Company Registration No. 201817157Z

Karooooo Ltd.

Annual Financial Statements
Year ended February 28, 2023

Karooooo Ltd.

General Information

Country of incorporation and domicile	Singapore
Nature of business and principal activities	Karooooo Ltd. is an investment holding company operating principally within the automotive mobility Software-as-a-Service Industry.
Directors	**Executive** Isaias Jose Calisto ("Zak Calisto") Goy Hoe Shin **Independent non-executive** Tzin Min Andrew Leong Kim White Ong Siew Koon @ Ong Siew Khoon
Registered office	1 Harbourfront Avenue, Keppel Bay Tower #14-07 Singapore 098632
Business address	17 Kallang Junction #06-05/06, Singapore 339274
Postal address	17 Kallang Junction #06-05/06, Singapore 339274
Bankers	United Overseas Bank Limited United Bank of Switzerland AG Credit Suisse Group AG DBS Bank Ltd.
Auditors	ERNST & YOUNG LLP One Raffles Quay North Tower, Level 18, Singapore 048583 Partner-in-Charge: Tee Huey Yenn Date of Appointment: July 5, 2022
Secretaries	Zhan Aijuan
Company registration number	201817157Z

Karooooo Ltd.

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We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended February 28, 2023.

In our opinion:

(a) the financial statements are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at February 28, 2023 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act 1967 (the "Act"), and Singapore Financial Reporting Standards (International) ("SFRS(I)s");

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorized these financial statements for issue.

Directors

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

Executive Directors

Isaias Jose Calisto	(Director and Group Chief Executive Officer)
Goy Hoe Shin	(Director and Group Chief Finance Officer) (Appointed on June 30, 2022)

Independent Non-Executive Directors

Tzin Min Andrew Leong
Kim White
Ong Siew Koon @ Ong Siew Khoon

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

	Shareholdings registered in the name of director		**Shareholdings in which a director is deemed to have an interest**	
Name of director and corporation in which interests are held	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
Isaias Jose Calisto				
The Company				
- ordinary shares	20,028,811	20,028,811	–	–

Directors' interests (continued)

By virtue of Section 7 of the Companies Act 1967, Mr Isaias Jose Calisto, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in all the related body corporates of the Company.

Except as disclosed in this statement, none of the directors holding office at the end of the financial year had any interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

On behalf of the Board of Directors

Isaias Jose Calisto
Director and Group Chief Executive Officer

Goy Hoe Shin
Director and Group Chief Finance Officer

June 13, 2023

Independent Auditor's Report to the members of Karooooo Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Karooooo Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at February 28, 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended February 28, 2023, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at February 28, 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities* for the *Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of risks of material misstatements of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities* for the *Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of risks of material misstatements of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<u>Determination of the useful life applied to depreciate capitalized telematic devices, amortize commission assets</u>

The Group's capitalized telematic devices and capitalized commission assets as of 28 February 2023 as disclosed in Note 5 *Property, plant and equipment* and Note 6 *Capitalized commission assets* are ZAR 1,183 million and ZAR 287 million respectively.

The Group uses a statistical model to estimate the useful life to be applied to depreciate and amortize the capitalized telematic devices and commission assets over a useful life of 60 months. The statistical model incorporated historical data to estimate average useful life of subscriber contracts of 60 months.

We identified the determination of useful life as key audit matter because a high degree of audit effort, including specialized skills and knowledge, were involved in assessing the reasonableness of the significant assumption that historical data used in the statistical model is indicative of the estimated average useful life of subscriber contracts for which is used as the useful life of the telematic devices and amortization period for capitalized commission assets.

Our audit procedures included those listed below, amongst others:

- obtained an understanding of the methodology adopted by the management in preparing the statistical model;
- tested the completeness and reasonableness of the underlying data used in the statistical model;
- involved our internal actuarial professionals with specialised skills and knowledge, who assisted in evaluating the relevance of the methodology used to develop the useful life and reasonableness of the significant assumptions used in the statistical model;
- assessed the adequacy of the disclosures related to the capitalized telematic devices and capitalized commission assets included in Note 5 *Property, plant and equipment* and Note 6 *Capitalized commission assets.*

Key Audit Matters (continued)

Impairment assessment of goodwill

As at 28 February 2023, the net carrying value of the goodwill is ZAR 212 million. As disclosed in Note 8 *Goodwill* to the financial statements, goodwill is allocated to various cash generating units (“CGUs”).

Management conducts impairment assessment of goodwill by preparing value-in-use computations using discounted cash flow models to determine the recoverable amount of each CGU. In determining the value-in-use, management is required to apply judgements and make assumptions on estimates supporting underlying projected cash flows, taking into account current market conditions.

We considered the audit of management’s annual impairment test of goodwill to be a key audit matter because the assessment process is complex and involved significant management judgement.

In respect of the CGUs’ value in use, our audit procedures included those listed below, amongst others:

- evaluated the discounted cash flow models used by management in estimating value in use and assessed reasonableness of the key assumptions used, such as forecasted revenue growth rate, budgeted gross margin rate, discount rates and terminal growth rates;
- performed retrospective review by comparing actual financial performance against previously forecasted results;
- involved our internal valuation specialists in assessing the reasonableness of the discount rate and terminal growth rate used by management;
- reviewed the adequacy of the Group’s disclosures in Note 8 *Goodwill* to the financial statements.

Other Matters

The financial statements of Karooooo Ltd and its subsidiaries for the year ended February 28, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on June 9, 2022.

Other Information

Management is responsible for the other information. The other information comprises the company information and directors’ statement set out on page 1 and 2.

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report to the members of Karooooo Ltd.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tee Huey Yenn.

Ernst & Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

June 13, 2023

Karooooo Ltd.

Consolidated Statement of Financial Position
As at February 28, 2023

Figures in Rand thousands

	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,591,814	1,390,659
Capitalized commission assets	6	287,054	231,537
Intangible assets	7	85,642	77,031
Goodwill	8	212,481	186,384
Loans to related parties	12	25,800	19,400
Long-term other receivables and prepayments	11	24,715	9,722
Non-current financial asset	14	388	1,359
Deferred tax assets	9	60,919	58,383
Total non-current assets		2,288,813	1,974,475
Current assets			
Inventories	10	79,159	25,369
Trade and other receivables and prepayments	11	409,191	333,886
Income tax receivables		8,627	8,818
Other financial asset	14	–	15,305
Cash and cash equivalents	13	965,790	731,748
Total current assets		1,462,767	1,115,126
Total assets		3,751,580	3,089,601
EQUITY AND LIABILITIES			
Equity			
Share capital	15	7,142,853	7,142,853
Capital reserve		(3,582,568)	(3,587,640)
Common control reserve	1	(2,709,236)	(2,709,236)
Foreign currency translation reserve		245,109	28,776
Retained earnings		1,564,809	1,276,523
Equity attributable to equity holders of parent		2,660,967	2,151,276
Non-controlling interest		30,908	22,905
Total equity		2,691,875	2,174,181

Karooooo Ltd.

Consolidated Statement of Financial Position
As at February 28, 2023

Figures in Rand thousands

	Note	2023	2022
Liabilities			
Non-current liabilities			
Term loans	16	38,304	71,194
Lease liabilities	17	67,882	64,784
Deferred revenue	18	112,185	108,256
Deferred tax liabilities	9	51,894	47,063
Total non-current liabilities		270,265	291,297
Current liabilities			
Term loans	16	21,643	18,156
Trade and other payables	19	374,047	281,866
Loans from related parties	12	607	2,134
Lease liabilities	17	52,845	47,294
Deferred revenue	18	283,682	218,148
Bank overdraft	13	40	13,722
Income tax payables		55,996	40,918
Provision for warranties		580	1,885
Total current liabilities		789,440	624,123
Total liabilities		1,059,705	915,420
Total equity and liabilities		3,751,580	3,089,601

The accompanying notes form an integral part of these financial statements.

Karooooo Ltd.

Consolidated Statement of Profit or Loss
For the year ended February 28, 2023

Figures in Rand thousands

	Notes	2023	2022	2021
Revenue	20	3,507,067	2,746,151	2,290,543
Cost of sales		(1,234,672)	(922,561)	(670,523)
Gross profit		2,272,395	1,823,590	1,620,020
Other income		9,828	1,841	2,166
Operating expenses		(1,400,308)	(1,126,306)	(895,624)
Sales and marketing		(431,140)	(333,259)	(238,110)
General and administration		(704,603)	(555,327)	(476,534)
Research and development		(177,024)	(149,238)	(100,138)
Expected credit losses on financial assets		(87,541)	(88,482)	(80,842)
Operating profit	21	881,915	699,125	726,562
Initial public offering costs (“IPO”)	1	–	(10,288)	(25,570)
Finance income	22	23,255	6,083	4,358
Finance costs	23	(10,095)	(12,331)	(9,302)
Fair value changes to derivative assets		(971)	(506)	–
Profit before taxation		894,104	682,083	696,048
Taxation	24	(285,298)	(205,476)	(198,628)
Profit for the year		608,806	476,607	497,420
Profit attributable to:				
Owners of the parent		597,153	449,953	318,183
Non-controlling interest		11,653	26,654	179,237
		608,806	476,607	497,420
Earnings per share				
Basic and diluted earnings per share (ZAR)	35	19.29	15.24	15.65

The accompanying notes form an integral part of these financial statements.

Karooooo Ltd.

Consolidated Statement of Comprehensive Income
For the year ended February 28, 2023

Figures in Rand thousands

	2023	**2022**	**2021**
Profit for the year	608,806	476,607	497,420
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss in future periods:			
Exchange differences on translating foreign operations	220,471	17,955	(10,240)
Other comprehensive income for the financial year	220,471	17,955	(10,240)
Total comprehensive income for the financial year net of income tax	829,277	494,562	487,180
Total comprehensive income attributable to:			
Owners of the parent	813,486	469,024	316,037
Non-controlling interest	15,791	25,538	171,143
	829,277	494,562	487,180

The accompanying notes form an integral part of these financial statements.

Karooooo Ltd.

Consolidated Statement of Changes in Equity
For the financial year ended February 28, 2023

Figures in Rand thousands

	Note	Share capital	Capital reserve	Common control reserve	Foreign currency translation	Investment by owner	Retained earnings	Total attributable to owner of the parent	Non-controlling interest	Total equity
Balance at March 1, 2020		10	–	–	11,851	30,383	835,978	878,222	346,913	1,225,135
Profit for the year		–	–	–	–	–	318,183	318,183	179,237	497,420
Other comprehensive income		–	–	–	(2,146)	–	–	(2,146)	(8,094)	(10,240)
Total comprehensive income for the year		–	–	–	(2,146)	–	318,183	316,037	171,143	487,180
Transactions with owner, recognized directly in equity										
Contributions by and distributions to owner										
Dividends	26	–	–	–	–	–	(272,235)	(272,235)	(145,859)	(418,094)
Common control reserve [1]		2,739,619	–	(2,709,236)	–	(30,383)	–	–	–	–
Total contribution by and distributions to owner		2,739,619	–	(2,709,236)	–	(30,383)	(272,235)	(272,235)	(145,859)	(418,094)
Reclassification [2]		–	–	–	–	–	(58,671)	(58,671)	58,671	–
Total transactions with owner		2,739,619	–	(2,709,236)	–	(30,383)	(330,906)	(330 906)	(87,188)	(418,094)
Changes in ownership interest in subsidiaries										
Acquiring interest in subsidiaries without change in control		–	–	–	–	–	(7,893)	(7,893)	(3,666)	(11,559)
Disposal of interest in subsidiary		–	–	–	–	–	(147)	(147)	(69)	(216)
Total changes in ownership interest in subsidiaries		–	–	–	–	–	(8,040)	(8,040)	(3,735)	(11,775)
Balance at February 28, 2021		2,739,629	–	(2,709,236)	9,705	–	815,215	855,313	427,133	1,282,446

Karooooo Ltd.

Consolidated Statement of Changes in Equity (continued)
For the financial year ended February 28, 2023

Figures in Rand thousands

	Note	Share capital	Capital reserve	Common control reserve	Foreign currency translation	Investment by owner	Retained earnings	Total attributable to owner of the parent	Non-controlling interest	Total equity
Balance at February 28, 2021		2,739,629	–	(2,709,236)	9,705	–	815,215	855,313	427,133	1,282,446
Profit for the year		–	–	–	–	–	449,953	449,953	26,654	476,607
Other comprehensive income		–	–	–	19,071	–	–	19,071	(1,116)	17,955
Total comprehensive income for the year		–	–	–	19,071	—	449,953	469,024	25,538	494,562
Transactions with owner, recognized directly in equity										
Contributions by and distributions to owner										
Issuance of share capital		4,452,423	–	–	–	–	–	4,452,423	–	4,452,423
IPO costs off set against share capital		(49,199)	–	–	–	–	–	(49,199)	–	(49,199)
Dividends		–	–	–	–	–	–	–	(6,726)[4]	(6,726)
Derivative - put option	14	–	–	–	–	–	15,305	15,305	–	15,305
Total contribution by and distributions to owner		4,403,224		–	–	–	15,305	4,418,529	(6,726)	4,411,803
Reclassification [2]		–		–	–	–	(3,950)	(3,950)	3,950	–
Total transactions with owner		4,403,224		–	–	–	11,355	4,414,579	(2,776)	4,411,803
Changes in ownership interest in subsidiaries										
Acquiring interest in subsidiaries without change in control		–	(3,587,640)	–		–	–	(3,587,640)	(426,990)	(4,014,630)
Total changes in ownership interest in subsidiaries		–	(3,587,640)	–		–	–	(3,587,640)	(426,990)	(4,014,630)
Balance at February 28, 2022		7,142,853	(3,587,640)	(2,709,236)	28,776	–	1,276,523	2,151,276	22,905	2,174,181

Karooooo Ltd.

Consolidated Statement of Changes in Equity (continued)
For the financial year ended February 28, 2023

Figures in Rand thousands

	Note	Share capital	Capital reserve	Common control reserve	Foreign currency translation	Investment by owner	Retained earnings	Total attributable to owner of the parent	Non-controlling interest	Total equity
Balance at February 28, 2022		7,142,853	(3,587,640)	(2,709,236)	28,776	–	1,276,523	2,151,276	22,905	2,174,181
Profit for the year		–	–	–	–	–	597,153	597,153	11,653	608,806
Other comprehensive income		–	–	–	216,333	–	–	216,333	4,138	220,471
Total comprehensive income for the year		–	–	–	216,333	–	597,153	813,486	15,791	829,277
Transactions with owner, recognized directly in equity										
Contributions by and distributions to owner										
Dividends		–	–	–	–	–	(293,562)	(293,562)	(8,518)[5]	(302,080)
Derivative - put option	14	–	–	–	–	–	(15,305)	(15,305)	–	(15,305)
Total contribution by and distributions to owner		–	–	–	–	–	(308,867)	(308,867)	(8,518)	(317,385)
Changes in ownership interest in subsidiaries										
Disposal of interest in subsidiaries without change in control		–	5,072	–	–	–	–	5,072	730	5,802
Total changes in ownership interest in subsidiaries		–	5,072	–	–	–	–	5,072	730	5,802
Balance at February 28, 2023		7,142,853	(3,582,568)	(2,709,236)	245,109	–	1,564,809	2,660,967	30,908	2,691,875

Karooooo Ltd.

Consolidated Statement of Changes in Equity (continued)
For the financial year ended February 28, 2023

Figures in Rand thousands

[1] Karooooo Limited (“Karooooo”) acquired control of Cartrack Holdings Limited (“Cartrack”) on November 18, 2020 when the loan from Isaias Jose Calisto to Karooooo was extinguished through the issuance of shares.

[2] In November 2014, a change in interest in Cartrack from 88.3% to 68.0% was not accounted for (retained earnings transfer to non-controlling interest (“NCI”). During the financial year ended February 28, 2021 and February 28, 2022, the Group corrected the error prospectively as the impact to comparatives is not material. On April 21, 2021, when Karooooo acquired the minority interest and took control of 100% interest in Cartrack, all NCI relating to the Karooooo minority interest was transferred back to capital reserve.

[3] During the financial year ended February 28, 2022, the Group changed the accounting policy voluntarily and accounted for the acquisition of NCI of Cartrack as a separate reserve, “capital reserve” instead of retained earnings. This is to provide transparency to the users since the reinvestment offer is a significant event (see Note 1). The change in accounting policy was corrected prospectively as the impact to the prior period is not material. Subsequent acquisition of interest in subsidiaries without change in control is accounted for under capital reserve.

[4] Dividends declared during the financial year ended February 28, 2022 amounting to ZAR 4.20 per ordinary share and remains payable by a subsidiary to NCI as of February 28, 2022.

[5] Dividends declared by a subsidiary during the financial year ended February 28, 2023 amounting to ZAR 5.32 per ordinary share remains payable by a subsidiary to NCI as of February 28, 2023.

The accompanying notes form an integral part of these financial statements.

Karooooo Ltd.

Consolidated Statement of Cash Flows
For the financial year ended February 28, 2023

Figures in Rand thousands

	Note	2023	2022	2021
Cash flows from operating activities				
Profit before taxation		894,104	682,083	696,048
Adjustments				
Depreciation on property, plant and equipment	5	493,788	458,281	372,936
Amortization of capitalized commission assets	6	64,707	64,566	46,957
Amortization of intangible assets	7	51,143	39,078	25,856
Capitalized commission assets written off	6	–	15,301	–
Gain on disposal of property, plant and equipment		(4,954)	(1,150)	(1,191)
Finance income	22	(23,255)	(6,083)	(4,358)
Finance costs	23	10,095	12,331	9,302
Provision for warranties charge		(1,305)	904	(698)
Fair value changes to derivative assets		971	506	–
Working capital adjustments				
Inventories		(53,790)	(25,369)	–
Trade and other receivables and prepayments		(62,833)	(52,053)	(78,625)
Trade and other payables		67,940	(11,677)	115,179
Deferred revenue		46,251	78,130	43,227
Capitalized commission assets		(112,738)	(112,639)	(95,999)
Cash generated from operating activities		1,370,124	1,142,209	1,128,634
Interest received		23,255	6,083	4,358
Interest paid		(10,095)	(14,061)	(7,254)
Income tax paid	25	(256,621)	(202,525)	(187,887)
Net cash generated from operating activities		1,126,663	931,706	937,851
Cash flows from investing activities				
Purchase of property, plant and equipment	5	(579,656)	(552,634)	(478,036)
Purchase of property, plant and equipment – Telematics devices and equipment on hand		(457,542)	(500,203)	(445,377)
Purchase of property, plant and equipment – Other		(122,114)	(52,431)	(32,659)
Proceeds on disposal of property, plant and equipment		10,499	4,840	14,362
Investment in intangible assets	7	(46,653)	(43,816)	(45,630)
Acquisition of subsidiary, net of cash acquired	28	–	(66,607)	–
Advances of loans to related party		(6,400)	–	(8,400)
Repayment of loans from related party		–	–	13
Net cash utilized by investing activities		(622,210)	(658,217)	(517,691)

Consolidated Statement of Cash Flows (continued)
For the financial year ended February 28, 2023

Figures in Rand thousands

	Note	2023	2022	2021
Cash flows from financing activities				
Proceeds from related parties loans	16	315	–	857,367
Repayment of related parties loans	16	(1,940)	(845,003)	(1,512)
Cash transferred from/(to) restricted cash[1]		–	834,543	(857,216)
Acquiring interest in subsidiaries without change in control		–	(66,386)	(11,559)
Net proceeds from issuance of share capital[2]		–	450,727	–
Proceeds from term loans obtained	16	502	110,000	–
Repayment of term loans	16	(31,034)	(101,708)	(8,247)
Payments of lease liabilities	16	(56,617)	(47,201)	(46,751)
Dividends paid	26	(331,252)	–	(418,094)
Net cash (utilized by) / generated from financing activities		(420,026)	334,972	(486,012)
Net increase/(decrease) in cash and cash equivalents		84,427	608,461	(65,852)
Cash and cash equivalents at the beginning of the year		718,026	76,098	146,591
Effect of exchange rate changes on cash and cash equivalents		163,297	33,467	(4,641)
Cash and cash equivalents at the end of the year	13	965,750	718,026	76,098

1 On December 29, 2020, the Group received ZAR 882.4 million (USD 58.5 million) from a related party - Orient Victoria Pte Ltd for the sole purpose of facilitating the Company's acquisition of the remaining interest in Cartrack Holdings Proprietary Limited. The loan was fully repaid on April 22, 2021.

2 On April 21, 2021 Karooooo bought out all of the minority shareholders of Cartrack and delisted Cartrack from Johannesburg Stock Exchange ("JSE"). In terms of the reinvestment offer, investors who elected to remain invested in Cartrack received 1 Karooooo ordinary share for every 10 Cartrack ordinary shares owned on the JSE prior to the finalization of the reinvestment offer. Karooooo concluded an inward secondary listing on the JSE on April 21, 2021 and issued 9,410,712 ordinary shares of ZAR 3,952 million to eligible Cartrack shareholders who opted to reinvest the proceeds of sale of their Cartrack shares into Karooooo. Included in the net proceeds from issuance of share capital are transaction costs of ZAR 49.2 million. See Note 1 for details.

The accompanying notes form an integral part of these financial statements.

1. Presentation of consolidated financial statements

Reporting entity

Karooooo Ltd. ("Karooooo" or "the Company") was incorporated on May 19, 2018 in the Republic of Singapore and wholly owned by Isaias Jose Calisto ("Zak"). Cartrack Holdings Proprietary Limited previously known as Cartrack Holdings Limited ("Cartrack") was a public company listed on the Johannesburg stock exchange ("JSE") in December 2014. Zak is the current CEO of Cartrack. Karooooo acquired an approximate 68 per cent interest in Cartrack effective July 17, 2019.

Through a flow of funds arrangement, Karooooo's acquisition of control of Cartrack was facilitated by Zak capitalizing Karooooo, which resulted in a loan from Zak that was repayable on demand in either cash or through the receipt of that number of Cartrack shares where the Cartrack share price is the equivalent of ZAR 13.44 per share, being the share price at which a mandatory public offer was made pursuant to the acquisition. Subsequent to the acquisition, Karooooo was the legal and beneficial owner of the Cartrack shares. As a consequence of the call option embedded within the loan, Karooooo did not acquire control as defined by SFRS(I) 10 *Consolidated Financial Statements* of Cartrack at that time; instead, control remained with Zak.

On November 18, 2020, the loan from Zak was converted into Karooooo share capital and as a consequence, Karooooo acquired control of Cartrack. On this date, 20,331,894 shares were issued to Zak and Karooooo registered ZAR 2,739,619,000 paid-up capital which resulted in a common control reserve of ZAR 2,709,236,000 arising due to the common control transaction. Since the loan was eliminated as part of the common control transaction, it is not presented as a financial liability in the consolidated annual financial statements.

The acquisition of control of Cartrack by Karooooo is considered to be a transaction under common control as ultimately both entities were controlled by Zak before and after the transaction. Therefore, the consolidated financial statements was retrospectively recast to reflect Karooooo's controlling interest in Cartrack for all previous periods presented prior to the date of acquisition. For the period prior to the incorporation of Karooooo the consolidated financial statements reflect Zak's controlling interest in Cartrack, which he held through another personal holding company with no other operations that does not form part of the consolidated Group. There is currently no specific guidance on accounting for common control transactions under Singapore Financial Reporting Standards (International) ("SFRS(I)") issued by the Accounting Standards Council ("ASC"). In the absence of specific guidance Karooooo elected to apply the "pooling of interests" method of accounting. Under "pooling of interests" the assets and liabilities of Cartrack are carried over at their book values with no adjustment made for the acquisition price and prior periods are restated as if the common control transaction had occurred at the beginning of the earliest period presented.

Karooooo listed on the NASDAQ on April 1, 2021 and has raised USD 33.8 million gross cash for general corporate purposes including the growth and expansion of Cartrack, such as research and development. Karooooo issued 1,207,500 shares at an offer price of USD28 per share which is equivalent to the offer price made to Cartrack shareholders to participate in the reinvestment offer, enabling Karooooo to proceed with the IPO in order to meet the requirements to list on the NASDAQ.

1. Presentation of consolidated financial statements (continued)

Reporting entity (continued)

Total IPO costs incurred amounted to ZAR 85.1 million of which ZAR 25.6 million and ZAR 10.3 million were expensed in the financial year ended February 28, 2021 and February 28, 2022 respectively, and ZAR 49.2 million which is directly attributable to the issuance of shares were set off against share capital.

As at February 28, 2021, certain Cartrack shareholders have agreed to participate in the reinvestment offer of Karooooo through the issue of irrevocable undertakings. As the reinvestment offer is based on exchanging a fixed number of Karooooo shares for a fixed number of Cartrack shares, this contract is classified as equity. Accordingly, Karooooo adopted the present-access method to account for the transaction where the non-controlling shareholders still have an economic interest in the equity returns of Cartrack and there was no net impact to equity.

The reinvestment offer to Cartrack shareholders was finalized on April 16, 2021 with 99% of the eligible Cartrack shareholders opting to remain invested in Karooooo. These shareholders received 1 Karooooo share for every 10 Cartrack shares held.

Karooooo, as listed on the NASDAQ and inward listed on the JSE on April 21, 2021, owns 100% of Cartrack. As at February 28, 2022, Zak is the ultimate controlling shareholder of the Group, holding 20,028,811 shares (65.0% shareholdings) of Karooooo.

The principal activities of the Group relate to the provision of real-time mobility data analytics solutions for smart transportation through its software-as-a-service ("SaaS") platform, physical and e-commerce vehicle buying and selling and providing a technology platform focused on last mile delivery. The Group's SaaS platform acts as a central nervous system for connected vehicles and other mobile assets, such as construction equipment, generators, refrigeration units, trailers and boats.

These consolidated annual financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "group companies").

Statement of compliance

The consolidated financial statements are prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s").

The policies applied in these annual financial statements are based on SFRS(I)s effective for annual period beginning on March 1, 2022.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

The annual financial statements were approved for issue by the Directors on June 13, 2023.

Basis of measurement

The consolidated annual financial statements have been prepared on the historical cost basis with the exception of certain financial instruments which have been measured at fair value.

1. Presentation of consolidated financial statements (continued)

Reporting entity (continued)

Functional and presentation currency

The consolidated financial statements are presented in South African Rand ("ZAR"), which is the Group's presentation currency and all values are rounded to the nearest thousand ("ZAR'000"), except when otherwise indicated. The Company's functional currency is in United States Dollar ("USD").

2. Significant accounting policies

2.1 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements

Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2. Significant accounting policies (continued)

2.1 Significant accounting judgements, estimates and assumptions (continued)

Estimates

i. Useful life estimates of capitalized telematics devices and capitalized commission assets

The Group completes a detailed assessment annually on the expected life cycle of subscriber contracts across the Group. The continued growth in the subscriber base over the past few years has provided a more comprehensive database of information and more certainty to support the assessment of the average useful life of subscriber contracts. On the basis of the statistical assessment, there has been no change to the estimated average useful life of 60 months of a subscriber contract in the current financial year. Contracts which terminate prior to 60 months result in accelerated depreciation of the underlying capitalized telematic devices and capitalized commission assets being recognized immediately in profit or loss.

ii. Goodwill

The Group tests goodwill for impairment on an annual basis. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are performed internally by the Group and require the use of various estimates and assumptions regarding discount rates and the future financial performance of the cash-generating units.

The Group's goodwill is subjected to impairment assessment for the financial year ended February 28, 2023. Management assesses goodwill impairment annually. For impairment assessment, management uses a discounted cash flow model which involves significant judgement in estimating the recoverable values of these assets. Any shortfall of the recoverable values against the carrying amounts of these assets will be recognized as impairment losses. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The carrying amounts of the Group's goodwill and key assumptions applied in the determination of the value-in-use including a sensitivity analysis, are disclosed and further explained in Note 8 to the financial statements.

2. Significant accounting policies (continued)

2.2 Accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. The Group consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements comprises the financial statement of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognized in profit or loss.

Non-controlling interest in the acquire, that are present ownership interests and entitled their holders to a proportionate share of net assets of the acquire are recognized on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(a) Basis of consolidation (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

Subsidiaries

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

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company. Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

During the financial year ended February 28, 2022, the Group changed the accounting policy voluntarily and accounted for the acquisition of NCI of Cartrack as a separate reserve, "capital reserve" instead of retained earnings. This is to provide transparency to the users since the reinvestment offer is a significant event (see Note 1). The change in accounting policy was corrected prospectively as the impact to the prior period is not material. Subsequent acquisition of interest in subsidiaries without change in control is accounted for under capital reserve.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(b) Foreign currency

i. Functional and presentation currency

The financial statements are presented in ZAR, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each of entities are measured using the currency of the primary economic environment in which the entity operates.

ii. Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognized in profit or loss.

iii. Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into ZAR at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognized initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Monetary items cease to form part of the net investment in the foreign operation at the moment in time when the Group decides that settlement is planned or is likely to occur in the foreseeable future. Accordingly, exchange differences arising on these monetary items up to that date are recognized in other comprehensive income and accumulated under foreign currency translation reserve in equity. The exchange differences that arise after that date are recognized in profit or loss. When these monetary items are settled, the exchange differences accumulated under foreign currency translation reserve in equity are reclassified from equity to profit or loss.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(c) Financial instruments

i. Financial assets

Initial recognition and measurement

Financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement categories for classification of debt instruments are:

<u>Amortized cost</u>

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets are measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized in profit or loss when the assets are derecognized or impaired, and through amortization process.

<u>Fair value through other comprehensive income ("FVOCI")</u>

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognized in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognized in profit or loss. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognized.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(c) Financial instruments (continued)

i. Financial assets (continued)

Fair value through profit or loss ("FVPL")

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss in the period in which it arises.

Derecognition

A financial asset is derecognized where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income for debt instruments is recognized in profit or loss.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognized in profit or loss

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(d) Derivative financial instruments

Derivatives are initially measured at fair value and any directly attributable transactions are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss. For derivatives entered as a transaction with owner, changes in the fair value is recognized directly in equity.

(e) Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a "lifetime ECL").

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtor’s ability to pay.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(f) Property, plant and equipment

i. Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of telematic devices is capitalized as property, plant and equipment.

In-vehicle capitalized telematics devices are installed in customers' vehicles as part of a subscription contract. The telematics device and directly related installation costs are capitalized and depreciated over the expected useful live of the average contract. The related depreciation expense is recorded as part of cost of sales in the Statement of Profit and Loss. If a subscriber contract with a customer is cancelled prior to the end of its useful life, the unamortized cost is recognized immediately in profit and loss.

Where subscriber contracts are expected to be in existence for periods significantly shorter than the average useful life of 60 months, these are depreciated over a reduced useful life.

Uninstalled telematics devices are devices not installed and available for installation. Work in progress telematics devices are devices in progress of being manufactured.

ii. Depreciation

Depreciation is computed on a straight-line basis over their estimated useful lives of property, plant and equipment including right of use assets as follows:

Category	Depreciation method	Average useful life
Property	Straight line	20-50 years
Property - Right of use assets	Straight line	Lease term or useful life whichever is shorter
Property - Leasehold improvements	Straight line	3 years or lease term
Plant, equipment and vehicles	Straight line	4-5 years
IT equipment	Straight line	3 years
Capitalized telematics devices - Installed	Straight line	5 years

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(f) Property, plant and equipment (continued)

ii. Depreciation (continued)

Depreciation is recognized when the property, plant and equipment are installed and are ready for use. Land and construction in progress are stated at cost and are not depreciated.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit and loss in the year the asset is derecognized.

(g) Capitalized commission assets

i. Recognition and measurement

Incremental sales commissions costs which are directly related to a customer contract are capitalized to capitalized commission assets and are measured at cost less accumulated amortization.

ii. Amortization

The capitalized commission assets are amortized over the expected useful life of the average contract which is 60 months. If a contract with a customer is cancelled prior to the end of its useful life, the unamortized cost is recognized immediately in profit and loss.

The useful lives of items of capitalized commission assets have been assessed as follows:

Item	Amortization method	Average useful life
Capitalized commission assets	Straight line	5 years

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(h) Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initially acquisition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the estimated useful life and assessed for impairment annually whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

i. Product development costs

Product development costs that are directly attributable to the design, testing and development of identifiable hardware and software, controlled by the Group, are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software or product so that it will be available for use or sale;
- Management intends to complete the software or product and use or sell it;
- There is an ability to use or sell the software or product;
- It can be demonstrated how the software or product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and use or sell the software or product are available; and
- The expenditure attributable to the software or product during its development can be reliably measured.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(h) Intangible assets (continued)

i. Product development costs (continued)

Directly attributable costs that are capitalized as part of the intangible assets include software costs and the costs of personnel whose sole responsibility is their involvement in the Group’s research and development function.

Other product development expenditures that do not meet the recognition criteria are recognized as an expense as incurred. Product development costs previously recognized as an expense are not recognized as an asset in a subsequent period if the criteria are subsequently met.

Costs incurred in enhancing current telematics hardware (telematics devices) and software (SaaS platform) are expensed when incurred.

The capitalized product development costs are amortized over their estimated useful life which is considered to be three years due to the life cycle of telematics hardware and software applications.

ii. Computer software

Computer software comprises self-developed computer software acquired in a business combination and externally acquired computer software. Acquired computer software licenses are capitalized on the basis of costs incurred to acquire and bring the software into use.

The acquired computer software is amortized over the expected useful life which is generally three to five years. Self-developed computer software acquired in a business combination are recognized at fair value at the acquisition date and subsequently carried at cost less accumulated amortization and accumulated impairment losses, if any.

iii. Brand name

Brand name acquired in a business combination are recognized at fair value at the acquisition date and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Brand name is amortized on a straight-line basis over the expected useful life of five years.

iv. Customer relationship

Customer relationship acquired in a business combination are recognised at fair value at the acquisition date and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Customer relationship is amortized on a straight-line basis over the expected useful life of three years.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(i) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication of impairment that an asset may be impaired or that a previously recognized impairment loss for an asset other than goodwill may no longer exist or may have decreased. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The impairment losses are recognized in profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized previously. Such reversal is recognized in profit or loss. Impairment loss relating to goodwill cannot be reversed in future periods.

(j) Taxation

i. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognized in profit or loss except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Dividend withholding tax is currently payable on dividends distributed to equity holders of the Group at a rate as determined by each country's jurisdiction. This tax is not attributable to the Company, but is collected by the Company and paid to the tax authorities on behalf of the shareholder.

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

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(j) Taxation

ii. Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint venture, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(j) Taxation (continued)

ii. Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

iii. Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(k) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

<u>Right-of-use assets</u>

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.2(i).

The Group’s right-of-use assets are presented in property, plant and equipment in the consolidated statement of financial position.

<u>Lease liabilities</u>

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(k) Leases (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the consolidated statement of financial position and in Note 17.

<u>Short-term leases and leases of low-value assets</u>

The Group applies the short-term lease recognition exemption to not recognize right-of-use assets and lease liabilities that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

(ii) As Lessor

<u>Lessor – Finance leases</u>

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees are classified as finance leases.

The leased asset is derecognized and the present value of the lease receivable is recognised on the balance sheet and included in "trade and other receivables and prepayments". The difference between the gross receivable and the present value of the lease receivable is recognised as finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and reduce the amount of income recognised over the lease term.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(l) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost is determined on a weighted average cost basis.

Management considers the condition and usability of inventories on an annual basis to determine whether an allowance for obsolete inventory is required.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included in cash and cash equivalents. Bank overdrafts are included within current liabilities on the statement of financial position. Restricted cash is excluded from the statement of cash flows.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(o) Employee benefits

i. Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognized as an expense in the period in which the related service is performed.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(o) Employee benefits (continued)

ii. Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period.

(p) Provisions and contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The Group offers warranties of up to ZAR 1.0 million in the event of the non-recovery of a stolen vehicle, subject to various terms and conditions. The provision for future warranty claims is based on known claims at year end and takes into account the historic claims to payment ratio.

(q) Revenue

The Group principally generates revenue from providing a full-stack smart mobility software-as-a-service (“SaaS”) platform for connected vehicles and other assets. The Group recognizes revenue as or when it satisfies its performance obligations.

i. Hardware revenue

Hardware revenue is recognized when control of the telematics device was transferred to the customer which occurred upon installation on the customer’s vehicle. The payment terms is generally 30 days.

ii. Installation revenue

Installation revenue is recognized when the device is successfully installed, which occurs at the same time that control of the hardware is transferred to the customer, which occurs upon installation on the customer’s vehicle. Customers are invoiced when the devices are installed and payment terms is generally 30 days.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(q) Revenue (continued)

iii. Subscription revenue

Revenues arising from the SaaS service is recognized as the service is provided over the contractual term. Customers are invoiced monthly in advance and invoices are payable on presentation.

The Group has assessed whether its subscription contract arrangements contain a significant financing component and it was determined that the contracts do not have a significant financing component because the difference between the timing of when the cash is received and the services are transferred to the customer is not to provide the customer with a benefit of financing.

iv. Miscellaneous contract fees

The Group sometimes makes miscellaneous SaaS charges to customers to maintain the telematic devices, process administrative changes to contractual terms, or for contract cancellation. Such charges are recognized and invoiced when they arise and payment terms are generally 30 days.

V. Motor Dealership Embedded Devices

The Group installs devices into motor dealership vehicles free of charge, but ownership of the embedded devices remains with the Group. Such devices were recognized as properly, plant and equipment under the category of “capitalized telematics devices - installed”. In some cases, installed devices are removed from dealership vehicles and returned to “capitalized telematics devices – uninstalled”. The reclassification was corrected prospectively as the impact to comparative amounts is not material.

Although the group does collect certain upfront fees from its customers, these fees represent an insignificant proportion of the total transaction price, and therefore the Company has concluded that the amount invoiced each month for subscription services reasonably represents the value to customers of the group’s performance completed to date. Therefore, revenue is recognized for the amount to which the group has a right to invoice and the group qualifies for the practical expedient provided in SFRS(I)15:B16. Accordingly, as permitted by SFRS(I)15:121, the quantitative disclosures about the group’s remaining performance obligations (future subscription services) are not provided.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(q) Revenue (continued)

V. Motor Dealership Embedded Devices (continued)

When the motor dealership sells the motor vehicle to a customer, a customer may sign a SaaS subscription contract. Subscription revenue will then be recognized as the service is provided. If the customer does not sign a subscription contract the cost of the device will be recognized immediately in cost of sales.

Since control of the embedded device is not transferred to the customer and the customer does not have the ability to determine how and for what purpose the device is used, the Group has concluded that its contracts do not contain a lease arrangement.

vi. Vehicle sales

Vehicle sales is recognized when ownership of the vehicle is transferred to the customer.

vii. Delivery service fees

Delivery service fee is recognized as the service are rendered.

viii. Interest income

Interest income is recognized using the effective interest method.

(r) Government grants

Government grant relates to Research and Development (“R&D”) incentives and various COVID-19 relief government initiatives.

Government grants are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is recognized as deferred capital grant on the balance sheet and is amortized to profit or loss over the expected useful life of the relevant asset.

(s) Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the financial year.

2. Significant accounting policies (continued)

2.2 Accounting policies (continued)

(s) Earnings per share (continued)

ii. Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

(t) Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognized as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(u) Treasury shares

The Group's own equity instruments, which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognized directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

(v) Contingencies

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

- a present obligation that arises from past events but is not recognized because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognized on the consolidated statement of financial position of the Group.

3. Standards issued but not yet effective

The Group will apply for the first-time certain standards and amendments, which are effective for annual periods beginning on or after March 1, 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Based on an initial assessment, the following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

Details of amendment	**Annual periods beginning on/after**
SFRS(I) 17 Insurance Contracts and amendments to SFRS(I) 17 Insurance Contracts	January 1, 2023
Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	January 1, 2023
Amendments to SFRS(I) 1-12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	January 1, 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	January 1, 2023
Initial Application of SFRS(I) 17 and SFRS(I) 9 – Comparative information (Amendments to SFRS(I) 17)	January 1, 2023
Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to SFRS(I) 16: Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to SFRS(I) 1-1: Non-current Liabilities with Covenants	January 1, 2024
Amendments to SFRS(I) 1-28 and SFRS(I) 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

4. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer ("CEO"), who makes strategic decisions.

Prior to the financial year ended February 28, 2022, the Group was organized into geographical business units and had four reportable segments by geography. There was only one reportable business segment, the Cartrack business segment. However, with the new business setup and new business acquired in the previous financial year, for management purposes, the Group organized its business units based on its products and services into the following reportable segments:

- Cartrack is a provider of an on-the-ground operational Internet of Things ("IoT") Software-as-a-service ("SaaS") cloud that maximizes the value of transportation, operations and workflow data by providing insightful real-time data analytics to connected vehicles and equipment.

- Carzuka is a physical and e-commerce vehicle buying and selling marketplace which allows customers to source, buy and sell vehicles efficiently and cost effectively.

4. Segment reporting (continued)

- Karooooo Logistics provides a software application enabling the management of last mile delivery and general operational logistics. This technology addresses the challenges of on-the-ground distribution for large enterprises requiring systems integrations, payment gateways, third-party long-haul services and crowd-sourced drivers in order to scale and meet their operational needs.

The CODM 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 operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

The segment information provided to the Group CEO, for the reportable segments for the financial year ended February 28, 2023 and February 28, 2022 as follows:

Figures in Rand thousands	Cartrack	Carzuka	Karooooo Logistics	Total
February 28, 2023				
Subscription revenue	3,003,931	–	6,141	3,010,072
Other revenue	72,709	–	–	72,709
Vehicle sales	–	250,845	–	250,845
Delivery service	–	–	173,441	173,441
Segment revenue	3,076,640	250,845	179,582	3,507,067
Segment operating profit/(loss)	914,981	(37,813)	4,747	881,915
Depreciation and amortization	541,238	2,133	1,560	544,931
Capital expenditure	605,716	12,074	8,519	626,309
February 28, 2022				
Subscription revenue	2,565,745	–	2,420	2,568,165
Other revenue	71,055	–	–	71,055
Vehicle sales	–	67,310	–	67,310
Delivery service	–	–	39,621	39,621
Segment revenue	2,636,800	67,310	42,041	2,746,151
Segment operating profit/(loss)	715,336	(13,302)	(2,909)	699,125
Depreciation and amortization	497,161	97	101	497,359
Capital expenditure	594,171	1,916	363	596,450

For financial year ended February 28, 2021, the Group only has one business segment, the Cartrack business segment and hence, it is not separately presented in this note.

4. Segment reporting (continued)

Reconciliation of information on reportable segments to the amounts reported in consolidated financial statements

Figures in Rand thousands	2023	2022	2021
Total segment operating profits	881,915	699,125	726,562
IPO costs	–	(10,288)	(25,570)
Finance income	23,255	6,083	4,358
Finance cost	(10,095)	(12,331)	(9,302)
Fair value changes to derivative assets	(971)	(506)	–
Consolidated profit before taxation	894,104	682,083	696,048

Information about geographical areas:

	2023	2022
Non-current operating assets[1]		
South Africa	1,417,103	1,295,683
Africa-Other	116,463	92,517
Europe	270,379	192,712
Asia-Pacific[2], Middle East & USA	380,436	314,421
	2,184,381	1,895,333

1 Non-current operating assets consist of property, plant and equipment, capitalized commission assets, intangible assets, goodwill and prepayments.

2 Included in Asia-Pacific is non-current assets from Singapore amount to ZAR 140.0 million (2022: ZAR 113.0 million).

Information about revenue from geographical areas are disclosed in Note 20.

There are no customers which contribute in excess of 10% of Group revenue for the financial year ended February 28, 2023, February 28, 2022 and February 28, 2021.

5. Property, plant and equipment

Figures in Rand thousands	Land and property[3]	Plant, equipment and vehicles	IT equipment	Capitalized telematics devices - Work-in-progress	Capitalized telematics devices - Uninstalled	Capitalized telematics devices - Installed	Construction in progress	Total
At February 28, 2023								
Owned assets								
Cost	147,607	134,813	143,734	202,425	104,951	2,566,867	76,519	3,376,916
Accumulated depreciation	(26,422)	(105,337)	(79,563)	–	–	(1,691,206)	–	(1,902,528)
Carrying value	121,185	29,476	64,171	202,425	104,951	875,661	76,519	1,474,388
Right-of-use assets								
Cost	172,155	53,083	21,170	–	–	–	–	246,408
Accumulated depreciation	(88,208)	(19,928)	(20,846)	–	–	–	–	(128,982)
Carrying value	83,947	33,155	324	–	–	–	–	117,426
Total	205,132	62,631	64,495	202,425	104,951	875,661	76,519	1,591,814
At February 28, 2022								
Owned assets								
Cost	141,873	132,870	100,299	138,405	173,871	2,039,265	4,166	2,730,749
Accumulated depreciation	(21,858)	(101,426)	(50,932)	–	–	(1,268,141)	–	(1,442,357)
Carrying value	120,015	31,444	49,367	138,405	173,871	771,124	4,166	1,288,392
Right-of-use assets								
Cost	112,516	43,435	20,586	–	–	–	–	176,537
Accumulated depreciation	(48,128)	(10,927)	(15,215)	–	–	–	–	(74,270)
Carrying value	64,388	32,508	5,371	–	–	–	–	102,267
Total	184,403	63,952	54,738	138,405	173,871	771,124	4,166	1,390,659

5. Property, plant and equipment (continued)

Reconciliation of the carrying value of property, plant and equipment

Figures in Rand thousands	Land and property[3]	Plant, equipment and vehicles	IT equipment	Capitalized telematics devices – Work-in-progress	Capitalized telematics devices – Uninstalled	Capitalized telematics devices – Installed	Construction in progress	Total
At February 28, 2023								
Owned assets								
Beginning balance	120,015	31,444	49,367	138,405	173,871	771,124	4,166	1,288,392
Additions	9,057	7,513	33,191	142,586	111,661	203,295	72,353	579,656
Transfer	–	–	–	(78,566)	(189,160)	267,726	–	–
Disposals	(3,230)	(2,033)	(282)	–	–	(2,890)	–	(8,435)
Depreciation	(5,425)	(8,957)	(25,152)	–	–	(404,577)	–	(444,111)
Translation adjustments	768	1,509	(7,047)	–	8,579	40,983	–	58,886
Ending balance	121,185	29,476	64,171	202,425	104,951	875,661	76,519	1,474,388
Right-of-use assets								
Beginning balance	64,388	32,508	5,371	–	–	–	–	102,267
Additions	48,978	9,959	635	–	–	–	–	59,572
Disposals	(698)	(187)	(2)	–	–	–	–	(887)
Depreciation	(34,450)	(9,517)	(5,710)	–	–	–	–	(49,677)
Translation adjustments	5,729	392	30	–	–	–	–	6,151
Ending balance	83,947	33,155	324	–	–	–	–	117,426
Total	205,132	62,631	64,495	202,425	104,951	875,661	76,519	1,591,814

5. Property, plant and equipment (continued)

Reconciliation of the carrying value of property, plant and equipment (continued)

Figures in Rand thousands	Land and property	Plant, equipment and vehicles	IT equipment	Capitalized telematics devices - Work-in-progress	Capitalized telematics devices - Uninstalled	Capitalized telematics devices - Installed	Construction in progress	Total
At February 28, 2022								
Owned assets								
Beginning balance	17,742	20,151	25,270	104,475	116,422	761,433	–	1,045,493
Acquisition of subsidiary	110,000	45	261	–	–	–	4,166	114,472
Additions	3,152	5,940	43,339	212,940	56,857 [2]	230,406	–	552,634
Transfer	–	–	–	(179,010)	(47,825)	226,835	–	–
Disposals	(108)	(27)	(470)	–	–	(2,391)	–	(2,996)
Depreciation	(4,992)	(9,023)	(14,798)	–	–	(384,058)	–	(412,871)
Reclassification (to)/from right-of use assets	(5,816)	14,620	(4,649)	–	–	–	–	4,155
Reclassification [1]	–	–	–	–	50,355	(50,355)	–	–
Translation adjustments	37	(262)	414	–	(1,938)	(10,746)	–	(12,495)
Ending balance	120,015	31,444	49,367	138,405	173,871	771,124	4,166	1,288,392
Right-of-use assets								
Beginning balance	52,633	33,993	5,073	–	–	–	–	91,699
Additions	38,859	25,183	132	–	–	–	–	64,174
Transfers	(3,798)	3,629	169	–	–	–	–	–
Disposals	(146)	(528)	(20)	–	–	–	–	(694)
Depreciation	(26,948)	(14,123)	(4,339)	–	–	–	–	(45,410)
Reclassification from/(to) owned assets	5,816	(14,620)	4,649	–	–	–	–	(4,155)
Translation adjustments	(2,028)	(1,026)	(293)	–	–	–	–	(3,347)
Ending balance	64,388	32,508	5,371	–	–	–	–	102,267
Total	184,403	63,952	54,738	138,405	173,871	771,124	4,166	1,390,659

5. Property, plant and equipment (continued)

[1] During the financial year ended February 28, 2022, the Group has reclassified "capitalized telematics devices – installed" to "capitalized telematics devices – uninstalled" of ZAR 50.4 million to better reflect the underlying nature of these assets. The reclassification was corrected prospectively as the impact to the prior period is not material.

[2] Amount is net of the provision for unconverted motor dealership units amounting to ZAR 13.3 million.

[3] Certain freehold land and building of the Group with a carrying amount of ZAR 186.5 million were mortgaged to a bank as security for mortgaged loan (Note 16). The freehold land and building is head office suite for South Africa and is located at Rosebank, Johannesburg.

The carrying amount of the property under construction at February 28, 2023 was ZAR 186.5 million. The amount of borrowing costs capitalized during the year ended February 28, 2023 was ZAR 4.6 million. The rate used to determine the amount of borrowing costs eligible for capitalization was Prime rate + 1.15%, which is the effective interest rate ("EIR") of the specific borrowings.

6. Capitalized commission assets

Figures in Rand thousands	2023	2022
Cost	537,367	413,240
Accumulated amortization	(250,313)	(181,703)
Carrying value	287,054	231,537

Reconciliation of the carrying value of capitalized sales commissions

Figures in Rand thousands	2023	2022
At March 1	231,537	201,075
Additions	112,738	112,639
Amortization	(64,707)	(64,566)
Write off	–	(15,301)
Translation adjustments	7,486	(2,310)
At February 28	287,054	231,537

The Group capitalizes sales commission costs arising from activated subscription contracts.

6. Capitalized commission assets (continued)

During the financial year ended February 28, 2022, the Group uncovered collusion between a few insurance brokers and certain staff members. This resulted in write-off of capitalized commission assets, of ZAR 15.3 million through profit or loss. The write-off was recognized in general and administration operating expenses for the year ended February 28, 2022. The error was corrected prospectively as the impact to the prior periods is not material. No instances were noted for the financial year ended February 28, 2023.

7. Intangible assets

Figures in Rand thousands	Product development costs	Computer software	Trade name	Customer relationship	Total
At February 28, 2023					
Cost	144,922	34,039	782	6,385	186,128
Accumulated amortization	(76,621)	(20,281)	(391)	(3,193)	(100,486)
Carrying value	68,301	13,758	391	(3,192)	85,642
At February 28, 2022					
Cost	123,036	24,680	782	6,385	154,883
Accumulated amortization	(63,299)	(13,359)	(130)	(1,064)	(77,852)
Carrying value	59,737	11,321	652	5,321	77,031

Staff costs of ZAR 38.8 million (20211: ZAR 40.8 million) have been capitalized to product development costs with regard to the development of new generation telematics hardware and platform software which was deployed in the current financial year.

Reconciliation of the carrying value of intangible assets

Figures in Rand thousands	Product development costs	Computer software	Trade name	Customer relationship	Total
At February 28, 2023					
Beginning balance	59,737	11,321	652	5,321	77,031
Additions	38,837	7,816	–	–	46,653
Amortization	(42,638)	(6,115)	(261)	(2,129)	(51,143)
Translation adjustments	12,365	736	–	–	13,101
Ending balance	68,301	13,758	391	3,192	85,642
At February 28, 2022					
Beginning balance	53,644	5,695	–	–	59,339
Acquisition of subsidiary (Note 28)	–	6,218	782	6,385	13,385
Additions	40,787	3,029	–	–	43,816
Amortization	(34,288)	(3,596)	(130)	(1,064)	(39,078)
Translation adjustments	(406)	(25)	–	–	(431)
Ending balance	59,737	11,321	652	5,321	77,031

8. Goodwill

Goodwill is allocated to the following cash generating units ("CGUs"): Cartrack - Mozambique, Portugal, Spain and Other and Karooooo Logistics.

Figures in Rand thousands	Cartrack				Karooooo Logistics	Total
	Mozambique	Portugal	Spain	Other		
At March 1, 2021	57,232	32,192	22,818	11,910	–	124,152
Acquisition of subsidiary (Note 28)	–	–	–	–	58,314	58,314
Translation adjustments	7,849	(2,028)	(1,437)	(466)	–	3,918
At February 28, 2022	65,081	30,164	21,381	11,444	58,314	186,384
Translation adjustments	17,196	4,305	3,051	1,545	–	26,097
At February 28, 2023	82,277	34,469	24,432	12,989	58,314	212,481

Impairment testing

The Group performs its annual impairment test at the end of each financial year, or more frequently if there are indications that goodwill may be impaired. No impairment was identified in the current financial year which is consistent with the conclusions reached in 2022.

The Group considers the relationship between its market capitalization and its equity attributable to equity holders of the parent, among other factors, when performing the annual test of impairment. At February 28, 2023, the market capitalization of the Group exceeded the value of equity by ZAR 11.8 billion (2022: ZAR 12.6 billion).

The recoverable amount of each cash-generating unit ("CGU") with the exception of the Other CGUs is determined using a discounted cash flow valuation technique, which requires the use of various estimates. Each of the cash flow projections are based on forecasts over a five-year period, which have been approved by senior management. The Other CGUs are valued on an earnings multiple basis.

For the financial year ended February 28, 2022, the Group was of the view that the total consideration paid was representative of Karooooo Logistics fair value less costs of disposal as the acquisition of Karooooo Logistics was completed in September 2021. There were no significant events since the date of acquisition to the financial year ended February 28, 2022 that would have resulted in a significant reduction of its fair value. Accordingly, the recoverable amount approximates the carrying amount as of February 28, 2022 and goodwill arising from the acquisition of Karooooo Logistics was not impaired.

8. Goodwill (continued)

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

Key estimates	CGU	Rates 2023	Rates 2022
Revenue growth rate			
This is the average annual compound growth rate in revenue that is derived from management's forecast and is based on external available information, such as GDP and industry growth rate within the region.	Mozambique	16%	17%
	Portugal	15%	10%
	Spain	19%	16%
	Karooooo Logistics	51%	–
The growth rate applied for revenue is considered to be the main driver of profitability and hence free cash flow. CGUs are at different maturity levels in their business cycles and hence will reflect considerably different growth rates. The various geographical markets the CGUs operate within also have differences in their economies which have been taken into consideration. The growth rate determined by management is based on historical data from both external and internal sources and is consistent with reported global telematics growth forecasts for the medium to long term and with the assumptions that a market participant would make.			
Terminal growth rate			
The estimated rate of growth after the five-year forecast period. This rate is informed primarily by external forecasts about economic activity by region. Changes in these rates are reflective of changes in market views on the economic growth in those regions.	Mozambique	8%	8%
	Portugal	2%	1%
	Spain	2%	1%
	Karooooo Logistics	5%	–
Discount rate			
The rate reflects the specific risks relating to the country and industry in which the entity operates. These rates were determined using externally available information. The rates were determined using the Capital Asset pricing model and adjusting for risk. The rate is a pre-tax rate and the value in use has been determined on a pre-tax basis.	Mozambique	31%	30%
	Portugal	19%	16%
	Spain	19%	17%
	Karooooo Logistics	38%	–

Sensitivity analysis

The Group has applied a 50 basis point (2022: 50 basis point) increase and decrease to the revenue growth rates, terminal growth rates and discount rates used in the impairment testing. For Spain, Portugal and Karooooo Logistics, it does not result in impairment. However, for Mozambique, an increase of the discount rate, decrease of revenue growth rate or decrease in terminal growth rate by 50 basis point would result in an immaterial impairment.

9. Deferred tax

Figures in Rand thousands	Note	As at February 28 2023	2022
Deferred tax liabilities		(51,894)	(47,063)
Deferred revenue		59,402	(144,782)
Property, plant and equipment and capitalized commission assets		(144,007)	4,690
Lease obligations		4,812	21,887
ECL provision on trade receivables		17,238	13,005
Other		10,661	13,005
		(51,894)	(105,200)
Deferred tax assets		60,919	58,383
Deferred revenue		4,856	540
Property, plant and equipment and capitalized commission assets		25,233	27,059
Tax losses		8,795	19,710
Lease obligations		2,903	1,303
ECL provision on trade receivables		8,890	3,953
Other		10,242	5,818
Deferred tax assets		60,919	58,383
Total net deferred tax assets		9,025	11,320

Reconciliation of deferred tax assets/(liabilities)

		2023	2022
At March 1		11,320	5,022
Acquisition of subsidiaries		–	(13,386)
Increase in deferred revenue temporary differences		5,417	13,912
Decrease in property, plant and equipment and capitalized commission assets temporary differences		(469)	(23,479)
(Decrease)/increase in tax losses temporary differences		(13,076)	8,887
Increase/(decrease) in lease obligation temporary differences		1,659	(6,365)
(Decrease)/increase in ECL provision on trade receivables temporary differences		(430)	13,855
Increase in other temporary differences		1,504	12,954
Translation adjustments		3,100	(80)
At February 28		9,025	11,320

9. Deferred tax (continued)

Figures in Rand thousands	Note	2023	2022
Reconciliation of deferred tax balances			
At March 1		11,320	5,022
Acquisition of subsidiaries		–	(13,386)
(Charge)/credit to income statement		(17,229)	–
Others		14,570	19,764
Translation adjustments		364	(80)
At February 28		9,025	11,320

Unrecognized deferred tax assets

The Group has not recognized deferred tax assets relating to available tax losses in start-up subsidiaries where the probability of future taxable income is uncertain. These potential deferred tax assets will be recognized and utilized in future periods as and when they meet the recognition criteria. The tax losses available from these subsidiaries are ZAR 116.2 million (2022: ZAR 6.2 million). Detailed budgets and forecasts have been prepared by management which support the recoverability of these tax losses. None of the tax losses expire in terms of local tax legislation.

Unrecognized deferred tax liabilities

No deferred tax liability is recognized on temporary differences of ZAR 1,194.7 million (2022: ZAR 1,484.7 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

10. Inventories

Figures in Rand thousands	2023	2022
Vehicles	75,843	25,369
Other consumables	3,316	–
Total inventories	79,159	25,369
Inventories recognized as an expense in cost of sales	218,847	59,213

11. Trade and other receivables and prepayments

Figures in Rand thousands	2023	2022
Amounts due from related parties	–	2,515
Trade receivables	485,740	448,212
Expected credit loss provision	(149,541)	(161,683)
	336,199	289,044
Other receivables		
Deposits	11,811	6,386
Sundry debtors	24,739	9,131
Finance lease receivables	21,403	–
Subtotal	394,152	304,561
Prepayments	32,387	38,964
Other taxes	7,367	10,083
Total trade and other receivables and prepayments	433,906	343,608
Non-current	24,715	9,722
Current	409,191	333,886
	433,906	343,608

Amounts due from related parties are unsecured, interest-free and repayable on demand.

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. The determination of the expected credit loss provision is calculated on a basis specific to each customer grouping and jurisdiction in which the Group operates and requires the use of estimates. Additional information regarding credit risk applicable to trade receivables is disclosed in Note 31.2(a).

The Group has recognized a loss allowance of 100% (2022: 100%) against aged receivables, and debts are considered aged and not recoverable when they typically reach 360 or 450 days, depending on respective entities' historical experiences.

With customers being afforded payment holidays and extended payment terms, the ageing profile of trade receivables has extended which in turn has resulted in the expected credit loss provision being increased. The method in providing for expected credit losses is consistent with prior years.

The average credit period extended to customers is 30 days (2022: 30 days). No interest is charged on outstanding trade receivables.

Credit quality of trade and other receivables

Information on credit quality of trade and other receivables is on Note 31.2(a).

11. Trade and other receivables and prepayments (continued)

Reconciliation of the expected credit loss provision recognized with regard to trade and other receivables

Figures in Rand thousands	2023	2022
At March 1	(161,683)	(101,066)
Allowance for expected credit losses, net	(87,541)	(88,482)
Amounts utilized	105,921	26,896
Translation adjustments	(6,238)	969
At February 28	(149,541)	(161,683)

During the year ended February 28, 2023, the Group entered into finance leasing arrangements as a lessor for a property to a third party. The average term of finance leases entered into is five years. The following table shows the maturity analysis of the undiscounted lease payments to be received:

Figures in Rand thousands	2023
Maturities analysis	
– within one year	4,078
– within two to four years	14,525
– over four years	2,800
Present value of lease payments	21,403
Non-current assets	17,325
Current assets	4,078
	21,403

12. Loans to/(from) related parties

Figures in Rand thousands	2023	2022
Non-current assets		
Loans to related party	25,800	19,400
Non-current assets		
Loans to related party	607	(2,134)

Related party loans are unsecured, bear no interest and have no fixed terms of repayment. The fair value of these financial instruments approximates the carrying amount.

13. Cash and cash equivalents and bank overdraft

Figures in Rand thousands	2023	2022
Cash on hand	398	2,175
Bank balances	318,630	717,935
Short-term deposits	646,762	11,638
Cash and cash equivalents in the consolidated statement of financial position	965,790	731,748
Bank overdrafts	(40)	(13,722)
Cash and cash equivalents in the consolidated statement of cash flows	965,750	718,026
Current assets	965,790	731,748
Current liabilities	(40)	(13,722)
	965,750	718,026

Information on cash flow management is included in Note 31.2(b). Refer to Note 36 for information on the various facilities available to the Group.

14. Other financial assets

Figures in Rand thousands	2023	2022
Non-current assets		
Derivative – call option [1]	388	1,359
Current assets		
Derivative – put option [2]	–	15,305
	388	16,664

[1] Relates to the acquisition of Picup. See Note 28 for details.

[2] Relates to the put option agreement entered with ultimate controlling shareholder to grant the Group the right to sell all its interest in Picup. The put option expires on August 31, 2022. As this is a transaction with owner, the fair value and subsequent changes fair value of the put option is recognised directly against retained earnings.

15. Share capital

Figures in Rand thousands	2023	2022
Issued and fully paid		
30,951,106 (2022: 30,951,106) ordinary shares of no par value	7,142,853	7,142,853

As discussed in Note 1, Karooooo acquired control of Cartrack when the loan from Zak to Karooooo was extinguished through the issuance of shares. The acquisition of control of Cartrack has been accounted for as a transaction under common control. The Company's authorized and issued number of ordinary shares increased on November 18, 2020 to 20,332,894 shares as of February 28, 2021.

Karooooo listed on NASDAQ in April 2021 with 20,332,894 shares and issued additional 1,207,500 shares to public shareholders. On April 21, 2021, Karooooo bought out all of the minority shareholders of Cartrack and delisted Cartrack from the JSE. In terms of the reinvestment offer, investors who elected to remain invested in Cartrack received 1 Karooooo ordinary share for every 10 Cartrack ordinary shares owned on the JSE prior to the finalisation of reinvestment offer. Karooooo concluded an inward secondary listing on the JSE on April 21, 2021 and issued another 9,410,712 ordinary shares to eligible Cartrack shareholders. The Company's authorized and issued number of ordinary shares increased from 20,332,894 to 30,951,106 as at February 28, 2022.

The holder of ordinary shares is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Company.

16. Term loans

Figures in Rand thousands	Notes	Currency	Interest	Maturity	2023	2022
Non-current liabilities						
Interest-bearing loans[1]		ZAR	JIBAR + 2.05%	February 2024	–	20,003
Interest-bearing loans		ZAR	7.25%	February 2025	504	–
Interest-bearing loans		EUR	EURIBOR + 3%	December 2023	243	5,024
Mortgaged bonds	28	ZAR	Prime rate + 1.15%	December 2025	37,557	46,167
					38,304	71,194
Current liabilities						
Interest-bearing loans		EUR	EURIBOR + 3%	December 2023	5,497	5,235
Mortgaged bonds	28	ZAR	Prime rate + 1.15%	December 2025	16,146	12,921
					21,643	18,156
Total term loans					59,947	89,350

[1] The ZAR interest-bearing loans were fully repaid on December 8, 2022.

16. Term loans (continued)

As at February 28, 2023 and February 28, 2022, the Group met the loan covenants.

Reconciliation of movement of liabilities to cash flows arising from financing activities

Figures in Rand thousands	Loans from related parties	Other loans and borrowings	Lease liabilities	Total
Balance at March 1, 2022	2,134	89,350	112,078	203,562
Changes from financing cash flows	(1,625)	(30,532)	(56,617)	(88,774)
Proceeds from borrowings	315	502	–	817
Repayment of related parties loans	(1,940)	–	–	(1,940)
Repayment of term loans	–	(31,034)	–	(31,034)
Payment of lease liabilities	–	–	(56,617)	(56,617)
The effect of changes in foreign exchange rates	98	1,129	5,694	6,921
Other changes	–	–	59,572	59,572
Interest paid	–	(797)	(8,199)	(8,996)
New leases	–	–	59,572	59,572
Interest expense	–	797	8,199	8,996
Balance at February 28, 2023	607	59,947	120,727	181,281
Balance at March 1, 2021	891,977	15,930	98,684	1,006,591
Changes from financing cash flows	(845,003)	8,292	(47,201)	(883,912)
Proceeds from borrowings	–	110,000	–	110,000
Repayment of related parties loans	(845,003)	–	–	(845,003)
Repayment of term loans	–	(101,708)	–	(101,708)
Payment of lease liabilities	–	–	(47,201)	(47,201)
Acquisition of a subsidiary	–	66,047	–	66,047
The effect of changes in foreign exchange rates	(43,110)	(919)	(2,609)	(46,638)
Other changes	(1,730)	–	63,204	61,474
Interest paid	(1,730)	(4,317)	(6,249)	(12,296)
New leases	–	–	63,204	63,204
Interest expense	–	4,317	6,249	10,566
Balance at February 28, 2022	2,134	89,350	112,078	203,562

17. Lease liabilities

Figures in Rand thousands	2023	2022
Maturities analysis		
– within one year	52,843	47,294
– within two to four years	57,930	56,868
– over four years	9,954	7,916
Present value of lease payments	120,727	112,078
Non-current liabilities	67,882	64,784
Current liabilities	52,845	47,294
	120,727	112,078

It is Group policy to lease the various commercial properties occupied by the Group's operations and certain motor vehicles are leased in terms of instalment sale agreements. The average term of the instalment sale agreements is between three to four years and interest is charged at prime linked interest rates. The Group's obligations under instalment sale agreements are secured by the leased assets.

Property leases capitalized have an average lease term of four years and interest incurred is at an incremental borrowing rate of a similar asset. External sources of information were used to determine incremental borrowing rate of a similar asset. Total cash outflows for leases recognized in statement of cash flows ZAR 64.8 million (2022: ZAR 53.5 million, 2021: ZAR 52.3 million).

The Group leases office building, motor vehicles and IT equipment with contract terms less than twelve months. These leases are short-term. For the financial year ended February 28, 2023, the Group recognized lease payments of ZAR 6.2 million (2022: ZAR 8.2 million, 2021: ZAR 11.2 million) associated with these short-term leases as an expense on a straight-line basis over the lease term.

18. Deferred revenue

Figures in Rand thousands	2023	2022
Beginning balance	326,404	246,765
Acquisition of subsidiary	–	2,678
Amounts deferred in current financial year	353,719	355,873
Amounts released to revenue in the current financial year	(304,541)	(277,939)
Translation adjustments	20,285	(973)
Ending balance	395,867	326,404
Non-current liabilities	112,185	108,256
Current liabilities	283,682	218,148
	395,867	326,404

18. Deferred revenue (continued)

Majority of subscription revenues are billed monthly in advance and then recognized in revenue as the service is provided. In most situations, ownership of all telematics devices remain with the Group. For customers who have paid for the hardware fees and service upfront, revenue is deferred and recognized over 60 months and the expected term of the customer relationship respectively.

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period.

Figures in Rand thousands	2023	2022
Maturities analysis		
– within one year	283,682	218,148
– within two to four years	107,558	103,026
– over four years	4,627	5,230
Present value of amounts received in advance	395,867	326,404

19. Trade and other payables

Figures in Rand thousands	2023	2022
Trade payables		
Amounts due to related parties	13,081	8,963
Trade payables	137,400	90,387
Accrued expenses	121,784	115,198
	272,265	214,548
Other payables		
Sundry creditors	22,918	14,754
Other taxes	44,566	30,896
Dividend payable to NCI	34,298	21,668
	374,047	281,866

The amounts due to related parties are unsecured, interest-free and repayable on demand.

Trade payables are non-interest bearing and are normally settled on 30 to 60 days term.

The fair value of the financial instruments approximates their carrying amounts.

20. Revenue

The Group generates revenue by offering a full-stack smart mobility technology SaaS platform for connected vehicles and other assets, vehicles sales and delivery services.

In the following table, revenue from contract with customers is disaggregated by revenue streams, primary geographical markets and timing of revenue recognition.

Figures in Rand thousands	**2023**	**2022**	**2021**
Revenue from contracts with customers			
Subscription revenue - Cartrack	3,003,931	2,565,745	2,209,017
Subscription revenue - Karooooo Logistics	6,141	2,420	–
Other revenue - Cartrack			
Hardware sales	29,685	37,435	45,280
Installation revenue	29,278	21,321	20,511
Miscellaneous contract fees	13,746	12,299	15,735
Vehicle sales	250,845	67,310	–
Delivery service fees	173,441	39,621	–
Total revenue	3,507,067	2,746,151	2,290,543
Primary geographical markets			
South Africa	2,730,401	2,123,153	1,681,928
Africa-Other	131,077	101,019	105,895
Europe	257,078	229,671	219,866
Asia-Pacific*, Middle East and USA	388,511	292,308	282,854
	3,507,067	2,746,151	2,290,543
Timing of revenue recognition			
Products and services transferred at a point in time	323,554	177,986	81,526
Services transferred over time	3,183,513	2,568,165	2,209,017
Total revenue	3,507,067	2,746,151	2,290,543

* Included in Asia-Pacific is revenue from Singapore amounted to ZAR 105.6 million (2022: ZAR 96.1 million, 2021: ZAR 98.6 million).

21. Operating profit

Figures in Rand thousands	Note	2023	2022	2021
Operating profit is stated after accounting for the following charges:				
Depreciation of property, plant and equipment	5	493,788	458,281	372,936
Amortization of capitalized commission assets	6	64,707	64,566	46,957
Amortization of intangible assets	7	51,143	39,078	25,856
Employee benefits expense [1]		865,831	720,606	396,369
Defined contribution plan		44,681	26,534	21,742

[1] After offsetting government grant received ZAR nil (2022: ZAR 6.7 million, 2021: ZAR 16.7 million).

22. Finance income

Figures in Rand thousands	2023	2022	2021
Interest income from bank balances	23,255	6,083	4,358

23. Finance costs

Figures in Rand thousands	2023	2022	2021
Lease liabilities	8,199	6,249	5,588
Term loans	797	4,317	2,711
Overdraft	291	794	870
Others	808	971	133
	10,095	12,331	9,302

24. Taxation

Major components of the tax expense:

Figures in Rand thousands	Note	2023	2022	2021
Current tax				
Current year		250,606	208,141	160,751
Prior year		(4,671)	8,573	5,725
Other – Securities Transfer tax		–	–	200
		245,935	216,714	166,676
Deferred tax				
Current year		15,972	(16,370)	36,184
Prior year		1,257	(3,394)	(19,188)
	9	17,229	(19,764)	16,996
Withholding tax		22,134	8,526	14,956
Total tax expense		285,298	205,476	198,628

Reconciliation between accounting profit and tax expense:

Figures in Rand thousands	2023	2022	2021
Profit before taxation	894,104	682,083	696,048
Tax at the applicable tax rate of 17%[1] (2022:17%[1], 2021: 17%[1])	151,998	115,954	118,328
Effect of different tax rates in foreign jurisdictions	91,841	66,257	71,122
Tax effect of adjustments on taxable income:			
Utilization of previously unrecognized tax losses	(2,239)	(982)	(1,332)
Tax incentive	(5,975)	(2,709)	(5,827)
Income not subject to tax	(4,184)	(270)	(219)
Non-deductible expenses	20,789	12,556	12,072
Recognition of tax effect previously unrecognized tax losses	(1,794)	(2,060)	–
Current year losses for which no deferred tax asset is recognized	14,085	1,040	2,791
Withholding tax	22,134	8,526	14,956
Securities transfer tax	–	–	200
Prior year tax under/(over) provision	(3,414)	5,179	(13,463)
Tax effect of deferred tax on decrease in tax rate	(594)	–	–
Others	2,651	1,985	–
Total tax expense	285,298	205,476	198,628

[1] This is the corporate tax rate in Singapore.

25. Taxation paid

Figures in Rand thousands	2023	2022	2021
Balance payable at beginning of the year	(32,100)	(10,203)	(16,458)
Acquisition of subsidiary	–	477	–
Current tax for the year recognized in profit or loss	(268,069)	(225,240)	(181,632)
Translation adjustments	(3,821)	341	–
Balance payable at end of the year	47,369	32,100	10,203
	(256,621)	(202,525)	(187,887)

26. Dividends paid

During the financial year ended February 28, 2023, no dividends were paid.

Figures in Rand thousands	2023	2022	2021
Dividend paid by the Company to owner of the Company	(331,252)	–	(272,235)
Dividend paid by subsidiaries to NCI	–	–	(145,859)
Total dividend paid	(331,252)	–	(418,094)

Dividend per share

Dividend paid by the Company to owner of the Company

	2023		2022	
Figures in Rand thousands	**Per share (ZAR)**	**Amount**	**Per share (ZAR)**	**Amount**
Interim dividend	10.70	331,252	104,385.00	104,385
Final dividend	–	–	8.26	167,850
		331,252		272,235

26. Dividends paid (continued)

Dividend paid by subsidiaries to NCI

Figures in Rand thousands	2023 Per share (ZAR)	2023 Amount	2022 Per share (ZAR)	2022 Amount
Subsidiary				
Cartrack Holdings Proprietary Limited	–	–	0.54	51,536
Cartrack Holdings Proprietary Limited	–	–	0.87	83,030
Cartrack Limitada	–	–	5.68	9,090
Found Proprietary Limited	–	–	20,000.00	1,020
Cartrack Polska.Sp.zo.o	–	–	119,019.27	1,183
		–		145,859

27. Interests in subsidiaries

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

Company name	Held by	Country of incorporation	Percentage holding 2023	Percentage holding 2022
Cartrack Holdings Proprietary Limited[4]	Karooooo Ltd	South Africa	100.0	100.0
Carzuka.com Pte. Ltd.[1]	Karooooo Ltd	Singapore	100.0	100.0
Karooooo Management Company Pte. Ltd.	Karooooo Ltd	Singapore	100.0	100.0
Karooooo Software Pte. Ltd.	Karooooo Ltd	Singapore	100.0	100.0
Karooooo Proprietary Ltd	Karooooo Ltd	South Africa	100.0	100.0
Karooooo Cartrack Limited[11]	Karooooo Ltd	Uganda	100.0	–
Cartrack (Cambodia) Co. Ltd	Karooooo Management Company Pte. Ltd.	Cambodia	100.0	–
Carzuka Pte Ltd[1]	Carzuka.com Pte. Ltd.	Singapore	100.0	100.0
Karooooo Technologies Proprietary Limited[2]	Karooooo Proprietary Ltd	South Africa	100.0	100.0
Cartrack Management Services Proprietary Limited	Cartrack Holdings Proprietary Limited	South Africa	100.0	100.0

27. Interests in subsidiaries (continued)

The following table lists the entities which are controlled by the Group (continued).

Company name	Held by	Country of incorporation	Percentage holding 2023	2022
Cartrack Proprietary Limited	Cartrack Holdings Proprietary Limited	South Africa	100.0	100.0
Cartrack Manufacturing Proprietary Limited	Cartrack Holdings Proprietary Limited	South Africa	100.0	100.0
Cartrack Insurance Agency Proprietary Limited[3]	Cartrack Holdings Proprietary Limited	South Africa	100.0	100.0
Cartrack Namibia Proprietary Limited	Cartrack Holdings Proprietary Limited	Namibia	100.0	100.0
Cartrack Technologies Pte. Limited	Cartrack Holdings Proprietary Limited	Singapore	100.0	100.0
Carzuka Proprietary Limited	Cartrack Holdings Proprietary Limited	South Africa	100.0	100.0
Purple Rain Properties No.444 Proprietary Limited	Cartrack Holdings Proprietary Limited	South Africa	100.0	100.0
Karooooo Logistics (Pty) Ltd[6]	Cartrack Holdings Proprietary Limited	South Africa	70.1	70.1
Cartrack Telematics Proprietary Limited[10]	Cartrack Proprietary Limited	South Africa	49.0	49.0
CTK Shell 1 (Pty) Ltd[1,7]	Cartrack Proprietary Limited	South Africa	100.0	100.0
Karu Holdings Proprietary Limited	Cartrack Proprietary Limited	South Africa	100.0	100.0
Combined Telematics Services Proprietary Limited[1,10]	Cartrack Proprietary Limited	South Africa	49.0	49.0
CTK Shell 2 (Pty) Ltd[1,8]	Cartrack Proprietary Limited	South Africa	100.0	100.0
Cartrack Tanzania Limited	Cartrack Technologies Pte. Limited	Tanzania	100.0	100.0

27. Interests in subsidiaries (continued)

The following table lists the entities which are controlled by the Group (continued).

Company name	Held by	Country of incorporation	Percentage holding 2023	Percentage holding 2022
Karooooo Kenya Limited[5]	Cartrack Technologies Pte. Limited	Kenya	70.0	100.0
Cartrack Engineering Technologies Limited	Cartrack Technologies Pte. Limited	Nigeria	100.0	100.0
PT. Cartrack Technologies Indonesia	Cartrack Technologies Pte. Limited	Indonesia	100.0	100.0
Cartrack Investments UK Limited[1]	Cartrack Technologies Pte. Limited	United Kingdom	100.0	100.0
Cartrack Technologies (China) Limited	Cartrack Technologies Pte. Limited	Hong Kong	100.0	100.0
Cartrack Malaysia SDN.BHD	Cartrack Technologies Pte. Limited	Malaysia	100.0	100.0
Cartrack Technologies LLC	Cartrack Technologies Pte. Limited	U.A.E.	100.0	100.0
Cartrack Technologies PHL.INC.	Cartrack Technologies Pte. Limited	Philippines	100.0	100.0
Cartrack Technologies South East Asia Pte. Limited	Cartrack Technologies Pte. Limited	Singapore	100.0	100.0
Cartrack Ireland Limited	Cartrack Technologies Pte. Limited	Republic of Ireland	100.0	100.0
Cartrack Technologies (Thailand) Company Limited	Cartrack Technologies Pte. Limited	Thailand	100.0	100.0
Cartrack New Zealand Limited	Cartrack Technologies Pte. Limited	New Zealand	51.0	51.0
Cartrack (Australia) Proprietary Limited	Cartrack Technologies Pte. Limited	Australia	100.0	100.0
Cartrack Technologies Zambia Limited[1]	Cartrack Technologies Pte. Limited	Zambia	100.0	100.0
Cartrack (Mauritius) Ltd[1]	Cartrack Technologies Pte. Limited	Mauritius	100.0	100.0

27. Interests in subsidiaries (continued)

The following table lists the entities which are controlled by the Group (continued).

Company name	Held by	Country of incorporation	Percent holding 2023	Percent holding 2022
Cartrack Vietnam Limited Liability Company[1]	Cartrack Technologies Pte. Limited	Vietnam	100.0	100.0
Cartrack INC.	Cartrack Ireland Limited	U.S.A.	100.0	100.0
Cartrack Polska.Sp.zo.o	Cartrack Ireland Limited	Poland	90.9	90.9
Cartrack Portugal S.A.	Cartrack Ireland Limited	Portugal	100.0	100.0
Cartrack Espana. S.L.U.	Cartrack Ireland Limited	Spain	100.0	100.0
Karu.Com. Unipessoal. Lda	Cartrack Portugal S.A.	Portugal	100.0	100.0
Cartrack France SAS[9]	Cartrack Portugal S.A.	France	–	100.0
Cartrack Limitada[10]	Cartrack Technologies LLC	Mozambique	50.0	50.0
Auto Club LDA	Cartrack Technologies LLC	Mozambique	80.0	80.0
Cartrack for Information technology Company[1]	Cartrack Technologies LLC	Kingdom of Saudi Arabia	51.0	–

1 Dormant
2 Previously known as Cartrack Technologies Proprietary Limited
3 Previously known as Drive and Save Proprietary Limited
4 Previously known as Cartrack Holdings Limited
5 Previously known as Retriever Limited
6 Previously known as Picup Technologies Propriety Limited
7 Previously known as Veraspan Proprietary Limited
8 Previously known as Zonke Bonke Telecoms Proprietary Limited
9 Liquidated on May 19, 2022
10 The Group considers Cartrack Limitada, Combined Telematics Services Proprietary Limited and Cartrack Telematics Proprietary Limited as subsidiaries of the Group as the Group has the right to appoint majority of the directors on the Board of Directors of these entities through contractual shareholders' agreement. The Board of Directors of the companies direct the relevant activities of these entities. Accordingly, the Group is exposed to and has the rights to variable returns, and has the ability to affect those returns through the Board of Directors.
11 90% of the share capital of Karooooo Cartrack Limited is held by Karooooo Limited and the remainder 10% of is held by Karooooo Management Company Pte Limited.

27. Interests in subsidiaries (continued)

Loans provided to subsidiary companies which require financial support have been subordinated in favour of third- party creditors of the underlying companies.

On September 1, 2021, Cartrack Holdings (Pty) Ltd acquired 70.1% of the shares and voting interests in Picup Technologies Proprietary Limited for a consideration of ZAR 70.1 million (see Note 28).

On September 24, 2021, Cartrack Technologies Pte. Limited acquired 49% of the shares and voting interest in Cartrack Technologies PHL. INC., for a cash consideration of PHP 9.2 million. As a result, the equity interest in Cartrack Technologies PHL. INC. increased from 51% to 100%.

On February 28, 2022, Cartrack acquired 100% of the shares and voting interests in Purple Rain Properties No. 444 Proprietary Limited for a consideration of ZAR 100 (see Note 28).

On June 15, 2022, the Group disposed of 30% of its interest in Karooooo Kenya Limited for a consideration of USD 380,000. An amount of ZAR 730,112, being the proportion share of the carrying amount of net assets in Karooooo Kenya Limited has been transferred to non-controlling interests.

28. Acquisition of subsidiary

(i) Karooooo Logistics (Pty) Ltd (formerly known as Picup Technologies Proprietary Limited)

On September 1, 2021, the Group acquired 70.1% of the shares and voting interests in Picup, for a consideration of ZAR 70.1 million, recognizing a goodwill of ZAR 58.3 million. The principal activity of Picup is that of providing a technology platform focused on last mile delivery.

From the date of acquisition to February 28, 2022, Picup contributed revenue of ZAR 42.0 million and net loss of ZAR 2.1 million to the Group’s results. If the acquisition had occurred on March 1, 2021, management estimates the contribution to the Group’s revenue and net loss would have been ZAR 68.9 million and ZAR 10.6 million respectively.

28. Acquisition of subsidiary (continued)

(i) Karooooo Logistics (Pty) Ltd (formerly known as Picup Technologies Proprietary Limited) (continued)

The fair values of identifiable net assets and the cash outflows on the acquisition were as follows:

Figures in Rand thousands	Note	2022
Intangible assets [1]	7	13,385
Other non-current assets		5,055
Cash and cash equivalents		2,140
Other current assets (excluding cash and cash equivalents)		11,090
Non-current liabilities		(13,478)
Current liabilities		(3,967)
Net identifiable assets acquired		14,225
Add: Goodwill	8	58,314
Add: Other financial asset [2]		1,865
Less: NCI based on proportionate interest		(4,253)
Cash consideration transferred for the business		70,151
Less: cash and cash equivalents acquired		(2,140)
Net outflow of cash		68,011

Goodwill arising on the acquisitions is attributable to the synergies expected to arise from their integration with the Group, the skilled workforce acquired and the distribution networks. The primary reason for these acquisitions is to enhance capability and broaden product offering to customers.

The fair value and gross contractual amount of trade and other receivables is ZAR 11.0 million.

[1] The intangible assets comprised of computer software, trade name and customer relationships estimated at ZAR 13.4 million. The computer software was based on replacement cost following review of the useful life. In measuring the fair value of the trade name and customer-related intangibles, relief-from-royalty method and multi-period excess earnings method were used. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the technical know-how being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

[2] This relates to a call option agreement with the non-controlling shareholders of Picup to acquire additional 13% interest in Picup. The option is exercisable from September 1, 2024 and expires on February 29, 2028. The value of the call option as of February 28, 2023 is disclosed in Note 14.

28. Acquisition of subsidiary (continued)

(ii) Purple Rain Properties No. 444 Proprietary Limited

On February 28, 2022, the Group acquired 100% of the shares and voting interests in Purple Rain Properties No. 444 Proprietary Limited (“Purple Rain”) for a consideration of ZAR 100. The acquisition was accounted for as an asset acquisition as based on the concentration test, substantially all of the fair values of the gross assets is concentrated in properties of Purple Rain.

The fair values of identifiable net assets and the net cash inflows on the acquisition were as follows:

Figures in Rand thousands	**Note**	**2022**
Property, plant and equipment		114,166
Cash and cash equivalents		1,404
Other current assets (excluding cash and cash equivalents)		1,476
Term loans	16	(59,088)
Other non-current liabilities		(14,387)
Current liabilities		(1,167)
Net identifiable assets acquired		42,404
Settlement of amounts due from Purple Rain		(42,404)
Cash consideration transferred for acquisition of asset		*
Less: cash and cash equivalents acquired		(1,404)
Net inflow of cash		(1,404)

* Amount is less than a thousand Rand.

29. Material non-controlling interest

On April 21, 2021, the Group acquired the remaining 31.9% equity interest in Cartrack, increasing its ownership from 68.1% to 100%. Reinvestment scheme was offered to the minority shareholders of Cartrack by exchanging a fixed number of Karooooo shares for a fixed number of Cartrack Shares (see Note 1).

The carrying amount of Cartrack’s net assets in the Group’s consolidated financial statements on the date of acquisition was ZAR 435.1 million. Subsequent to the acquisition of the remaining 31.9% stake in Cartrack, there is no material non-controlling interest as at February 28, 2023 and February 28, 2022.

29. Material non-controlling interest (continued)

The following table summarizes the information relating to the Group's subsidiary that has a material NCI, before intra-group eliminations as at February 28, 2021:

Figures in Rand thousands	**Cartrack Holdings Proprietary Limited As of February 28, 2021**
NCI percentage	31.9%
Principal place of business	South Africa
Revenue	2,290,543
Profit for the year after tax	542,338
Other comprehensive income	(12,942)
Total comprehensive income	529,396
Profit attributable to NCI	179,237
Other comprehensive income attributable to NCI	(8,094)
Total comprehensive income attributable to NCI	171,143
Non-current assets	1,588,204
Current assets	453,576
Current liabilities	(533,914)
Non-current liabilities	(198,430)
Net assets	1,309,436
Net assets attributable to NCI	427,133
Cash flows from operating activities	955,309
Cash flows from investing activities	(517,691)
Cash flows from financing activities	(500,629)
Net (decrease) in cash and cash equivalents	(63,011)
Dividends paid to NCI	(145,859)

30. Related parties

In addition to the information disclosed in Notes 11, 12 and 19 in the financial statements, the following transactions took place between the Group and related parties at the terms agreed between parties:

Transactions with related parties

Figures in Rand thousands	**2023**	**2022**	**2021**
Sales to related parties	(20,139)	(28,915)	(24,901)
Purchases from related parties	87,397	98,032	54,470
Rent paid to related parties	6,121	13,697	18,260
Interest paid to related party	–	–	2,048

Information regarding the key management and prescribed officers is detailed in Note 33.

31. Risk management

The Directors have overall responsibility for the establishment in oversight of the Group's risk management framework. The Directors have established the Audit and risk committee which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Directors on its activities.

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

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

31.1 Capital management

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

The capital structure of the Group consists of debt, which includes the borrowings and lease obligations disclosed in Note 16 and 17 respectively, cash and cash equivalents and bank overdraft disclosed in Note 13, and equity as disclosed in the consolidated statement of financial position.

There were no changes in the Group's approach to the capital management during the financial year.

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

31. Risk management (continued)

31.2 Financial risk management

The Group has exposure to the following risks arising from financial instruments: credit risk, liquidity risk, currency and interest rate risk.

31.2(a) Credit risk

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

Credit risk is managed by each subsidiary subject to the Group's established policy and procedure. The Group has a general credit policy of only dealing with credit worthy customers. A significant element of its individual customers is on debit-order payment method to assess credit risk.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating. risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Directors. The utilization of credit limits is regularly monitored. The Group does not have any significant credit risk exposure to any single customer or any Group of customers having similar characteristics.

There has been no change in credit risk estimation techniques since the last financial year. The carrying amounts of financial assets represent the maximum credit exposure.

Expected credit losses on financial assets recognized in profit or loss were as follows:

Figures in Rand thousands	**2023**	**2022**	**2021**
Expected credit loss provision on trade receivables arising from contracts with customers	87,541	88,482	80,842

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the country in which the customer operates. Details of concentration of revenue are included in Note 20.

Expected credit loss assessment process followed in the current financial year

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

31. Risk management (continued)

31.2 Financial risk management (continued)

31.2(a) Credit risk (continued)

The provision rates are based on days since invoicing date for various groupings of various customer segments with similar loss patterns.

The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future conditions.

The following table provides information about the expected credit loss rate for trade receivables by ageing category:

Figures in Rand thousands	Expected credit loss rate	Gross carrying amount	Impairment loss allowance
At February 28, 2023			
Since invoicing	7%	195,058	13,177
1 month since invoicing date	18%	51,655	9,434
2 months since invoicing date	25%	29,777	7,328
3 months since invoicing date	57%	209,250	119,602
Total	31%	485,740	149,541
At February 28, 2022			
Since invoicing	7%	148,625	10,139
1 month since invoicing date	14%	47,681	6,661
2 months since invoicing date	22%	26,329	5,729
3 months since invoicing date	61%	228,092	139,154
	36%	450,727	161,683

Cash and cash equivalents

The Group held cash and cash equivalents of ZAR 965.8 million as at February 28, 2023 (2022: ZAR 731.7 million). The cash is held with major banks and financial institutions which are rated and regulated in each country. None of the bank's holding deposits show financial strain. Impairment on cash and cash equivalents at bank has been measured on a 12-month expected loss and reflect the short maturity of the exposures. The Group considers that its cash and cash equivalents at bank have low credit risk and the amount of the allowance to be insignificant.

31. Risk management (continued)

31.2 Financial risk management (continued)

31.2(b) Liquidity risk

The Group manages liquidity risk through an ongoing review of future commitments and ensures that there is adequate funding available in terms of cash reserves and committed funding facilities.

Cash flow forecasts are prepared and available borrowing facilities are monitored on an ongoing basis.

Exposure to liquidity risk

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and includes contractual interest payments.

Figures in Rand thousands	Less than 1 year	2 years	3 years	4 years	> 5 years	Total
At February 28, 2023						
Term loans	21,193	18,352	17,596	15,751	–	73,692
Lease obligations	56,511	37,454	15,084	11,180	10,271	130,500
Trade and other payables	329,481	–	–	–	–	329,481
Loans from related parties	607	–	–	–	–	607
Bank overdraft	40	–	–	–	–	40
At February 28 2022						
Term loans	22,408	43,884	17,938	16,036	–	100,266
Lease obligations	50,821	42,853	17,305	4,733	8,333	124,045
Trade and other payables	250,970	–	–	–	–	250,970
Loans from related parties	2,134	–	–	–	–	2,134
Bank overdraft	13,722	–	–	–	–	13,722

31.2(c) Currency risk

The Group is exposed to currency risk to the extent that sales, purchases, and borrowings of the foreign operations are denominated in a currency other than the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the ZAR, USD, Euro ("EUR"), Mozambican metical ("MZN"), the Singapore dollar ("SGD") and Polish zloty ("PLN").

The Group does not apply hedge accounting.

31. Risk management (continued)

31.2(c) Currency risk (continued)

Exposure to currency risk

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

Figures in Rand thousands	USD	EUR	SGD
At February 28, 2023			
Trade and other receivables	104,583	40	433
Loan from related parties	114,186	80,342	–
Loan to related parties	(229,229)	–	(20,040)
Cash and cash equivalents	61,780	2,337	560
Trade and other payables	(50,581)	(5,846)	(8,135)
	739	76,873	(27,182)
At 28 February 2022			
Trade and other receivables	76,873	(27,182)	–
Loan from related parties	86,159	71,994	32,085
Loan to related parties	(112,334)	–	(7,227)
Cash and cash equivalents	144,173	9,618	1,880
Trade and other payables	(53,609)	(5,286)	(2,299)
	126,636	76,554	24,439

Sensitivity analysis

A strengthening/weakening of the ZAR against the USD, EUR and SGD, at year-end would have impacted the measurement of financial instruments denominated in a foreign currency, equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. A factor change of 10% has been applied to the exchange rates.

Figures in Rand thousands	Strengthening of ZAR	Weakening of ZAR
At February 28, 2023		
USD	(74)	74
EUR	(7,687)	7,687
SGD	2,718	(2,718)
	(5,043)	5,043
At February 28 2022		
USD	(12,664)	12,644
EUR	(7,655)	7,655
SGD	(2,444)	2,444
	(22,763)	22,763

31. Risk management (continued)

31.2(d) Interest rate risk

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

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR reform"). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's exposure to interest rate risk relates primarily to the Group's loan obligations with variable interest rates as follow:

- The term loan with Caixa Geral Depositos de S.A attracts interest at a rate of 3% p.a plus 12-month Euro Interbank Offered Rate ("EURIBOR"). The reform of EURIBOR was completed and as a result it can continue to be used as a reference rate.
- The term loan with Standard Bank South Africa attracts interest at a rate of 2.05% plus 3-month Johannesburg Interbank Average Rate ("JIBAR"). To-date, no fixed date has been set for the cessation of JIBAR by South Africa Reserve Bank. There is uncertainty over the timing and the methods of transition for replacing the existing benchmark IBORs with alternative rates.
- The mortgaged loan with First National Bank attracts interest at a rate of 1.15% p.a plus prime rate. There is uncertainty over the timing and the methods of transition for replacing the existing prime rate with alternative rates.

No financial instruments were entered into to mitigate the risk of interest rate movements.

Interest rate sensitivity

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

Figures in Rand thousands

	2023	**2022**
Effect on profit before tax (1% increase)	(599)	(893)
Effect on profit before tax (1% decrease)	599	893

32. Analysis of assets and liabilities by financial instrument classification

The following table shows the carrying amounts and classification of financial assets and financial liabilities. The carrying amounts approximate their fair values.

Figures in Rand thousands	Note	2023	2022
Financial assets (at amortized cost)			
Loans to related party	12	25,800	19,400
Trade and other receivables (excludes prepayments and other taxes)	11	376,827	304,561
Cash and cash equivalents	13	965,790	731,748
		1,368,417	1,055,709
Financial assets (at fair value)			
Other financial assets	14	388	16,664
Financial liabilities (at amortized cost)			
Loans from related parties	12	607	2,134
Trade and other payables (excludes other taxes)	19	329,481	250,970
Term loans	16	59,947	89,350
Bank overdraft	13	40	13,722
		390,075	356,176

33. Fair value of assets and liabilities

Fair value hierarchy

The Group categorizes fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Unobservable inputs for the asset or liability

Fair value measurements that use inputs of different hierarchy levels are categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

33. Fair value of assets and liabilities (continued)

Assets and liabilities measured at fair value

As of February 28, 2023, Derivative – call option (Note 14) was measured at level 3 fair value.

The fair value of the underlying share of Picup is determined using discounted cash flow model. The key unobservable inputs of the discounted cash flow are as disclosed in Note 8.

Assets and liabilities not measured at fair value, for which fair value is disclosed

As of February 28, 2023, the fair value of loan to related party as disclosed in the table below is based on significant unobservable inputs (Level 3) and have been calculated by discounting the expected future cash flows using rates currently available for instruments on with similar terms, credit risk and remaining maturities.

Figures in Rand thousands	**Note**	**Carrying amount**	**Aggregate fair value**
Financial assets (at amortized cost)			
Loans to related party	12	25,800	24,112

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and cash equivalents (Note 13), trade and other receivables (Note 11), trade and other payables (Note 19), term loans (Note 16), loans from related parties (Note 12), and lease liabilities (Note 17). The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values as they are short term in nature, market interest rate instruments.

Fair value of financial instrument classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

There are no financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

34. Directors and key management personnel emoluments

Key management personnel compensation comprised the following:

	Year ended February 28		
Figures in Rand thousands	**2023**	**2022**	**2021**
Short-term employee benefits	16,557	13,109	27,775
Post-employment benefits	378	276	590
	16,935	13,385	28,365

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to directors and key management personnel.

35. Basic and diluted earnings per share information

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue.

	Year ended February 28		
	2023	**2022**	**2021**
Figures in Rand			
Basic earnings			
Profit attributable to ordinary shareholder of Karooooo (ZAR'000)	597,153	449,953	318,183
Weighted average number of ordinary shares issued	30,951,106	29,528,020	20,332,894
Basic and diluted earnings per share (ZAR)	19.29	15.24	15.65

Diluted earnings per share

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

36. Funding facilities

Cartrack Proprietary Limited ("CTSA") has entered into funding agreements with The Standard Bank South Africa Limited ("SBSA") and Mercantile Bank, a division of Capitec Bank Limited ("Mercantile") as follows: The SBSA facility comprises a ZAR 925 million revolving credit funding facility (the "Loan"), of which ZAR 75.0 million is committed and ZAR 850 million is uncommitted. The final repayment date of the Loan is three years from the commencement date. Interest is levied at a rate of 3 months JIBAR plus margin. A guarantee has been provided by Cartrack and Cartrack Manufacturing Proprietary Limited ("CTM"). Security has been provided by Cartrack, CTSA and CTM in the form of a pledge and cession of certain rights in favor of the lender, including shares held in South African entities, all claims, bank accounts, cash and cash equivalent investments, intellectual property, insurance policies and insurance proceeds. At February 28, 2023, ZAR Nil (2022: ZAR 20 million) was utilized.

The Mercantile facility comprises an unsecured short-term overdraft facility of ZAR 75.0 million at the bank's prime lending rate of 11.75% (2022: 7%) per annum. No security is provided on this facility. At February 28, 2023, ZAR Nil (2022: ZAR 13.7 million) was utilized

37. Commitments

Other than the lease commitments disclosed in Note 17, as at February 28, 2023, the Group has commitments for capital expenditure of ZAR 45.0 million (2022: ZAR 13.8 million), relating to the redevelopment of its head office suite for South Africa. The total estimated redevelopment cost is ZAR 294 million.

38. Subsequent events

In March 2023, for strategic reasons, the group acquired 76% of Cartrack Swaziland (Proprietary) Limited, from its existing franchisees for a purchase consideration of ZAR 9.1 million.

On May 8, 2023, the Board of Directors declared an interim dividend of 85 U.S. cents per ordinary shares which shall be payable entirely out of the Karooooo Ltd's retained earnings.

Karooooo Ltd.

Statement of Financial Position
As at February 28, 2023

Figures in Rand thousands

	Note	2023	2022 (Restated)	2021 (Restated)
ASSETS				
Non-current assets				
Investments in subsidiaries	41	8,784,203	7,237,459	2,929,894
Total non-current assets		8,784,203	7,237,459	2,929,894
Current assets				
Other receivables and prepayments	42	54,377	27,426	22,012
Loan to related parties	47	128,937	70,722	–
Other financial asset	44	–	–	882,420
Cash and cash equivalents	43	656,679	462,422	193
Total current assets		839,993	560,570	904,625
Total assets		9,624,196	7,798,029	3,834,519
EQUITY AND LIABILITIES				
Equity				
Share capital	45	7,142,853	7,142,853	2,739,629
Retained earnings		274,989	131,082	(30,646)
Foreign currency translation reserve		2,196,316	501,581	193,922
Shareholder's equity		9,614,158	7,775,516	2,902,905
Current liabilities				
Other payables	46	9,999	22,343	47,285
Loan from a related party	47	–	–	884,293
Income tax payables		–	147	–
Bank overdraft	43	39	23	36
Total current liabilities		10,038	22,513	931,614
Total liabilities		10,038	22,513	931,614
Total equity and liabilities		9,624,196	7,798,029	3,834,519

39. Basis of preparation

Statement of Compliance

The statement of financial position has been prepared in accordance with the Group's basis of preparation (see Note 1 of the consolidated financial statements).

Functional and presentation currency

The Company's functional currency is in United States Dollar ("USD") and the presentation currency is in South African Rand ("ZAR"). The foreign currency translation reserve comprises the foreign currency differences arising from the translation of the financial statements of the Company from the functional currency in USD to the presentation currency in ZAR.

The Company's financial information presented has been rounded off to the nearest thousand ZAR, unless otherwise indicated.

40. Significant accounting policies

In addition to the significant accounting policies disclosed in Note 2, the accounting policies set out below have been applied consistently to the statements of financial position to all periods, unless otherwise stated.

(a) Investments in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

(b) Impairment of non-financial assets

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

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

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

A previously recognized impairment loss in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

41. Investment in subsidiaries

Figures in Rand thousands	**2023**	**2022**	**2021**
Quoted equity shares, at cost	8,784,203	7,237,459	2,929,894

Details of the subsidiaries are as follows:

Name of company	**Place of incorporation**	**Principal activities**	**Ownership interest**		**Cost of investment**		
			2023	**2022**	**2023**	**2022**	**2021**
Cartrack Holdings Proprietary Limited	South Africa	Investment holding company operating within the telematics industry	100%	100%	8,781,983	7,237,001	2,929,892
Carzuka.com Pte. Ltd.	Singapore	Investment holding	100%	100%	1,658	2	2
Karooooo Management Company Pte. Ltd.	Singapore	International headquarter	100%	100%	184	152	–
Karooooo Software Pte. Ltd.	Singapore	Wholesale of telematics device	100%	100%	184	152	–
Karooooo Proprietary Ltd	South Africa	Dormant	100%	100%	184	152	–
Karooooo Cartrack Limited	Uganda	Wholesale of telematics device	90%	–	10	–	–

On November 18, 2020 the Company acquired 203,328,943 shares of Cartrack Holdings Limited at ZAR 13.44 per share from One August Holdings Proprietary Limited and other minority shareholders of Cartrack Holdings Limited. The total consideration paid was ZAR 3,032 million (USD 194,237,164).

41. Investment in subsidiaries (continued)

The purchase consideration was raised through:

(a) shareholder loan received in cash from Zak, ultimate controlling shareholder of the Company, to the Company of ZAR 312 million (USD 20,000,130); and

(b) shareholder loan by way of a flow of funds agreement entered into between Zak and One August Holdings Proprietary Limited amounted to ZAR 2,720 million (USD 174,237,034). The flow of funds agreement allowed the Company to offset the payment of ZAR 2,720 million (USD 174,237,034) to One August Holdings Proprietary Limited against raising a shareholder loan in the Company in the favour of Zak. Zak was the sole shareholder during the financial year.

On April 21, 2021, Karooooo bought out all of the minority shareholders of Cartrack and delisted Cartrack from the JSE for a consideration of ZAR 4,018 million (USD 282.5million). The consideration was satisfied by cash consideration of ZAR 65 million (USD 4.6 million) and an off-set against share capital issuance of ZAR 3,953 million (USD 277.9 million) (See Note 45).

42. Other receivables and prepayments

Figures in Rand thousands	2023	2022	2021
Amounts due from subsidiaries (2021: a subsidiary)	2,508	26,142	4,026
Prepayments	1,142	1,007	17,986
Other receivables	844	–	–
Dividend receivable	49,733	–	–
Other taxes	150	277	–
	54,377	27,426	22,012

43. Cash and cash equivalents and bank overdraft

Figures in Rand thousands	2023	2022	2021
Bank balances	11,993	462,422	193
Short-term deposits	644,686	–	–
Cash and cash equivalents in the statement of financial position	656,679	462,422	193
Bank overdraft	(39)	(23)	(36)

44. Other financial asset

Figures in Rand thousands	2023	2022	2021
Restricted cash	–	–	882,420

On December 29, 2020, the Company received ZAR 882.4 million (USD 58.5 million) from a related party - Orient Victoria Pte Ltd, a company wholly owned by ultimate controlling shareholder - Zak for the sole purpose of facilitating the Company's acquisition of the remaining interest in Cartrack. The loan was fully repaid on April 22, 2021. Refer to Note 47 for details.

45. Share capital

	Number of ordinary shares			Amount Figures in Rand thousands		
	2023	2022	2021	2023	2022 (Restated)	2021 (Restated)
Issued and fully paid	30,951,106	30,951,106	20,332,894	7,142,853	7,142,853	2,739,629

On November 18, 2020, the loan from Zak, the ultimate controlling shareholder, with a fair value of ZAR 9,897 million (USD 600.1 million) was converted into 20,331,894 new ordinary shares of no par value issued by Karooooo Ltd. to Zak for an aggregate subscription price of ZAR 3,203 million (USD 194.2 million). The excess of fair value of the loan over the aggregate subscription price of ordinary shares of ZAR 6,694 million (USD 405.9 million) was recognized as a transaction with owner, in accumulated losses.

Karooooo listed on NASDAQ in April 2021 with 20,332,894 shares and issued additional 1,207,500 shares to public shareholders. On April 21, 2021, Karooooo bought out all of the minority shareholders of Cartrack and delisted Cartrack from the JSE. In terms of the reinvestment offer, investors who elected to remain invested in Cartrack received 1 Karooooo ordinary share for every 10 Cartrack ordinary shares owned on the JSE prior to the finalization of reinvestment offer. Karooooo concluded an inward secondary listing on the JSE on April 21, 2021 and issued another 9,410,712 ordinary shares to eligible Cartrack shareholders. The Company's authorized and issued number of ordinary shares increased from 20,332,894 to 30,951,106 as at February 28, 2022. The ordinary shares were issued at a price of USD 28 per share.

The holder of ordinary shares is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Company.

46. Other payables

Figures in Rand thousands	2023	2022	2021
Amounts due to subsidiaries	388	22,008	27,237
Amount due to ultimate controlling shareholder	–	–	23
Amount due to a related party	–	–	110
Other payables	2,464	322	–
Accrued expenses	7,147	13	19,915
	9,999	22,343	47,285

Amounts due to subsidiaries, ultimate controlling shareholder and a related party – Orient Victoria Pte Ltd, a company wholly owned by ultimate controlling shareholder Zak are non-trade in nature, unsecured, interest-free and repayable on demand.

The fair value of the financial instruments approximates their carrying amounts.

47. Loan to/(from) related parties

Figures in Rand thousands	2023	2022	2021
Loan to related parties – subsidiaries	128,937	70,722	–
Loan from a related party – Orient Victoria Pte Ltd	–	–	(884,293)
	128,937	70,722	(884,293)

On December 29, 2020, the Company obtained a loan of ZAR 884.2 million (USD 58.5 million) from a related party - Orient Victoria Pte Ltd, a company wholly owned by ultimate controlling shareholder - Zak. The loan bears interest at rate of 1.25% per annum and is repayable on demand. The loan was fully repaid on April 22, 2021.

Loan to related parties are unsecured, bear no interest and have no fixed terms of repayment. The fair value of this financial instrument approximates the carrying amount.

48. Related parties

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The directors, including the ultimate controlling shareholder, are considered as key management personnel of the Company.

None of the directors earned any directors' fees or other remuneration in respect of their appointments as directors of the Company during the financial year ended February 28, 2022 and February 28, 2021. The directors are not paid directly by the Company but receive remuneration from the related corporation in respect of their services to the larger group which includes the Company. No apportionment has been made as the services provided by these directors to the Company are incidental to their responsibilities to the larger group.

During financial year ended February 28, 2023, key management compensation comprised the following:

Figures in Rand thousands	**2023**
Short-term employee benefits	4,398
Post-employment benefits	185
	4,583

Other related party transaction

Other than disclosed elsewhere in the financial statements, the Company does not have other significant transactions with related parties during the financial year February 28, 2022 and February 28, 2021.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Figures in Rand thousands	**2023**
Subsidiaries:	
Group management fees	2,098
Dividend income	461,538

49. Risk management

The Directors have overall responsibility for the establishment in oversight of the Company's risk management framework. The Directors have established the Audit and risk committee which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Directors on its activities.

The Company's risk management policies are established to identified and analyze the risk faced by the Company, to set appropriate risk limits, implement controls to enforce limits to monitor risk and adherence to limits.

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

49.1 Capital management

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

The capital structure of the Company consists of debt, which includes the loan to related parties disclosed in Note 47, cash and cash equivalents and bank overdraft disclosed in Note 43, and equity as disclosed in the statement of financial position.

There were no changes in the Company's approach to the capital management during the financial year.

In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. There are no externally imposed capital requirements.

49.2 Financial risk management

The Company has exposure to the following risks arising from financial instruments: credit risk, liquidity risk, currency, and interest rate risk.

49. Risk management (continued)

49.2(a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from other financial assets and loan to subsidiaries. For other financial assets, the Company minimizes credit risk by dealing exclusively with high credit rating counterparties.

Cash and cash equivalents and other financial assets

The Company held cash and cash equivalents ZAR 656.7 million as at February 28, 2023 (2022: ZAR 462.4 million; 2021: ZAR 0.2 million).

Cash and cash equivalents and other financial assets are held with major banks and financial institutions which are rated and regulated in each country. None of the bank's holding deposits show financial strain.

Impairment on cash and cash equivalents and other financial assets have been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of allowance on cash and cash equivalents and other financial asset is negligible.

49. Risk management (continued)

49.2(b) Liquidity risk

The Company manages liquidity risk through an ongoing review of future commitments and ensures that there is adequate funding available in terms of cash reserves and committed funding facilities.

Cash flow forecasts are prepared and available borrowing facilities are monitored on an ongoing basis.

The Company's operations are financed mainly through equity. On April 1, 2021, through a listing on NASDAQ, the Company raised ZAR 500 million (USD 33.8 million) gross cash for general corporate purposes including the growth and expansion of Cartrack and its subsidiaries, such as research and development). The Company has access to adequate resources to continue in operational existence for the foreseeable future.

The table below analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Figures in Rand thousands	Less than 1 year	Total
At February 28, 2023		
Other payables	(9,999)	(9,999)
Bank overdraft	(39)	(39)
At February 28, 2022		
Other payables	(22,343)	(22,343)
Bank overdraft	(23)	(23)
At February 28, 2021		
Other payables	(47,285)	(47,285)
Loan from a related party	(884,293)	(884,293)
Bank overdraft	(36)	(36)

49.2(c) Currency risk

The Company is exposed to currency risk mainly from cash flows from transactions denominated in foreign currencies.

The functional currency of the Company is the USD.

The Company does not apply hedge accounting.

49. Risk management (continued)

49.2(c) Currency risk (continued)

Exposure to currency risk

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

Figures in Rand thousands	SGD	EUR	ZAR
At February 28, 2023			
Cash at bank	534	60	–
Other receivables (excludes prepayments and other taxes)	–	–	102
Other payables	(7,439)	–	(172)
Bank overdraft	–	–	(8)
	(6,905)	60	(78)
At February 28, 2022			
Cash at bank	1,842	–	–
Loan to related parties	32,085	–	–
Other receivables (excludes prepayments and other taxes)	–	–	21,629
Other payables	–	–	(276)
Bank overdraft	–	–	(5)
	33,927	–	21,348
At February 28, 2021			
Cash at bank	136	–	–
Other payables	(75)	–	(26,518)
Bank overdraft	–	–	(30)
	61	–	(26,548)

49. Risk management (continued)

49.2 Financial risk management (continued)

49.2(c) Currency risk (continued)

Sensitivity analysis

A strengthening/(weakening) of the USD against the SGD, EUR and ZAR, at year-end would have impacted the measurement of financial instruments denominated in a foreign currency, equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. A factor change of 10% has been applied to the exchange rates.

Figures in Rand thousands	Strengthening of USD	Weakening of USD
At February 28, 2023		
SGD	691	(691)
EUR	(1)	1
ZAR	1	(1)
	691	(691)
At February 28, 2022		
SGD	(3,393)	3,393
ZAR	(2,135)	2,135
	(5,528)	5,528
At February 28, 2021		
SGD	(6)	6
ZAR	2,655	(2,655)
	2,649	(2,649)

49.2(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no exposure to interest rate risk.

50. Analysis of assets and liabilities by financial instrument classification

The following table shows the carrying amounts and classification of financial assets and financial liabilities. The carrying amounts approximate their fair values.

Figures in Rand thousands	2023	2022	2021
Financial assets (at amortized costs)			
Other receivables (excludes prepayments and other taxes)	53,085	26,142	4,026
Loan to subsidiaries	128,937	70,722	–
Cash and cash equivalents	656,679	462,422	193
Other financial asset	–	–	882,420
	838,701	559,286	886,639
Financial liabilities (at amortized cost)			
Other payables	(9,999)	(22,343)	(47,285)
Bank overdraft	(39)	(23)	(36)
Loan from a related party	–	–	(884,293)
	(10,038)	(22,366)	(931,614)

51. Fair value of assets and liabilities

(a) Fair value hierarchy

The Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – quoted prices (unadjusted) in active market for identical assets or labilities that the Company can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – unobservable inputs for the asset or liability.

The Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

51. Fair value of assets and liabilities (continued)

(b) Assets and liabilities measured at fair value

No asset and liability are measured at fair value at the reporting date.

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and cash equivalents, other receivables, loan to subsidiaries, other payables, and bank overdraft

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

52. Prior year adjustments

During the financial year, restatements were made to translate both the share capital and retained earnings of the Company at historical rates.

The errors have been retrospectively corrected by restating each of the affected financial statement line items as follows:

Figures in Rand thousands	As previously reported	Adjustments	Restated
At March 1, 2022			
Statement of financial position			
Share capital	3,203,216	(463,587)	2,739,629
Retained earnings	248,446	(279,092)	(30,646)
Foreign currency translation reserve	(548,757)	742,679	193,922
At February 28, 2022			
Statement of financial position			
Share capital	7,773,518	(630,644)	7,142,874
Retained earnings	419,479	(288,397)	131,082
Foreign currency translation reserve	(417,481)	919,041	501,560

53. Comparative information

The financial statements of the Company for the year ended 28 February 2022 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 9 June 2022.

54. Authorisation of financial statements for issue

The financial statements of the Company for the financial year ended February 28, 2023 were authorised for issue in accordance with a resolution of the Board of Director on the date stated on the Director’s Statement.