatment of capital rental units. The capital rental units meet the definition of property, plant and equipment in terms of IAS 16, and thus have been reclassified to property, plant and equipment as capital rental units. These were previously accounted for as a prepayment asset. Acquisition costs which are directly related to vehicle tracking contracts are now being capitalised to the capital rental units and depreciated over the period of the contracts. The typical duration of a rental contract is 36 months. These costs were previously expensed when incurred. This policy was adopted as management believes this policy will provide more relevant information and will more closely match acquisition costs to revenue generation.

The aggregate effect of the changes in accounting policy on the consolidated financial statements for the year ended 28 February 2014 is as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## Consolidated Statement of Financial Position

	2015	2014	2013
<b>Net deferred tax assets/(liability)</b>			
Previously stated	–	(3 689 341)	(1 134 885)
Adjustment	–	8 735 758	6 002 342
	–	<b>5 046 417</b>	<b>4 867 457</b>
<b>Property, Plant and Equipment</b>			
Previously stated	–	31 308 379	21 506 282
Adjustment	–	73 181 327	46 389 359
	–	<b>104 489 706</b>	<b>67 895 641</b>
<b>Retained earnings</b>			
Previously stated	–	(124 619 058)	(188 419 815)
Adjustment	–	(32 687 179)	(16 167 431)
	–	<b>(157 306 237)</b>	<b>(204 587 246)</b>
<b>Net income tax asset (liability)</b>			
Previously stated	–	(10 505 882)	(3 821 502)
Adjustment	–	(16 285 367)	(11 104 083)
	–	<b>(26 791 249)</b>	<b>(14 925 585)</b>
<b>Prepayment – Long term portion</b>			
Previously stated	–	14 607 994	9 775 743
Adjustment	–	(14 607 994)	(9 775 743)
	–	–	–
<b>Prepayment short term portion</b>			
Previously stated	–	18 336 545	15 344 444
Adjustment	–	(18 336 545)	(15 344 444)
	–	–	–
<b>Profit or Loss</b>			
<b>Cost of sales</b>			
Previously stated	–	128 578 810	97 018 648
Adjustment	–	(5 153 209)	(5 394 229)
	–	<b>123 425 601</b>	<b>91 624 419</b>
<b>Operating expenses</b>			
Previously stated	–	281 229 107	216 628 498
Adjustment	–	(13 814 404)	(15 874 941)
	–	<b>267 414 703</b>	<b>200 753 557</b>
<b>Tax</b>			
Previously stated	–	71 682 188	56 451 843
Adjustment	–	2 447 866	5 101 741
	–	<b>74 130 054</b>	<b>61 553 584</b>
<b>Earnings per share</b>			
Previously stated	–	0.53	0.57
Adjustment	–	0.06	0.08
	–	<b>0.59</b>	<b>0.65</b>

## 2. Goodwill

	South Africa	Africa-Other	Europe	Asia & Middle East	Total
<b>Balance 1 March 2012</b>	1 499 495	86 895 385	–	–	88 394 880
Translation adjustments	–	(6 139 192)	–	–	(6 139 192)
<b>28 February 2013</b>	1 499 495	80 756 193	–	–	82 255 688
Additions	–	1 762 813	–	899 179	2 661 992
Translation adjustments	–	14 399 869	–	115 595	14 515 464
<b>28 February 2014</b>	1 499 495	96 918 875	–	1 014 774	99 433 144
Additions	–	382 620	45 040 694	471 357	45 894 671
Translation adjustments	–	1 954 610	(3 390 466)	377 387	(1 058 469)
<b>Total</b>	<b>1 499 495</b>	<b>99 256 105</b>	<b>41 650 228</b>	<b>1 863 518</b>	<b>144 269 346</b>

Goodwill is allocated to identified cash generating units (CGUs) within their operating segments. A summary of goodwill is presented in the table above.

The recoverable amount of all CGUs is determined based on value-in-use calculations, which use pre-tax cash flow projections based on approved financial budgets for the forthcoming financial year plus estimates covering a further four-year period. Five years is considered a reasonable period for management to exercise its insight and make properly considered projections with respect to the cash generation capability of a CGU.

Cash flow projections are based on macro and micro economic factors, present and expected, in the environment in which a CGU operates. At the end of the projected five year period a terminal value is included which, together with the annual projected cash generated by a CGU, is then discounted to present value using rates that reflect the risks related to the relevant CGU. A growth rate of between 5% and 10% was applied depending on the operating environment of each CGU. The discount rate used for the value-in-use calculations was 20%, calculated on pre-tax cash flow projections.

### Goodwill sensitivity

The calculation of a CGU's discounted net present value requires extensive use of estimates and assumptions about discount rates and forecast cash flows. To assess the margins for variations in projections that can be incurred without necessarily resulting in the impairment of goodwill, the growth rate applied was reduced by between 3% and 5%, which still left sufficient headroom above the recorded goodwill value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 3. Share capital

Authorised	2015	2014	2013
1 000 000 000 ordinary shares of no par value	<b>1 000 000 000</b>	–	–
1 000 ordinary shares of R1 each at par value	–	1 000	1 000
	<b>1 000 000 000</b>	<b>1 000</b>	<b>1 000</b>
Cartrack Holdings Limited converted its par value shares and issued no par value shares in November due to the anticipation of its listing on the JSE. A nominal value was paid for this. The company was listed on the JSE on 19 December 2014.			
<b>Reconciliation of number of shares issued:</b>			
Reported as at 01 March 2014	<b>142</b>	100	100
Issue of par value shares – ordinary shares	–	42	–
Issue of no par value	<b>299 999 858</b>	–	–
	<b>300 000 000</b>	<b>142</b>	<b>100</b>
700 000 000 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed in anticipation of the listing. This authority remains in force until the next annual general meeting.			
<b>Issued</b>			
142 Ordinary shares of par value	–	142	100
300 000 000 Ordinary shares of no par value	<b>42 487 600</b>	–	–
Share premium	–	42 487 158	–
	<b>42 487 600</b>	<b>42 487 300</b>	<b>100</b>

	2015	2014	2013
<b>4. Basic earnings per share</b>			
Continuing earnings per share	0.65	0.59	0.65
The calculation of basic earnings per ordinary share is based on the profits attributable to equity holders of the parent and a weighted average number of shares in issue as per the table below. The 300,000,000 shares in issue, weighted accordingly, were treated as a share split for earnings per share purposes. This provides the user with more comparable and relevant information.			
Weighted - average number of ordinary shares			
Issued ordinary shares at 1 March	300 000 000	211 267 605	211 267 6 605
Effect of shares issued in April 2013	–	78 278 990	–
	<b>300 000 000</b>	<b>289 546 595</b>	<b>211 267 605</b>
<b>Profit - attributable to ordinary shareholders</b>			
Profit for the year, attributable to the equity holders of parent	195 242 597	171 592 117	137 213 520
<b>5. Headline earnings per share</b>			
Headline earnings per share	0.65	0.58	0.65
The calculation of headline earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of shares in issue as determined above.			
<b>Weighted - average number of ordinary shares</b>			
Weighted average number of ordinary shares	300 000 000	289 546 595	211 267 605
<b>Profit attributable to ordinary shareholders</b>			
Profit for the period attributable to the equity holders of the parent	195 242 597	171 592 117	137 213 520
Adjusted for:			
Discount on bargain purchase	–	(3 352 930)	–
Gains on disposal of assets	(737 718)	(832 539)	(526 972)
	<b>194 504 879</b>	<b>167 406 648</b>	<b>136 686 548</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

## 6. Diluted earnings per share

There are no dilutive instruments and therefore diluted earnings per share is the same as basic earnings per share.

## 7. Segment reporting

The group is organised into geographical business units and has four 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 performance is evaluated based on profit or loss and is measured consistently with the consolidated financial statements.

Segment Report – 2015	South Africa	Africa – Other	Europe	Asia & ME	Total
Revenue	627 174 799	124 279 954	80 422 114	11 823 676	843 700 543
Intersegment elimination of revenue	34 973 730	–	–	–	34 973 730
Revenue before segment elimination	662 148 529	124 279 954	80 422 114	11 823 676	878 674 273
Profit before taxation includes the following items:	236 985 044	56 776 144	15 836 286	(7 078 835)	302 518 639
Investment revenue	1 616 804	2 915 839	22	18	4 532 683
Finance costs	694 136	210 124	7 373	12 442	924 075
Depreciation	58 815 444	1 917 427	10 388 652	476 186	71 597 708
Total tangible assets	278 139 609	77 605 529	36 605 106	14 137 207	406 487 451
Total liabilities	(108 039 132)	(25 042 409)	(13 097 400)	(5 276 632)	(151 455 573)
Goodwill					144 269 346
Equity					399 301 224

Segment Report – 2014	South Africa	Africa – Other	Europe	Asia & ME	Total
Revenue	530 962 678	88 595 185	13 162 200	4 300 229	637 020 292
Intersegment elimination of revenue	12 724 121	–	–	–	12 724 121
Revenue before segment elimination	543 686 799	88 595 185	13 162 200	4 300 229	649 744 413
Profit before taxation includes the following items:	218 554 972	37 906 227	1 029 208	1 166 908	258 657 315
Investment revenue	249 931	1 390 430	101 662	–	1 742 023
Finance costs	598 219	328 685	284 166	–	1 211 071
Depreciation	39 487 907	1 322 849	1 319 542	–	42 130 298
Total tangible assets	193 597 669	55 683 009	6 950 881	3 619 730	259 851 289
Total liabilities	(77 576 340)	(20 432 120)	(4 022 408)	(2 743 648)	(104 774 516)
Goodwill					99 433 144
Equity					254 509 917

## 8. Directors' emoluments 2015

### 2015

	Emoluments and bonuses	Directors' fees	Total
A.T. Ikalafeng (Non-Executive)	–	189 000	189 000
C.Sanderson (Executive)	1 281 040	–	1 281 040
D.J. Brown ( Non- Executive)	–	319 000	319 000
I.J.Calisto (Executive)	1 120 000	–	1 120 000
J.Marais (Executive)	1 703 156	–	1 703 156
J.R. Edmeston (Executive)	3 240 701	–	3 240 701
K.White (Non- Executive)	–	168 000	168 000
	<b>7 344 897</b>	<b>676 000</b>	<b>8 020 897</b>

### 2014

	Emoluments and bonuses	Total
C.Sanderson (Executive)	766 667	766 667
J.Marais (Executive)	1 596 748	1 596 748
J.R. Edmeston (Executive)	2 864 765	2 864 765
	<b>5 228 180</b>	<b>5 228 180</b>

# DEFINITIONS

<b>"Board" or "Directors"</b>	the Board of Directors of the Company, presently comprising the persons specified in the "Directors and Management" section commencing on page 40;
<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 South African Companies Act, No 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, No. 9 of 1933, as amended;
<b>"Fleet Management" or "FM"</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 license/franchise to, <i>inter alia</i> , conduct the business of Stolen Vehicle Recovery and Fleet Management under the Cartrack brand in the 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 third King Report on Corporate Governance;
<b>"Listings Requirements"</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 pre-determined 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 in the main cars, buses, motorbikes, trailers and freight vehicles; but also other assets that are tracked under subscription contracts, albeit in the minority

# SHAREHOLDER INFORMATION

## Analysis of shareholders

### Major shareholders

Shareholder	%	Number of shares
Onecell Holdings Proprietary Limited	80.00	240 000 000
LMA Madeira	5.80	17 438 766
Other < 5%	14.20	42 561 234
<b>Total</b>	100.00	300 000 000



**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")

# NOTICE OF AGM

Notice is hereby given to shareholders recorded in the Company's securities register on 19 August 2015 that the first annual general meeting of shareholders of Cartrack Holdings Limited will be held at the JSE Limited, One Exchange Square, Gwen Lane, Sandton, on Tuesday, 25 August 2015 at 09:00 for purposes of dealing with the ordinary business of an Annual General Meeting in accordance with the Companies Act, No 71 of 2008 ("the Act") and considering, and if deemed fit, passing with or without modification, the resolutions set out below.

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

## AS ORDINARY BUSINESS

1. To present the consolidated audited annual financial statements for the year ended 28 February 2015 (a summary of which is set out on pages 57 to 67 of the Annual Integrated Report), together with the Directors' and external auditors' reports and the report of the Audit Committee.

## RESOLUTIONS

### 2. **Ordinary resolution number 1: Re-election of Directors**

To elect, by way of a series of votes, the following Directors who are required to retire at this first Annual General Meeting in accordance with the provisions of the Act and the Company's Memorandum of Incorporation ("MOI"), and who, being eligible, offer themselves for re-election:

#### **Ordinary resolution number 1.1**

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

#### **Ordinary resolution number 1.2**

"RESOLVED THAT Mr TA Ikalafeng be and is hereby re-elected as a Director of the Company."

#### **Ordinary resolution number 1.3**

"RESOLVED THAT Mrs K White be and is hereby re-elected as a Director of the Company."

#### **Ordinary resolution number 1.4**

"RESOLVED THAT Mr IJ Calisto be and is hereby re-elected as a Director of the Company."

#### **Ordinary resolution number 1.5**

"RESOLVED THAT Mr JR Edmeston be and is hereby re-elected as a Director of the Company."

**Brief biographies in respect of each retiring director appear on pages 40 and 41 of the Annual Integrated Report.**

**3. Ordinary resolution number 2: Reappointment of external auditor**

Upon the recommendation of the Audit Committee, to reappoint Grant Thornton Chartered Accountants (SA) as the independent auditors of the Company for the ensuing year and to hold office until the next Annual General Meeting, with Mr MZ Sadek as the designated partner, and to authorise the Audit Committee to determine the auditors' terms of engagement and remuneration.

**"RESOLVED THAT** Grant Thornton Chartered Accountants (SA) be and are hereby reappointed as the auditors of the Company for the ensuing year, with Mr MZ Sadek as the designated partner, and that the Audit Committee be and is hereby authorised to determine the auditors' terms of engagement and remuneration."

**4. Ordinary resolution number 3: Appointment of group Audit Committee members**

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

**Ordinary resolution number 3.1**

**"RESOLVED THAT** Mrs K White be and is hereby elected as a member and the chairman of the Audit Committee."

**Ordinary resolution number 3.2**

**"RESOLVED THAT** Mr DJ Brown be and is hereby elected as a member of the Audit Committee."

**Ordinary resolution number 3.3**

**"RESOLVED THAT** Mr TA Ikalafeng be and is hereby elected as a member of the Audit Committee."

**As special business, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:**

**5. Ordinary resolution number 4: Scheme approval**

**"RESOLVED THAT:**

the Company adopt and approve the Cartrack Executive Incentive Trust, in accordance with the salient features which are set out on pages 79 to 82 of the Annual Integrated Report to which this notice is attached, the details of which are incorporated in the deed which has been initialled by the Chairman of the Annual General Meeting for the purpose of identification and has been approved by the JSE.

The deed is available for inspection during normal business hours at the registered office of the Company.

In terms of the JSE Listings Requirements ordinary resolution number 1 must be passed by a 75% majority of the votes cast by Cartrack Shareholders present or represented by proxy at the Annual General Meeting.

**6. Ordinary resolution number 5: Signature of documents**

**"RESOLVED THAT** any one Director and/or the Group Company Secretary be and is hereby authorised to do all such things and sign all such documents and take all such action as they consider necessary to implement all the resolutions set out in this notice convening this Annual General Meeting at which this ordinary resolution will be considered."

## 7. Ordinary resolution number 6: General authority to issue shares for cash

**'RESOLVED TO** grant the Directors' general authority, which shall be limited in aggregate to 6,000,000 (six million) shares, being 2% (two percent) of the Company's shares in issue at 28 February 2015, over the un-issued ordinary shares of the Company until the following annual general meeting. This general authority shall include the power to allot or to sell, as the case may be, such shares for cash subject to the provisions of the Act and the Listings Requirements. In particular, this ordinary resolution which, if passed, would constitute a waiver by members of their pre-emptive rights, is in terms of the Listings Requirements subject to not less than 75% of the votes of all shareholders entitled to vote and in attendance or represented at the meeting, being cast in favour of the resolution, and is further subject to paragraphs 5.52, 5.75 and 11.22 of the Listings Requirements which, in summary provide as follows:

- that the securities be of a class already in issue;
- the securities may only be issued or sold, as the case may be, to public shareholders as defined in the Listings Requirements, and not to related parties;
- that the maximum discount at which such securities may be issued or sold, as the case may be, is 10% of the weighted average traded price of such securities on the JSE over the 30 business days preceding the date that the price of the issue is agreed between the Company and the party subscribing for the securities;
- that such authorisation be valid only until the next annual general meeting or for 15 months from the date of the passing this resolution, whichever is the earlier date;
- that a SENS announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per security (and if applicable, diluted earnings and diluted headline earnings per security), be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the issue; and
- that this authority include any options/convertible securities that are convertible into an existing class of equity securities.

The reason for and effect of ordinary resolution number 6 is to authorise and approve the allotment and issue by the Directors of up to 2% of the authorised but unissued ordinary no par value shares in the share capital of the Company upon such terms and conditions and to such persons as the Directors may, subject to the above, in their discretion determine.

## 8. Ordinary Resolution number 7: Placing the authorised share capital under the control of the Directors

**"RESOLVED THAT** the authorised but unissued share capital of the Company be placed under the control of the Directors and to grant, until the conclusion of the next annual general meeting of the Company, an unconditional authority to the Directors to allot and issue at their discretion (but subject to the provisions of the Companies Act, the Listings Requirements and the MOI of the Company), the unissued shares of the Company, on such terms and conditions and to such persons, whether they be shareholders or not, as the Directors at their discretion deem fit."

The MOI of the Company, as required by the Listings Requirements, provides that the shareholders of the Company may authorise the Directors to issue unissued shares as the Directors in their discretion thinks fit, provided that any such transaction shall be subject to the Listings Requirements and the approval of the JSE.

## 9. Endorsement of remuneration policy

To endorse, through a non-binding advisory vote, to ascertain the shareholders' view, the Company's remuneration policy (excluding the remuneration of the non-executive Directors) and its implementation, as set out in the remuneration report contained on pages 47 to 49 of the Annual Integrated Report.

In terms of the King Code, an advisory vote on the Company's remuneration policy should be obtained from shareholders. The vote allows shareholders to express their views on the remuneration policies adopted and the implementation thereof, but will not be binding on the Company.

## 10. 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 2015 to 28 February 2016

Annual fee payable with effect from 1 March 2015

<b>Chairman of the Board</b>	R639,000
<b>Services as a Director (excluding the Board Chairman)</b>	R285,000
<b>Chairman of Audit and Risk Committee</b>	R183,000
– Other Audit and Risk Committee members	R156,000
<b>Chairman of Remuneration and Nomination Committee</b>	R099,000
– Other Remuneration Committee members	R063,000
<b>Chairman of Social and Ethics committee</b>	R099,000

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

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

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

Refer to page 49 for full particulars on the remuneration paid to non-executive Directors during the year under review and to the remuneration report on pages 47 to 49 of the Annual Integrated Report for further detail on the Company's remuneration practices.

## 11. Special resolution number 2: Financial assistance

**"RESOLVED THAT:**

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

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

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

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

Furthermore, section 44 of the Act may also apply to the financial assistance so provided by a company to any related or interrelated 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 Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the Board is satisfied that:

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

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

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

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

### Voting and proxies

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

A proxy need not be a shareholder of the Company.

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

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

Proxy forms are requested to be forwarded to reach the Company's transfer secretaries by not later than 09:00 on Monday, 24 August 2015.

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

### Electronic participation

The Company intends to offer shareholders or their proxy's reasonable access to attend the annual general meeting through electronic conference call facilities, in accordance with the provisions of the Act. In the event that a shareholder or his/her proxy wishes to participate electronically in the annual general meeting, he/she is required to deliver written notice to the Company at 11 Keyes Avenue, Rosebank, Johannesburg, alternatively [Anname.devilliers@cartrack.com](mailto:Anname.devilliers@cartrack.com), marked for the attention of Ms Annamè de Villiers, the Company Secretary, by no later than 09:00 on 18 August 2015 that he/she wishes to participate via electronic communication at the annual general meeting (the electronic notice). In order for the electronic notice to be valid it must contain: (a) if the shareholder is an individual, a certified copy of his identity document and/or passport; (b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, which resolution must set out who from the relevant entity is authorised to represent the relevant entity at the annual general meeting via electronic communication; and (c) a valid email address and/or facsimile number (the contact address/number).

Voting on shares will not be possible via electronic communication and accordingly shareholders participating electronically and wishing to vote their shares at the annual general meeting will need to be represented at the annual general meeting, either in person, by proxy or by letter of representation. The Company shall use its reasonable endeavours on or before 09:00 on 24 August 2015 to notify a shareholder, who has delivered a valid electronic notice, at its contact address/number, of the relevant details through which the shareholder can participate via electronic communication. The Company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so, or an insufficient number of shareholders or proxies request to so participate.

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

By order of the Board

**A de Villiers**

*Group Company Secretary*

Rosebank

28 May 2015



**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")

# PROXY FORM

For use at the first annual general meeting of members to be held on Tuesday, 25 August 2015 at the JSE Limited, One Exchange Square, Gwen Lane, Sandton, at 09:00.

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

For use in respect of the annual general meeting to be held at the JSE Limited, One Exchange Square, Gwen Lane, Sandton

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

I/We (full names in block letters)

of (address)

Telephone (work) ( )

Telephone (home) ( )

being the holder(s) of  ordinary shares in the Company, appoint (see note 1):

or failing him/her,

or failing him/her,

the chairman of the annual general meeting,

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

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
<b>Ordinary resolution number 1.1</b> Appointment of Mr DJ Brown as Director of the Company			
<b>Ordinary resolution number 1.2</b> Appointment of Mr TA Ikalafeng as Director of the Company			
<b>Ordinary resolution number 1.3</b> Appointment of Mrs K White as Director of the Company			
<b>Ordinary resolution number 1.2</b> Appointment of Mr IJ Calisto as Director of the Company			
<b>Ordinary resolution number 1.2</b> Appointment of Mr JR Edmeston as Director of the Company			
<b>Ordinary resolution number 2</b> Reappointment of external auditor			
<b>Ordinary resolution number 3.1</b> Appointment of Mrs K White as member and chairman of the Audit & Risk Committee			
<b>Ordinary resolution number 3.2</b> Appointment of Mr DJ Brown as member of the Audit & Risk Committee			
<b>Ordinary resolution number 3.3</b> Appointment of Mr TA Ikalafeng as member of the Audit & Risk Committee			
<b>Ordinary resolution number 4</b> Approval of Scheme			
<b>Ordinary resolution number 5</b> Signature of documents			
<b>Ordinary resolution number 6</b> General authority to issue shares for cash			
<b>Ordinary resolution number 7</b> Placing the authorised share capital under the control of the Directors			
<b>Endorsement of remuneration policy</b>			
<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 \_\_\_\_\_ 2015

Signature(s) \_\_\_\_\_

Capacity \_\_\_\_\_

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

### Notes

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

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

# SUMMARY OF EXECUTIVE INCENTIVE SCHEME

## SALIENT FEATURES OF THE CARTRACK EXECUTIVE INCENTIVE TRUST

The salient features of the proposed Executive Incentive Trust in accordance with the provisions of the Trust Deed, are set out below.

### OPERATION

#### 1. PART 1: SETUP AND OPERATION OF THE TRUST

- 1.1 It is proposed that Cartrack Holdings Limited ("**Cartrack**") establishes the Cartrack Executive Incentive Trust, hereinafter referred to as "**the Trust**" to operate as an incentive scheme for qualifying members of the middle and senior management of Cartrack.
- 1.2 The implementation of the scheme will be approved through an ordinary resolution passed by a 75% (seventy five percent) majority of the shareholders in Cartrack present or represented by proxy at a general meeting of shareholders voting in favour of such resolution. It shall be competent for the trustees of the Trust ("**Trustees**"), by a unanimous resolution, to amend any of the provisions of the trust deed, subject inter alia, to the prior approval of the shareholders of Cartrack in those circumstances where such approval is required in terms of the JSE Listings Requirements.
- 1.3 The objective of the Trust will be primarily to serve as an incentive scheme for the qualifying eligible members of Cartrack's middle and senior management ("**Participants**") as it is imperative for the continued success of Cartrack that the participants in the scheme remain in the employ of Cartrack. The scheme will operate on the basis that it will incentivise key members of the management to remain in the employ of Cartrack for a specified period of time, whilst providing them with an opportunity to share in the profits and capital growth of Cartrack.
- 1.4 The Trust will be funded through contributions from Cartrack, as well as other employer companies within the group, ("**Employer Companies**") which funding the Trustees will utilise and apply to subscribe for and/or acquire up to a maximum of 6 000 000 (six million) ordinary shares, subject to what is set out in paragraphs 1.15 and 1.16, at a price equal to the market value of the shares, which is the price at which the Cartrack shares are trading on the JSE at the time of the subscription or acquisition ("**the Trust Shares**"). The Trustees will only subscribe for and/or acquire shares once the Participants have been identified.
- 1.5 The Trustees will only be entitled to dispose of the shares in accordance with the provisions of the Trust Deed.
- 1.6 As soon as the Trust acquires Trust Shares, the Trustees will create a pool of units ("**the Units**"). Participants who meet all the requirements stipulated in the Trust Deed will be allocated a number of these Units for no consideration through the issue of an allocation notice ("**the Allocated Units**"). The purpose of the Allocated Units is to reflect the respective participation rights which are allocated to the Beneficiaries in terms of the Trust Deed. Any Units created but not allocated to a Participant will be referred to as "**Unallocated Units**". All Units that are not accepted by Beneficiaries within the time period available to them, shall form part of the Unallocated Units.
- 1.7 Participants who have formally accepted their selection and appointment will become beneficiaries of the Trust ("**the Beneficiaries**"). Beneficiaries will never be entitled to dispose of their Allocated Units and such Allocated Units will at all times remain restricted. A single Beneficiary will be capable of being allocated up to a maximum of 1 250 000 Trust Shares.
- 1.8 Each tranche of a Beneficiary's Allocated Units will be subject to an incentive period ("**the Incentive Period**") as determined by the remuneration committee of Cartrack (the "**Allocation Committee**") and such Allocated Units will mature at the expiry of the Incentive Period ("**the Matured Units**"). At the expiry of the Incentive Period, the Allocation Committee shall determine whether the Beneficiary's Matured Units need to be adjusted in accordance with the vesting criteria such as performance targets that are stipulated in the Allocation Notice (an "**Adjustment Event**").
- 1.9 As the holders of the Allocated Units, the Beneficiaries will during the Incentive Period have a vested right to the net income (i.e. the dividends received by the Trust less any costs incurred by the Trust) ("**Net Income**") that accrues to the Trust in respect each related Trust Share that corresponds to an Allocated Unit. In other words, the Net Income will vest in the Beneficiary during the year that it accrues to the Trust.

## SUMMARY OF SCHEME continued

- 1.10 The Net Income will however be retained by the Trust and will only be distributed to the Beneficiary after the expiry of the Incentive Period. In the event of an Adjustment Event, only that portion of the Net Income that relates to the Adjusted Matured Units will be distributed to the Beneficiary. The Beneficiary will forfeit the right to the distribution of the portion of the Net Income that relates to the Matured Units forfeited by the Beneficiary in terms of Adjustment Event.
- 1.11 In the event that the Trustees exercise their discretion and elect to dispose of the Trust Shares after the expiry of the Incentive Period, the Trustees will distribute the net capital proceeds realised from the disposal of those Trust Shares to which the respective Adjusted Matured Units are linked.
- 1.12 Once the Trustees have disposed of the Related Trust Shares (in whichever manner they elect to do) and subject to passing of relevant resolutions, a Beneficiary's Adjusted Matured Units will be cancelled and the Beneficiary will immediately cease to be a Beneficiary of the Trust. In other words, only employees who are reflected in the Trust register as the holder of Allocated Units will be a Beneficiary of the Trust.
- 1.13 If a Beneficiary is served with a notice of suspension of employment or a notice of a disciplinary enquiry/hearing on account of an event(s) or conduct that qualifies as grounds for a fault termination (being the termination of employment of the Beneficiary with the Group for any reason other than no fault termination which shall include dismissal, abscondment, resignation, misconduct, fraud and the concluding of a voluntary separation agreement, and any other grounds notified in Writing by Cartrack to the Trustees from time to time), that Beneficiary's rights shall be suspended forthwith and, following a fault termination, that Beneficiary shall forfeit all Allocated Units, irrespective of whether the Units are subject to an incentive period, and such Units shall then form part of the Unallocated Units. If, following a disciplinary enquiry/hearing or other investigation, it becomes evident that a Beneficiary has been guilty of conduct that qualifies as grounds for a fault termination and such conduct preceded payment of Net Capital Proceeds and Net Income to that Beneficiary, the Trust shall be entitled to repayment of the full amount from the Beneficiary.
- 1.14 If a Beneficiary ceases to be in the employ of Cartrack on account of no fault termination (which includes retirement at retirement age; disability; death; retrenchment; dismissal due to unfair labour practice; becoming employed outside of the Cartrack group at the request of the Cartrack group; becoming employed by an employer outside of the Cartrack group to whom a member of the Cartrack group's business is transferred; any other basis notified by the Allocation Committee from time to time; and any other circumstances which, in the discretion of the Allocation Committee constitute a no fault termination) during an incentive period, that Beneficiary shall not be entitled to be allocated any further Unallocated Units subsequent to the employment termination date or the notice period relating to such employment termination date, if any, in respect thereof. In respect of Allocated Units which are still subject to an incentive period, such incentive period shall be deemed to have expired at the employment termination date, with an Adjustment Event referred to in paragraph 1.8 above occurring on such date. The Trustees shall as soon as reasonably possible thereafter dispose of such number of the Related Shares that correspond with the Adjusted Matured Units and distribute the Net Capital Proceeds to the Beneficiary concerned.
- 1.15 In the event of a sub-division or consolidation of shares the maximum number of Shares referred to in paragraph 1.4 above (being 6 000 000 (six million) ordinary shares) shall be adjusted by increasing or decreasing (as the case may be) such number by the same proportion as which such sub-division or consolidation of shares has increased or decreased (as the case may be) Cartrack's share capital and, in addition, the Trustees shall immediately make such adjustments to the Units of the Trust so as to ensure that each Unit after such sub-division or consolidation of shares constitutes the same proportion of the Related Shares as that to which such Units were entitled before such sub-division or consolidation of shares; and
- 1.16 In the event of a capitalisation issue, a special dividend, a rights issue or a reduction of capital, the Trustees shall immediately increase or decrease (as the case may be) the number of Shares referred to in paragraph 1.4 above (being 6 000 000 (six million) ordinary shares), as well as the maximum number of Related Shares contemplated in paragraph 1.7 above (being 1 250 000 Trust Shares) by the same proportion as such capitalisation issue, special dividend, rights issue or reduction of capital has increased or decreased (as the case may be) Cartrack's share capital and, in addition, the Trustees shall immediately make such adjustments to the Units of the Trust so as to ensure that each Unit after such capitalisation issue, special dividend, rights issue or reduction of capital constitutes the same proportion of the equity capital as that to which such Units were entitled before such capitalisation issue, special dividend, rights issue or reduction of capital.

- 
- 1.17 For so long as Cartrack is a listed company and the JSE Listings Requirements so provide:
- 1.17.1 the issue of equity securities as consideration for an acquisition, the issue of securities for cash and the issue of equity securities for a vendor consideration placing will not be regarded as a circumstance requiring adjustment as contemplated in paragraphs 1.15 or 1.16 ;
  - 1.17.2 Cartrack's auditor or other independent advisers acceptable to the JSE must confirm to the JSE, in writing, that any adjustments made in terms of paragraphs 1.15 or 1.16 are in accordance with the provisions of the Trust Deed. Such written confirmation must be provided to the JSE at the time that any such adjustment is finalised; and
  - 1.17.3 any adjustment made in terms of paragraphs 1.15 or 1.16 must be reported on in Cartrack's annual financial statements in the year during which the adjustment is made.
- 1.18 If Cartrack undergoes a merger, takeover or corporate action then the rights of the Beneficiaries (whether vest or unvested) in terms of the Trust Deed will, to the extent necessary, be accommodated on a basis which shall be determined by the trustees to be fair and reasonable to the Beneficiaries.
- 1.19 If the trustees are unable (having used all reasonable endeavours to do so) to distribute any Net Income or any Net Capital Proceeds to any Beneficiary in accordance with the Trust Deed within a period of 2 (two) years from when such distribution became distributable to the Beneficiary concerned, then such Beneficiary shall be deemed to have ceded, and the trustees shall be deemed to have accepted such cession of, his right to receive such distribution on behalf of the Trust, at no consideration to the Trustees.

## 2. PART 2: ADMINISTRATION OF THE TRUST AND TRUSTEES

The Trust shall be administered by the Trustees for the benefit of the Beneficiaries and in the manner and upon the terms and conditions set out in the Trust Deed. There shall at all times be 3 (three) Trustees in office who shall be appointed by Cartrack. A person shall be disqualified from acting as a Trustee where, *inter alia*, he is an executive director of the Cartrack Group or a Beneficiary of the Trust.

### 2.1 Powers of Trustees

The Trustees shall have full power and authority to conduct the business of the Trust, including, *inter alia*, the powers to:

- 2.1.1 to enter into the contributions agreements, between the Employer Companies and the Trust, regulating each of their irrevocable and unconditional obligations to advance contributions to the Trust enabling it to acquire the Trust Shares ("**Contributions**");
- 2.1.2 to utilise the Contributions, the dividends actually received by or accrued to the Trust in respect of the Trust Shares ("**Dividends**") and the net cash reserves in the Trust to acquire Trust Shares;
- 2.1.3 to acquire and hold any Trust Shares from time to time;
- 2.1.4 to notionally allocate Trust Units to Participants in accordance with the Trust Deed;
- 2.1.5 to vest and distribute to any Beneficiary any amounts due to him/her in cash;
- 2.1.6 to dispose of the Trust Shares in accordance with this Trust Deed;
- 2.1.7 to adopt such further procedures and do such further things as the Trustees deem necessary or advisable for the due and proper administration of the Trust, and in order to achieve the Trust's purposes; and
- 2.1.8 to exercise all rights attached to the Trust Shares.

### 2.2 Duties of Trustees

The Trustees, in addition to any other duty imposed by the Trust Deed shall, *inter alia*:

- 2.2.1 procure that all the Trust Shares are registered in the name of the Trust;
- 2.2.2 hold the assets of the Trust (including the Trust Shares) for the benefit of the Beneficiaries in accordance with the requirements of the Trust Deed;
- 2.2.3 subject to paragraph 2.2.4 below, ensure that prior to the expiry of a Beneficiary's Incentive Period, the Trust holds that number of Trust Shares that correspond with the Related Shares attributable to that Beneficiary's Adjusted Matured Trust Units;
- 2.2.4 ensure that, in the circumstances of a no fault termination by reason of the death of a Beneficiary, the Trust holds that number of Trust Shares that correspond with the Related Shares attributable to that Beneficiary's Matured Units;
- 2.2.5 properly and promptly pay and discharge all taxes applicable to it;
- 2.2.6 observe, comply with and give effect to the terms and provisions of the Trust Deed; and
- 2.2.7 procure that this Trust Deed is made available on written request to any Beneficiary.

### 2.3 Books of account and auditors

The Trustees shall, *inter alia*:

- 2.3.1 keep true and correct records and books of account of their administration of the Trust in such manner and form as is necessary in order that the records and books shall at all times reflect the position of the Trust;
- 2.3.2 for the duration of this Trust Deed appoint the auditors of Cartrack as the Trust's auditors or such other auditors as agreed between Cartrack and the Trustees in writing from time to time;
- 2.3.3 ensure that the books of account are prepared in accordance with generally accepted accounting practice in South Africa and the accounting policies of Cartrack, and shall ensure that the annual financial statements are audited in accordance with IFRS and standards applicable to Cartrack.

## 3. PART 3: TERMINATION

- 3.1 The Trust Deed may be terminated at any time by:
  - 3.1.1 the Trustees by unanimous resolution, subject to Cartrack's prior Written approval; or
  - 3.1.2 Cartrack on written notice to the Trustees.
- 3.2 Where this Trust Deed is terminated in the manner contemplated in paragraph 3.1 above, as soon as reasonably possible thereafter, the Trustees shall, *inter alia*:
  - 3.2.1 dispose of all the Trust Shares at a price equal to the market value thereof, which is the price at which the Trust Shares are trading on the JSE at the time when they are disposed of;
  - 3.2.2 settle any liabilities of the Trust;
  - 3.2.3 distribute the Net Income and the Net Capital Proceeds in respect of the Beneficiaries Adjusted Matured Units to the Beneficiaries;
  - 3.2.4 distribute any net cash reserves to Cartrack;
  - 3.2.5 thereafter, cancel all the Units; and
  - 3.2.6 commence with and implement the necessary procedures for the winding up of the Trust,in accordance with the relevant provisions of the Trust Deed.

# CORPORATE INFORMATION

## Directors

### Independent Non-executive Directors

David Brown (Independent Chairman)  
Thebe Ikalafeng  
Kim White

### Executive Directors

Isaias (Zak) Calisto (Global Chief Executive Officer)  
John Edmeston (Global Chief Financial Officer & Deputy Global CEO)

### Company Secretary

Annamè de Villiers  
Cartrack Corner  
11 Keyes Road  
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  
70 Marshall Street  
Johannesburg  
2001  
(PO Box 61051, Marshalltown, 2107)

## Legal advisor

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

## Communications advisor

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)  
52 Corlett Drive  
Wanderers Office Park, Illovo  
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)

The Standard Bank of South Africa Limited  
(Registration number 1962/000738/06)  
9th Floor  
Standard Bank Centre  
5 Simmonds Street  
Johannesburg  
Gauteng  
2001  
South Africa

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

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

# NOTES

A decorative orange line with a small circle at the start, followed by a series of horizontal black lines for writing.



[www.cartrack.com](http://www.cartrack.com)