

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended February 28, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number: 001-40300

KAROOOOO LTD.

(Exact name of registrant as specified in its charter)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Ordinary shares, no par value per share	KARO	The Nasdaq Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

30,951,106 shares of Common Stock as of February 28, 2022

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.¹

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its

Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Yes No

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

ANNUAL REPORT
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INTRODUCTION

During the year ended February 28, 2022, Karo0000 Ltd. (“Karo0000” or the “Company”) listed on the Nasdaq (April 01, 2021) and concluded an inward secondary listing on the JSE by April 21, 2021.

As at February 28, 2021, being the end of the prior fiscal year and comparative period in this report, Karo0000 was a privately owned company fully owned by Isaias (Zak) Jose Calisto (founder and CEO of Karo0000) and Cartrack Holdings Proprietary Limited, previously known as Cartrack Holdings Limited (“CTK”) was listed as a public company on the Johannesburg Stock Exchange (JSE). Karo0000 was a non-operating entity, with its only asset being its ownership of 203,328,943 ordinary shares, or 68.1%, of Cartrack’s 298,766,000 ordinary shares in issue.

Karo0000 listed on the Nasdaq on April 1, 2021 in connection with its initial public offering (“IPO”) in the United States. Following the IPO, Karo0000 had 21,540,394 shares in issue of which 20,332,894 were founder held shares. By April 21, 2021 Karo0000 had bought out all of the minority shareholders of CTK pursuant to a scheme of arrangement in South Africa and had delisted CTK from the JSE. Karo0000 concluded an inward secondary listing on the JSE on this date (April 21, 2021) and issued a further 9,410,712 shares to eligible CTK shareholders who elected to reinvest the proceeds of the sale of their CTK shares pursuant to the scheme in shares of Karo0000, representing 99% of all minority shareholders bought out by Karo0000.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all financial information contained in this annual report is prepared and presented in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Certain differences exist between IFRS and generally accepted accounting principles in the United States of America (“U.S. GAAP”) which might be material to the financial information herein.

We have not prepared a reconciliation of our consolidated financial statements and related footnote disclosures between IFRS and U.S. GAAP. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and U.S. GAAP and how these differences might affect the financial information herein.

Our historical consolidated financial statements were prepared to give effect to

- (i) the common control transaction in which Karo0000 Ltd. acquired a controlling stake in CTK and
- (ii) the conversion of a shareholder loan from our founder and chief executive officer, Isaias (Zak) Jose Calisto, to Karo0000 Ltd. into ordinary shares of Karo0000 Ltd., which took place on November 18, 2020.

There is currently no specific guidance on accounting for common control transactions under IFRS as issued by the IASB. In the absence of specific guidance Karo0000 Ltd. elected to apply the “pooling of interests” method of accounting. Under “pooling of interests” the assets and liabilities of CTK were 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.

All references in this annual report to “Group” or “Company” refer to Karo0000 Ltd. and its subsidiaries.

All references in this annual report to “U.S. dollars,” “U.S.\$,” “\$” and “USD” refer to the currency of the United States of America, all references to “R”, “rand” and “ZAR” refer to the currency of South Africa and all references to “S\$” or “Singapore dollar” refer to the currency of Singapore. Unless otherwise indicated, all references to currency amounts in this annual report are in rand. Our fiscal year ends on February 28 or February 29 of each year. References in this annual report to a fiscal year or a financial year, such as “fiscal year 2022,” relate to our fiscal year ended on February 28 or February 29, as applicable, of that calendar year.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains “forward-looking statements.” Forward-looking statements are based on our beliefs and assumptions and on information currently available to us, and include, without limitation, statements regarding our business, financial condition, strategy, results of operations, certain of our plans, objectives, assumptions, expectations, prospects and beliefs and statements regarding other future events or prospects. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “believe,” “expect,” “plan,” “intend,” “seek,” “anticipate,” “estimate,” “predict,” “potential,” “assume,” “continue,” “may,” “will,” “should,” “could,” “shall,” “risk” or the negative of these terms or similar expressions that are predictions of or indicate future events and future trends.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, the development of the industry in which we operate and the effect of acquisitions on us may differ materially from those made in or suggested by the forward-looking statements contained in this annual report. In addition, even if our results of operations, financial condition and liquidity, the development of the industry in which we operate and the effect of acquisitions on us are consistent with the forward-looking statements contained in this annual report, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that may cause our actual results to differ materially from those expressed or implied by the forward-looking statements in this annual report include, but are not limited to, the risks described under “Risk Factors.” For example, factors that could cause actual results to vary from projected results include, but are not limited to:

- our ability to acquire new customers and retain existing customers;
- our ability to acquire new subscribers and retain existing subscribers;
- the effects of a pandemic or widespread outbreak of an illness, such as the COVID-19 pandemic;
- our anticipated growth strategies, including our ability to increase sales to existing customers, the introduction of new solutions and international expansion;
- our ability to adapt to rapid technological change in our industry;
- our dependence on cellular networks;
- competition from industry consolidation;
- market adoption of software-as-a-service (“SaaS”) fleet management platform;
- automotive market conditions and the evolving nature of the automotive industry towards autonomous vehicles;
- expected changes in our profitability and certain cost or expense items as a percentage of our revenue;
- our dependence on certain key component suppliers and vendors;
- our ability to maintain or enhance our brand recognition;
- our ability to maintain our key personnel or attract, train and retain other highly qualified personnel;
- the impact and evolving nature of laws and regulations relating to the internet and data privacy;
- our ability to protect our intellectual property and proprietary technologies and address any infringement claims;
- significant disruption in service on, or security breaches of, our websites or computer systems;
- dependence on third-party technology and licenses;
- fluctuations in the value of the South African rand and inflation rates in the countries in which we conduct business;
- economic, social, political and other conditions and developments in South Africa and globally;
- our ability to access the capital markets in the future; and
- other risk factors discussed under “Risk Factors”.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION

A. RESERVED

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

You should carefully consider the risks and uncertainties described below and the other information in this annual report before making an investment in our ordinary shares. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occurs, and as a result, the market price of our ordinary shares could decline and you could lose all or part of your investment. Additional risks and uncertainties not currently known to us, or which we currently deem immaterial, may also adversely affect our business, financial condition or results of operations. This annual report also contains forward-looking statements that involve risks and uncertainties. See "Special Note Regarding Forward-Looking Statements". Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this annual report.

A summary of the risk factors is followed by a detailed description of each risk factor.

RISK FACTOR SUMMARY

Risks Relating to Our Business and Operations

- We may not be able to add new subscribers, which could have a material adverse effect on our ability to grow our business and increase revenue.
- We may not be able to retain or drive margin expansion with our existing customers, which could adversely affect our financial results.
- The effects of a pandemic or widespread outbreak of an illness, such as the COVID-19 pandemic, could have a material adverse effect on our business, financial condition and results of operations.
- Our inability to adapt to rapid technological change in our industry and related industries could impair our ability to remain competitive and adversely affect our results of operations.

- Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.
- The market for SaaS fleet management solutions is highly fragmented and competitive. If we do not compete effectively in such markets, our operating results may be harmed.
- An increase in factory-fitted or embedded telematics technology in new vehicles in our markets could result in reduced demand for our SaaS platform, which could have a material adverse effect on our revenue.
- Our dependence on various lead generation programs could adversely affect our operating results if we need to pay more for such programs or we are unable to attract new customers at the same rate.
- If we are unable to successfully convert customer sales leads into customers on a cost-effective basis, our revenue and results of operations would be adversely affected.

Risks Relating to Our Reliance on Third Parties

- The conduct of security officers engaged in stolen vehicle recovery (“SVR”) operations in support of our services from time to time involves the use of force, which could expose the Company to reputational harm or, potentially, civil and/or criminal liability.
- We depend on certain key component suppliers and vendors as part of our hardware manufacturing process. An interruption in the supply of components could impair our production capacity and affect hardware manufacturing output adversely affecting distribution.

Risks Relating to Our Growth Strategy

- We have experienced growth in recent periods. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.
- We may not effectively execute on our expansion strategy, which may adversely affect our ability to maintain our historical growth and earnings trends.
- Investments into our SaaS platform and technology infrastructure may not yield the desired results.
- If we fail to maintain or enhance our brand recognition or reputation, our business could be harmed.
- Our corporate culture has contributed to our success, and if we cannot maintain this culture, we could lose the innovation, creativity and teamwork fostered by our culture, which could harm our business.

Risks Relating to Our Intellectual Property, Data Privacy and Cybersecurity

- Evolving regulation and changes in applicable laws relating to the Internet and data privacy may increase our expenditures related to compliance efforts or otherwise limit the solutions we can offer, which may harm our business and adversely affect our financial condition.
- Any significant disruption in service on our SaaS platform or in our computer systems, through cybersecurity breaches, computer viruses or otherwise or disruption of our platform, could damage our reputation and result in a loss of customers, which would harm our business and results of operations.
- Security or privacy breaches in our electronic transactions or data may expose us to additional liability or result in a loss of customers, either of which events could harm our business.

Risks Related to Legal Proceedings

- We may incur material losses and costs as a result of lawsuits or claims that may be brought against us which are related to product liability, warranty, product recalls, client service interruptions or other matters, and any litigation against us could be costly and time-consuming to defend and could harm our business, financial condition and results of operations.

Risks Relating to Our Operations in South Africa and Other Emerging Markets

- We conduct a substantial amount of our business in foreign currencies, which heightens our exposure to the risk of exchange rate fluctuations.

Risks Relating to Investments in Singapore Companies

- We are incorporated in Singapore, and our shareholders may have more difficulty in protecting their interests than they would as shareholders of a corporation incorporated in the United States.

Risks Relating to Our Ordinary Shares

- Our stock price may fluctuate and you could lose a significant part of your investment.
- As a foreign private issuer and “controlled company” within the meaning of the Nasdaq rules, we are permitted to, and we will, rely on exemptions from certain corporate governance standards. Our reliance on such exemptions may afford less protection to holders of our ordinary shares.
- If we fail, for any reason, to effectively or efficiently maintain proper internal control procedures for compliance with Section 404 of the Sarbanes Oxley Act of 2002 (“SOX”), or Section 404, such failure could materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

Risks Relating to Our Business and Operations

We may not be able to add new customers and retain existing customers, which could have a material adverse effect on our ability to grow our business and increase revenue.

We market and sell our mobility data analytics solutions to a wide range of customers, from consumers and sole proprietors to small and medium-sized businesses and large enterprises. To grow our revenue, we must continue to add new customers and subscribers. We intend to increase new subscription sales by increasing penetration in our existing markets and with existing customers, upgrading and enhancing our platform and solutions and by opportunistically entering new markets that represent a potential source of demand. Our success in adding new customers may be tied to a number of factors, including demand for our SaaS platform, the rate of new vehicle sales, the success of our sales and marketing campaigns, our ability to generate leads, our relationships with channel partners, price and service competition, general economic conditions and, in the case of our safety and security services, the real and perceived threat of vehicle theft and discounts offered by insurers for risk mitigation.

Selling to consumers or sole proprietors and small business customers may, in some instances, be more difficult than selling to medium-sized businesses and large enterprise customers. Consumers and sole proprietors and small businesses may have higher default rates, are price sensitive, may be difficult to reach with targeted sales campaigns and may have higher churn rates in part because of the scale of their businesses and the ease of switching solutions.

On the other hand, the typical sales cycle for medium-sized businesses and large enterprises may be longer than that of our consumer and sole proprietor and small business customers. These customers may have more complex business, operational, procurement and integration requirements and their scale may result in less favorable contract terms. Our sales cycle runs from lead generation to the installation of the device. Our typical sales cycle for large enterprises ranges from 3 to 24 months. Medium enterprise sales cycles run between 1 to 8 months with small business and sole proprietor sale cycles running between 1 to 90 days. The consumer sales cycle runs between 1 and 60 days. A number of factors influence the length and variability of our sales cycle, including the need to educate potential customers about the uses and benefits of our solutions, the discretionary nature of purchasing and budget cycles, and the competitive nature of evaluation and purchasing approval processes. It may be difficult for us to predict the timing of when we will enter into subscription contracts with medium-sized businesses and large enterprises and how quickly such contracts can be implemented. This could make the timing of our revenues uncertain and difficult to predict.

We may not be able to retain or drive margin expansion with our existing customers, which could adversely affect our financial results.

We generally sell our SaaS platform services pursuant to subscription agreements with an initial minimum term of 36 months. The majority of these agreements provide for automatic renewal on a month-to-month basis thereafter unless the customer elects otherwise. Our customers have no obligation to renew these agreements after the expiration of the initial term or any renewal term. If our efforts to satisfy our existing customers are not successful, we may not be able to retain them or expand our relationship with them and, as a result, our revenue and growth could be materially and adversely affected. Customers may choose to cancel or not renew their subscriptions for a number of reasons, including the belief that our solutions are not required for their personal or business needs or are otherwise not cost-effective, a desire to reduce discretionary spending, a belief that our competitors' solutions provide better value, or economic downturn in their industries or the geography in which they operate, and customers may not renew their subscriptions when they refresh their fleet with new vehicles. Large enterprise customers may also decrease the number of vehicles covered by subscription contracts if their fleet sizes decrease. Additionally, our customers may cancel or not renew for reasons entirely out of our control, such as the dissolution of their business or personal financial distress.

Part of our growth strategy is to retain customers and drive margin expansion by providing enhanced and additional software solutions to our existing customers while keeping our costs low. Our ability to provide an advanced software platform to existing customers in a cost-effective manner will depend in significant part on our ability to anticipate industry evolution, practices and standards and to continue to enhance our platform and existing software solutions, such as integration with fuel cards, GPS navigation devices, as well as various third-party software and products manufactured by original equipment manufacturers, or OEMs, or partnership with vehicle insurance providers, or to introduce or acquire new software features on a timely basis to keep pace with technological developments both within our industry and in related industries, including integration with developing technologies and platforms such as artificial intelligence (“AI”), machine learning and big data analytics. However, we may prove unsuccessful either in developing new software features or in expanding the third-party software and products with which our SaaS platform integrates, and such third-party software and products may become incompatible or replace our solutions, and such efforts may not be cost-effective. See “— Our platform integrates with third-party technologies and if our platform becomes incompatible with these technologies, our platform would lose functionality and flexibility and our customer acquisition and retention could be adversely affected.” In addition, the success of any enhancement or new feature depends on several factors, including the timely completion, introduction and market acceptance of the enhancement or feature. Any new software applications or features we develop or acquire might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate significant revenue. If any of our competitors implements new technologies before we are able to implement them, better anticipates the innovation and integration opportunities in related industries or implements them in a more cost-effective manner, those competitors may be able to provide more effective or less expensive solutions than ours, which may also negatively affect our ability to retain our existing customers and drive margin expansion.

The effects of a pandemic or widespread outbreak of an illness, such as the COVID-19 pandemic, could have a material adverse effect on our business, financial condition and results of operations.

The COVID-19 pandemic has negatively impacted the global economy, disrupted supply chains and created significant volatility in global financial markets. Our business was impacted by the COVID-19 pandemic, and the extent to which the COVID-19 pandemic will continue to impact our business depends on a number of factors, including the ultimate duration of the pandemic, actions taken by governmental authorities to restrict certain business operations and social activity, impose travel restrictions or other actions, the future impact of the pandemic on economic activity and consumer demand, the ability of our supply chain to deliver in a timely and cost-effective manner, the ability of our employees to operate efficiently and effectively and the continued viability and financial stability of our customers, all of which remain uncertain. In particular, the COVID-19 pandemic could continue to affect our ability to collect payments under our subscription contracts, retain existing customers and increase sales to new customers. The COVID-19 pandemic has resulted in limited capacity to install the in-vehicle internet-of-things or IoT technology as a result of the various regional lockdown restrictions, and we have been unable to deploy recently recruited talent currently stationed in Singapore into the Asia-Pacific region to drive growth. An extended period of global and economic disruption resulting from this pandemic and its effects could have a material adverse effect on our business, financial condition and results of operations. To the extent the COVID-19 pandemic further adversely affects our business, financial condition and results of operations, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section.

Our inability to adapt to rapid technological change in our industry and related industries could impair our ability to remain competitive and adversely affect our results of operations.

The industry in which we compete, and related industries, are characterized by rapid technological change, frequent introductions of new applications and evolving industry standards. In addition to the telematics or fleet management industry, we are subject to changes in the automotive software and technology industry with rapid technological advancement to mobile handsets, multi-functional driver terminals, on-board cameras, advanced driver-assistance systems (“ADAS”) and workflow management software. As the technology used in each of these industries evolves, we will face new integration and competition challenges. For example, as mobile handsets have evolved to include GPS tracking technology, they have become competitors against our solutions. Additionally, ADAS technology, with embedded AI, may have features that are similar to or overlap with our solutions. Furthermore, major gains in fuel efficiency and electronic automobiles may lead to a relative decrease in the demonstrable return on investment of our solutions as perceived by our customers. If we are unable to adapt to rapid technological change, it could have a material adverse effect on our results of operations and our ability to remain competitive.

Our platform integrates with third-party technologies and if our platform becomes incompatible with these technologies, our platform would lose functionality and flexibility and our customer acquisition and retention could be adversely affected.

Our platform integrates with third-party software and devices to allow our platform to perform key functions. For example, we offer integration with work-flow software products, such as business intelligence software, enterprise resource planning systems, routing and scheduling and freight management logistics billing systems, among others. Although to date this integration has been accomplished using application programming interfaces (“API”), other open software interfaces and simple physical linkages, we cannot guarantee that this ease of integration will continue or that we will be able to integrate with other products as easily or without additional cost. Newer vehicles and devices may be developed which include different ports and do not allow for our platform to be integrated through simple physical linkages. Errors, viruses or bugs may be present in third-party software that our customers use in conjunction with our platform.

Changes to third-party software that our customers use in conjunction with our platform could also render our platform inoperable. Customers may conclude that our software is the cause of these errors, bugs or viruses and terminate their subscriptions. The inability to easily integrate with, or any defects in, any third-party software could result in increased costs, or in delays in software releases or updates to our platform until such issues have been resolved, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and future prospects and could damage our reputation.

Our software solutions rely on cellular (GSM/LTE) and GNSS (including GPS, Glonass, Galileo) or regionally equivalent networks (including QZSS) and any disruption, failure or increase in costs could impede our profitability and harm our financial results.

Two critical links in our current solutions are between telematics devices and GPS or equivalent Global Navigation Satellite Systems (“GNSS”) such as Glonass, Galileo and Quasi-Zenith Satellite System (“QZSS”) and between telematics devices and cellular networks, which allow us to obtain location data and transmit it to our system. Increases in the fees charged by cellular carriers for data transmission or changes in the cellular networks, such as a cellular carrier discontinuing support of the network currently used by our telematics devices, requiring retrofitting of our telematics devices could increase our costs and impact our profitability. We have initiated activities to migrate new installations to the next generation of cellular network compatibility in order to maximize expected useful life of our telematics devices, however, cellular carriers could in the future migrate allotted bandwidth from one network to another. Also, while we have included the ability to store GPS data in our telematics devices in case of temporary cellular network connectivity failure, widespread disruptions or extended failures of the cellular networks would materially and adversely affect our solutions’ functionality and utility and harm our financial results.

GPS-equivalent services like Glonass, Galileo and QZSS are satellite-based positioning systems consisting of a constellation of orbiting satellites. These satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage and it is not certain that the various government agencies will remain committed to the operation and maintenance of such satellites over a long period. In addition, technologies that rely on GPS or Glonass, Galileo and QZSS depend on the use of radio frequency bands and any modification of the permitted uses of these bands may adversely affect the functionality of such satellites and, in turn, our solutions. The GPS satellites and their ground control and monitoring stations are maintained and operated by the U.S. Department of Defense. The Department of Defense does not currently charge users for access to the satellite signals, but we cannot assure you that they will not do so in the future. It is also possible that agencies that operate GPS- equivalent services like Glonass, Galileo and QZSS begin to charge users for access. Any such disruption, failure or increase in costs could impede the functionality and/or cost of our solutions which could have a material adverse effect on our financial condition and results of operations.

The 5G market may take longer to materialize than we expect or, if it does materialize rapidly, we may not be able to meet customer expectations and timelines.

Growth of the 5G market and its emerging standards, including the newly defined 5G NR (New Radio) standard, is accelerating. If the market materializes faster than expected, we may have difficulty introducing new solutions in a timely manner to meet customer demands. The 5G market may require us to design hardware that meets certain technical specifications. We may have difficulty meeting such specifications in the expected timelines. 5G markets will develop at different rates and we may encounter challenges to varying degrees in different countries. If we are unable to manage challenges related to 5G markets and related opportunities, it could have a material adverse effect on our financial condition and results of operations.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Should we experience a local or regional disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of personnel, office facilities, and the proper functioning of computer, telecommunication and other related systems and operations. We could potentially experience material adverse interruptions to our operations or delivery of services to customers in a disaster recovery scenario.

For example, due to historic levels of relative under-investment in infrastructure, in particular, electricity, the South African government owned power utility, Eskom, has previously implemented electricity rationing and planned blackouts. Although we have made contingent arrangements for use of generators at our various locations, the lack of a proper supply of electricity could have a material adverse effect on our business, financial condition and results of operations.

Even with our disaster recovery arrangements, our services could be interrupted. Our suppliers and customers are also subject to the risk of catastrophic events. In those events, our ability to deliver our services in a timely manner, as well as the demand for our solutions, may be adversely impacted by factors outside our control. If our systems were to fail or be negatively impacted as a result of a natural disaster, pandemic or other catastrophic event, our ability to deliver our services to our customers would be impaired, our reputation could suffer and we could be subject to contractual penalties.

The market for SaaS fleet management solutions is highly fragmented and competitive. If we do not compete effectively in such markets, our operating results may be harmed.

The market for SaaS fleet management solutions, including tracking and mobility solutions is highly fragmented, consisting of a significant number of vendors, competitive and rapidly changing. Competition in such markets is based primarily on the level of difficulty in installing, using and maintaining solutions, total cost of ownership, product performance, functionality, interoperability, brand and reputation, distribution channels, industries and the financial resources of the vendor. We expect competition in such markets to intensify in the future with the introduction of new technologies and market entrants.

The market for SaaS fleet management solutions is highly competitive. Our growth will depend in part on a combination of the continued growth in the market for these solutions, our ability to increase our market share, and our customers' continued operation in the regions in which we operate. We compete with a number of companies in each of the geographic markets in which we operate, some of which have established sizable market shares in the relevant markets. We expect competition to intensify in the future with the introduction of new technologies, the use of mobile devices and new market entrants from outside the telematics industry, such as enterprise software vendors or large technology companies expanding into the space. As competition intensifies, we expect that price competition for telematics solutions, including SaaS fleet management solutions will intensify, which could cause our revenues to decline and have a material adverse effect on our results of operations.

For example, mobile service providers and global software platforms, such as Google, provide limited services at lower prices or at no charge, such as basic GPS based mapping, tracking and turn-by-turn navigation that could be expanded or further developed to more directly compete with our SaaS fleet management solutions. In addition, wireless carriers, such as Verizon, offer SaaS fleet management solutions that benefit from the carrier's scale and cost advantages, which we may be unable to match. Similarly, vehicle OEMs may provide factory embedded or after-market installed devices and effectively compete against us directly or indirectly by partnering with other fleet management service providers. Furthermore, companies such as Google, Amazon and others, have substantially greater financial, technical and marketing resources, relationships with large vendor partners, larger global presence, larger customer bases, longer operating histories, greater brand recognition and more established relationships than we do and may decide to compete in the market for SaaS fleet management and telematics solutions.

Such competition could result in reduced operating margins, increased sales and marketing expenses and the loss of market share, any of which could have a material adverse effect on our results of operations.

Industry consolidation may give our competitors advantages over us, which could result in a loss of customers and/or a reduction in revenue.

Some of our competitors have made or may make acquisitions or enter into partnerships or other strategic relationships to offer more comprehensive services or achieve greater economies of scale. In addition, new entrants not currently considered competitors may enter our market through acquisitions, partnerships or strategic relationships. Many potential entrants may have competitive advantages over us, such as greater name recognition, longer operating histories, more varied services and larger marketing budgets, as well as greater financial, technical and other resources. Industry consolidation may result in competitors with more compelling service offerings or greater pricing flexibility than we have or business practices that make it more difficult for us to compete effectively, including on the basis of price, sales and marketing programs, technology or service functionality. These pressures could result in a loss of subscribers and/or a reduction in revenue.

Failure of businesses to adopt SaaS fleet management solutions could reduce the demand for our platform.

We derive, and expect to continue to derive, substantial revenue from the sale of subscriptions to customers choosing our SaaS platform. Widespread acceptance and usage of SaaS fleet management solutions is critical to our future revenue growth and success. If the market for SaaS fleet management solutions fails to grow, or grows more slowly than we currently anticipate, demand for our solutions would be negatively affected.

The market for SaaS fleet management solutions is subject to changing customer demand and trends in preferences. Some of the potential factors that could affect interest in and demand for fleet management solutions include:

- the effectiveness and reliability of the software platforms;
- fluctuations in fuel and vehicle maintenance costs, which are significant drivers of customer demand for SaaS fleet management solutions;
- assumptions regarding general mobile workforce inefficiency and the extent to which efficiency can be improved through SaaS fleet management solutions;
- the level of governmental and regulatory burden on the fields of transportation and occupational health and safety;
- the price, performance, features, functionality and availability of solutions that compete with ours; and
- our ability to maintain high levels of customer satisfaction.

Failure of businesses to adopt SaaS fleet management solutions could have a material adverse effect on our business, results of operations and financial condition.

Automotive market conditions and the evolving nature of the automotive industry towards autonomous vehicles could adversely affect demand for our solutions.

New vehicle sales may decline for various reasons, including adverse changes in the general economic environment, a reduction in our customers' discretionary spending or an increase in new vehicle tariffs, taxes or gas prices. A decline in vehicle production levels or labor disputes affecting the automobile industry in the markets where we operate may also impact the volume of new vehicle sales. A decline in vehicle production levels or sales of new vehicles in the markets in which we operate could result in a long-term decrease in the overall number of vehicles, and consequently, a decrease in our total addressable market, resulting in reduced demand for our solutions which could have a material adverse effect on our business, results of operations and financial condition.

The automotive industry is also increasingly focused on the development of ADAS technologies, including the utilization of artificial intelligence, with the goal of developing and introducing a commercially viable, fully automated driving experience. There has also been an increase in consumer preferences for mobility on demand ("MoD") services, such as car and ride-sharing, as opposed to automobile ownership, which may result in a long-term reduction in the number of vehicles per capita and sales of new vehicles. A reduction in the number of vehicles per capita and sales of new vehicles could reduce our addressable market for solutions.

The increase in MoD services has also attracted increased competition from entrants outside the traditional automotive industry. If we do not continue to innovate to develop or acquire new and compelling solutions that capitalize upon new technologies in response to OEM and consumer preferences, this could have a material adverse effect on our results of operations.

An increase in factory-fitted or embedded telematics technology in new vehicles in our markets could result in reduced demand for our SaaS platform, which could have a material adverse effect on our revenue.

Certain OEMs have begun embedding technology similar to our own technology in new vehicles prior to their initial sale, resulting in products and services that may overlap with our SaaS platform. This may preclude us from increasing sales to customers purchasing such vehicles. Our inability to market and sell our solutions to new customers or partner with OEMs to embed our solutions into their devices prior to their initial sale could have a material adverse effect on our ability to grow our subscriber base and increase revenue.

Our dependence on various lead generation programs could adversely affect our operating results if we need to pay more for such programs or we are unable to attract new customers at the same rate.

We use a number of lead generation channels to promote our SaaS platform, along with inside sales and field sales teams. Significant increases in the costs of one or more of our lead generation channels would increase our overall lead generation costs or cause us to choose less expensive and perhaps less effective channels. For example, a portion of our potential customers locate our website through search engines and social media platforms, representing one of the most efficient means for generating cost-effective customer leads. If search engine companies modify their search algorithms in a manner that reduces the prominence of our listing, or if our competitors' search engine optimization efforts are more successful than ours, fewer potential customers may click through to our website or lead pages. In addition, the cost of purchased listings has increased in the past and may continue to increase in the future. Additionally, in regions where we are reliant on inside sales and field sales teams, an increase in labor costs may increase our lead generation costs and cost of customer acquisition. As we add to or change the mix of our lead generation strategies, we may need to expand into channels with significantly higher costs than our current channels, which could have a material adverse effect on our cost of subscriber acquisition and results of operations. If we are unable to maintain effective advertising programs, our ability to attract new customers could be materially and adversely affected, and our advertising and marketing expenses could increase substantially further affecting our results of operations.

If we are unable to successfully convert customer sales leads into customers on a cost-effective basis, our revenue and results of operations would be adversely affected.

We generate substantially all of our revenue from the sale of subscriptions to our SaaS platform. In order to grow, we must continue to efficiently and cost effectively convert customer leads, many of whom have not previously used SaaS fleet management platforms, into customers.

We rely on our inside sales team and our field sales representatives to drive cost-effective conversion of customer leads into customers. To execute our growth plan, we must continue to attract and retain highly qualified inside sales and field sales personnel. We may experience difficulty in hiring, training and retaining highly skilled inside sales and field sales personnel. An inability to convert customer sales leads into customers on a cost-effective basis could have a material adverse effect on our financial condition and results of operations. See “—The loss of one or more of our key management team members or personnel, or our failure to attract, train and retain other highly qualified personnel, could harm our business,” below.

An actual or perceived reduction in vehicle theft may adversely impact demand for certain of our applications, which could result in a loss of customers and a decline in growth.

Demand for our vehicle tracking and asset recovery solutions is influenced by prevailing or expected vehicle theft rates. Vehicle theft rates may decline as a result of various factors, such as the availability of improved security systems, implementation of improved or more effective law enforcement measures and improved economic or political conditions in markets that have high theft rates. If vehicle theft rates in our markets decline significantly, or if vehicle owners or insurance companies believe that vehicle theft rates have declined or are expected to decline, demand for some of our SaaS platform applications may decline, which could result in a loss of customers and a decline in growth.

We are subject to the risk of defaults by our customers.

Entering into subscription agreements with customers, particularly consumers and sole proprietors whose credit may not be as strong as our large enterprise clients, exposes us to credit risk in the event of customer defaults, and we may not be paid all amounts due under our subscription agreements. In deciding whether to enter into subscription agreements with prospective customers, we may rely on information furnished by or on behalf of them. We may also rely on representations of those prospective customers as to the accuracy and completeness of that information. The inaccuracy of such information or representations affects our ability to accurately evaluate the credit risk of a customer, and an increase in the default rates of our customers could have a material adverse effect on our business, results of operations and financial condition.

We provide minimum service level commitments to certain of our customers, and our failure to meet them could cause us to issue credits for future subscriptions, which could harm our results of operations.

Certain of our subscription agreements currently, and may in the future, provide minimum service level commitments regarding items such as unit and platform uptime, functionality, platform performance or operational turnaround times. If we are unable to meet the stated service level commitments for these subscribers or suffer extended periods of service unavailability, we are or may be contractually obligated to provide these subscribers with credits for future subscriptions, or provide services at no cost, which could adversely impact our revenue.

Risks Relating to Our Reliance on Third Parties

The conduct of security officers engaged in stolen vehicle recovery (“SVR”) operations in support of our services from time to time involves the use of force, which could expose the Company to reputational harm or, potentially, civil and/or criminal liability.

We work with local law enforcement authorities and licensed security officers to recover our customers’ stolen vehicles. These recovery teams are armed and undergo training on recovery procedures including confrontation measures and the controlled use of force in response to threats, including being the target of gunfire by car theft suspects.

SVR operations in South Africa, which are provided in connection with our services, are conducted under an arm’s length agreement by a third-party service provider, which until August 2020 was 49% owned by CTK. On August 31, 2020, we sold our 49% interest in the business to the majority shareholder.

Our agreement requires the service provider to comply with local law and our policies and procedures related to SVR operations.

Since March 01, 2018, less than 0.05% of SVR operations conducted on our behalf have resulted in injury or death, as a result of weapons discharge, with such operations resulting in one fatality and three other injuries since then up until February 28, 2022. While in each of these incidents local law enforcement authorities determined that the security personnel engaged in the action acted lawfully and in compliance with our policies and procedures, there can be no assurance that a later determination will not find fault on the part of such security personnel.

In light of the nature of SVR operations, future incidents in which force is required are likely to occur. If the security personnel engaged in such SVR operations are found to be at fault in any similar incident in the future, it could result in civil and/or criminal liability for us, including monetary damages or other penalties. Even if we are not found liable, we could suffer reputational harm if we are negatively associated with such incidents. While we have policies and procedures in place governing the use of force by our service provider, there can be no assurance that these policies and procedures, even if followed, would entirely mitigate any resulting reputational harm or civil and/or criminal liability resulting from any incident.

Our financial results are affected directly by the operating results of our licensees and their employees, over whom we do not have direct control.

Our operations in Botswana, Malawi, Rwanda, Eswatini and Zimbabwe, which are conducted by independent businesses that are licensees pursuant to franchise agreements with us, comprised 0.1% of our revenue in the year ended February 28, 2022, 0.2% of our revenue in the year ended February 28, 2021 and 0.2% of our revenue for the year ended February 29, 2020. Our licensees generate revenue in the form of hardware and subscription revenue billed to customers. Accordingly, our financial results depend in part upon the operational and financial success of our licensees. We may have to terminate licensees due to various reasons, including non-payment. Additionally, if licensees fail to renew their license agreements, or if we decide to restructure license agreements in order to induce licensees to renew these agreements, then our revenues may decrease, and profitability from new licensees may be lower than in the past due to reduced royalties and other incentives we may need to provide.

We rely in part on our licensees and the manner in which they operate their locations to develop and promote our business in Botswana, Malawi, Rwanda, Eswatini and Zimbabwe. Although we have developed criteria to evaluate and screen prospective licensees, we cannot be certain that our licensees will have the business acumen or financial resources necessary to operate successful businesses in their franchise areas and local laws may limit our ability to terminate or modify these franchise agreements. Moreover, despite our training, support and monitoring, licensees may not successfully operate in a manner consistent with our standards and requirements or may not hire and train qualified personnel. The failure of our licensees to operate their franchises successfully could have a material adverse effect on us, our reputation, our brand and our ability to attract prospective licensees and could materially adversely affect our business, financial condition or results of operations.

Our licensees and their employees could take actions that could harm our business.

Our licensees are independent businesses and the employees who work for our licensees are not our employees, and we do not exercise control over their day-to-day operations. Our licensees may not operate their businesses in a manner consistent with industry standards or may not attract and retain qualified employees. If licensees were to provide diminished quality of service to customers, engage in fraud, misappropriation, misconduct or negligence or otherwise violate the law, including with respect to any laws relating to sanctions, our brand and reputation may suffer materially, and we may become subject to liability claims based upon such actions of our licensees and their employees.

Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Some of these incidents may relate to the way we manage our relationship with our licensees, our growth strategies or the ordinary course of our business or our licensees' business. Other incidents may arise from events that are or may be beyond our control and may damage our brand, such as actions taken (or not taken) by one or more licensees or their employees relating to health, safety, welfare or other matters; litigation and claims; failure to maintain high ethical and social standards for all of our operations and activities; failure to comply with local laws and regulations; and illegal activity targeted at us or others. Our brand value could diminish significantly if any such incidents or other matters erode consumer confidence in us, which may result in a decrease in our revenue, which in turn would materially and adversely affect our business, financial condition and results of operations.

We depend on certain key component suppliers and vendors as part of our hardware manufacturing process. An interruption in the supply of components could impair our production capacity and affect hardware manufacturing output adversely affecting distribution.

The manufacturing of our core hardware requires advanced production planning, including the purchase of specific components and evaluation of component-related design elements. We currently purchase the latest Global System for Mobile Communications ("GSM"), including Long-Term Evolution ("LTE"), module components of our hardware, semiconductors and other passive components from certain third-party suppliers, and we also source other hardware and devices from third-party suppliers that integrate into our device agnostic SaaS platform. In addition, we currently depend principally on certain third-party suppliers to supply and manufacture components of our hardware for our PC boards and to manufacture our GSM, LTE and GNSS components. These modules and many of the other components used in the manufacture of our devices have extended lead times on orders. We do not have contracts or volume commitments in place with our third-party suppliers but instead place purchase orders on a periodic as-needed basis.

For example, we utilize semiconductor chips in certain of the hardware products that we manufacture. Semiconductor chips have been recently subject to an ongoing global supply shortage and our ability to source the components that use semiconductor chips may be adversely affected in the future. Component delivery lead times are expected to increase, which may cause delays in our product production and increase the cost to obtain components with available semiconductor chips.

To the extent this semiconductor chip shortage continues, we may experience delays, increased costs, and an inability to fulfill engineering design changes or customer demand, each of which could adversely impact our results of operations.

While our hardware is designed such that components may be interchanged in case of supply disruptions or unavailability, any interruptions or delays in the supply of components could require us to identify and integrate our manufacturing logistics with an alternate supplier or use a substitute component. If the facilities of one of our contract manufacturers were to suffer a major casualty event, it could take up to three months or longer to replace production capacity. Interruption in the supply of components from our contract manufacturers could impair our production capacity, and further, we may not have recourse against our suppliers through contractual representations, warranties, indemnification provisions or otherwise, which could have a material adverse effect on our business, results of operations and financial condition.

These suppliers or vendors could fail to provide equipment or service on a timely basis, or fail to meet our performance expectations, for a number of reasons, including, for example, disruption to the global supply chain as a result of geopolitical factors, the COVID-19 pandemic, natural disasters or the potential impacts of global climate change.

Risks Relating to Our Growth Strategy

We have experienced growth in recent periods. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.

We increased the number of our full-time employees from 2,999 at February 28, 2021 to 3,508 at February 28, 2022. Our subscription revenue increased from ZAR 2,209.0 million for the year ended February 28, 2021 to ZAR 2,568.2 million for the year ended February 28, 2022 and our total subscribers increased from 1,306,000 at February 28, 2021 to 1,525,972 at February 28, 2022. Our growth has placed, and may continue to place, a significant pressure on our managerial, administrative, operational, financial and other resources. We intend to further expand our overall business, customer base, headcount and operations. Our global organization and workforce requires substantial management effort to maintain. We will be required to continue to improve our operational and financial controls and reporting procedures and we may not be able to do so effectively. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross profit or operating expenses in any particular quarter.

We may not effectively execute on our expansion strategy, which may adversely affect our ability to maintain our historical growth and earnings trends.

Cartrack has grown rapidly over the last several years. Companies that grow rapidly can experience significant difficulties as a result of rapid growth. Our primary expansion strategy focuses on organic growth, including increased regional market penetration; however, we may not be able to successfully execute on these aspects of our expansion strategy, which may cause our future growth rate to decline below our recent historical levels, or may prevent us from growing at all.

While we operate in numerous jurisdictions and our software platform and local company websites are designed for ease of localizations, we may find it difficult to localize our local company website and software platform into certain foreign languages, and we may be required to invest significant resources in order to do so into markets in which we do not yet operate. Furthermore, in addition to the expansion of our business into new geographical markets, we are seeking to develop a range of mobility and monitoring solutions in select markets, such as Carzuka, a vehicle buying and selling marketplace. We may not succeed in these efforts or achieve our customer acquisition or other goals. In some international markets, customer preferences and buying behaviors may be different, and we may use business or pricing models that are different from our traditional subscription model to provide our mobility data analytics solutions to customers in those markets or we may be unsuccessful in implementing the appropriate business model. Our revenue from new markets may not exceed the costs of establishing, marketing, and maintaining our international offerings.

In addition, conducting expanded international operations would subject us to new risks. These risks include:

- localization of our SaaS platform and the specific features and applications, including the addition of foreign languages and adaptation to new local practices and regulatory requirements;
- lack of experience in other geographic markets;
- strong local competitors;
- the cost and burden of complying with, lack of familiarity with, and unexpected changes in, foreign legal and regulatory requirements;
- difficulties in managing and staffing international operations;
- fluctuations in currency exchange rates or restrictions on foreign currency;
- potentially adverse tax consequences, including the complexities of transfer pricing, value-added or other tax systems, double taxation and restrictions and/or taxes on the repatriation of earnings;
- dependence on third parties, including commercial partners with whom we do not have extensive experience;
- increased financial accounting and reporting burdens and complexities;
- political, social, and economic instability, terrorist attacks, pandemics and security concerns in general; and
- reduced or varied protection for intellectual property rights in some countries.

Operating in international markets also requires significant management attention and financial resources. The investment and additional resources required to establish operations and manage growth in other countries may not produce desired levels of revenue or profitability.

Various other factors, such as economic conditions and competition may impede or restrict the growth of our operations. The success of our strategy also depends on our ability to manage our growth effectively, which in turn depends on a number of factors, including our ability to adapt our credit, operational, technology and governance infrastructure to accommodate expanded operations. Even if we are successful in continuing our growth, such growth may not offer the same levels of potential profitability, and we may not be successful in controlling costs relative to revenue. As such, we may not be able to achieve our long-term targets for expense management and profitability. Accordingly, our inability to maintain growth or to effectively manage growth, could have a material adverse effect on our business, financial condition and results of operations.

Investments into our SaaS platform and technology infrastructure may not yield the desired results.

We have developed a scalable and proprietary SaaS platform to facilitate and integrate our business operations, data gathering analysis and online marketing capabilities and have invested significant capital and time into building and updating our SaaS platform and infrastructure. In order to remain competitive, we expect to continue to make significant investments into our technology. However, there is no guarantee that the capital and resources we have invested or will invest in the future will allow us to develop suitable SaaS platform enhancements or software applications or maintain and expand our SaaS platform and technology infrastructure as intended, which could have a material adverse effect on our ability to compete or require us to purchase expensive software solutions from third-party developers.

If our investments in our SaaS platform and technology infrastructure do not yield the desired results, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we fail to maintain or enhance our brand recognition or reputation, our business could be harmed.

We believe that maintaining and enhancing our brand and our reputation are critical to our relationships with our customers and to our ability to attract new customers. We also believe that our brand and reputation will be increasingly important as competition in our market continues to develop. Our success in this area will depend on a wide range of factors, some of which are beyond our control, including the following:

- the efficacy of our marketing efforts;
- our ability to continue to offer stable, high-quality, innovative and error- and bug-free applications;
- our ability to retain existing customers and attract new customers;
- our ability to maintain high customer service levels and satisfaction;
- our ability to successfully differentiate our applications from those of our competitors;
- actions of competitors and other third parties;
- positive or negative publicity;
- any misuse or perceived misuse of our applications;
- interruptions, delays or attacks on our platform or applications; and
- litigation, legislative or regulatory-related developments.

If our brand promotion activities are not successful, our growth and results of operations may be harmed. Furthermore, negative publicity, whether or not justified, relating to events or activities attributed to us, our employees, our partners or others associated with any of these parties, may tarnish our reputation and reduce the value of our brand. Damage to our reputation and loss of brand equity may reduce demand for our applications and could have a material adverse effect on our business, financial condition and results of operations. Moreover, any attempts to rebuild our reputation and restore the value of our brand may be costly and time consuming, and such efforts may not ultimately be successful.

The loss of one or more of our key management team members or personnel, or our failure to attract, train and retain other highly qualified personnel, could harm our business.

We depend on the continued service and performance of our senior management team, including our founder and Chief Executive Officer, Isaias (Zak) Jose Calisto. In addition, the sales, customer service-driven and research and development focus of our business is vital to our growth plan and the loss of key personnel could disrupt our operations. To execute our growth plan, we must attract and retain highly qualified personnel. Competition for these employees is intense, and we may not be successful in attracting and retaining qualified personnel with appropriate skills. This is particularly the case in Southeast Asia where there is increased competition for qualified personnel with the appropriate language skills. In addition, new hires require significant training and, in most cases, take significant time before they achieve full productivity. Our recent and planned hires may not become as productive as we expect, and we may be unable to hire or retain sufficient numbers of qualified employees. If we fail to attract, hire and train new personnel, or fail to retain, focus and motivate our current personnel, it could have a material adverse effect on our business and growth prospects.

Our corporate culture has contributed to our success, and if we cannot maintain this culture, we could lose the innovation, creativity and teamwork fostered by our culture, which could harm our business.

We believe that our vertically integrated and customer-centric corporate culture has been an important contributor to our success, which we believe fosters innovation, creativity and teamwork among our employees. As we continue to grow, we may have difficulties in maintaining or adapting our culture to sufficiently meet the needs of our future and evolving operations, and we must be able to effectively integrate, develop and motivate a growing number of employees. In addition, our ability to maintain our culture as a public company and a listed company in the United States, with the attendant changes in policies, practices, corporate governance and management requirements may be challenging. Any failure to preserve our culture, particularly if we are unable to preserve our culture across the various markets in which we operate, could also negatively affect our ability to retain and recruit personnel, maintain our performance or execute on our business strategy, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may expand by acquiring or investing in other companies, which may divert our management's attention, result in dilution to our shareholders, and consume resources that are necessary to sustain our business.

We may in the future acquire complementary platforms, solutions, technologies, or businesses. We also may enter into relationships with other businesses to expand our portfolio of solutions or our ability to provide our solutions in foreign jurisdictions. Negotiating these transactions can be time-consuming, difficult and expensive, and our ability to complete these transactions may often be subject to conditions or approvals that are beyond our control. Consequently, these transactions, even if undertaken and announced, may not close.

An acquisition, investment, joint venture, alliance or new business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, solutions, personnel, or operations of acquired companies, particularly if the key personnel of the acquired company choose not to work for us, the acquired company's technology is not easily adapted to be compatible with ours, or we have difficulty retaining the customers of any acquired business due to changes in management or otherwise. Acquisitions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for the development of our business. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized or we may be exposed to unknown liabilities, including litigation against the companies we may acquire. For one or more of those transactions, we may:

- issue additional equity securities that would dilute our shareholders;
- use cash that we may need in the future to operate our business;
- lose key personnel of any acquired business;
- face challenges in successfully integrating, operating and managing acquired businesses and workforce and instilling our culture into new management and staff;
- incur debt on terms unfavorable to us or that we are unable to repay or that may place burdensome restrictions on our operations;
- incur large charges or substantial liabilities; or
- become subject to adverse tax consequences, or substantial depreciation, deferred compensation or other acquisition-related accounting charges.

Any of these risks could harm our business and results of operations.

We have entered, and expect to continue to enter, into collaboration agreements or partnerships and these activities involve risks and uncertainties.

We have entered, and expect to continue to enter, into collaboration agreements with local partners to the extent required pursuant to local laws and regulations in order to penetrate certain geographic regions to effectively grow our business. Entering into collaborations or partnerships involves risks and uncertainties, including the risk that a given partner could fail to satisfy its obligations, which may result in certain liabilities to us for guarantees and other commitments. Further, since we may not exercise control over our current or future partners, we may not be able to require our partners to take the actions that we believe are necessary to implement our business strategy. Additionally, differences in views among partners may result in delayed decision-making or failure to agree on major issues. If any of these difficulties cause any of our partners to deviate from our business strategy, or if this leads any of our collaborations or partnerships to fail to attract the intended customer base, it could have a material adverse effect on our results of operations.

Risks Relating to Our Intellectual Property, Data Privacy and Cybersecurity

Evolving regulation and changes in applicable laws relating to the Internet and data privacy may increase our expenditures related to compliance efforts or otherwise limit the solutions we can offer, which may harm our business and adversely affect our financial condition.

The transmission of data over the Internet and cellular networks is a critical component of our SaaS business model. As Internet commerce continues to evolve, increased regulation by federal, state or foreign agencies becomes more likely, particularly in the areas of data privacy and data security. In addition, taxation of services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may be imposed. Any regulation imposing greater fees for Internet use or restricting information exchange over the Internet could result in a decline in the profitability and viability of Internet-based services, which could harm our business.

Our solutions enable us to collect, manage and store a wide range of data related to fleet management, vehicle location and tracking and other telematics services such as fuel usage, engine temperature, speed and mileage and, in the case of our field service application, includes customer information, job data, schedule and invoice information. A valuable component of our solutions is our ability to analyze this data to present the user with actionable business intelligence. We obtain our data from a variety of sources, including our customers and third-party sources or service providers. We cannot assure you that the data we require for our proprietary data sets will be available from these sources in the future or that the cost of such data will not increase. The United States and various state governments have adopted or proposed limitations on the collection, distribution and use of personal information. Several foreign jurisdictions, including South Africa, Singapore and the European Union, have adopted legislation (including directives or regulations) that increase or change the requirements governing data collection and storage in these jurisdictions. Further, such data privacy laws and regulations may be amended in the future. Any failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The current European Union legislation related to data protection is the General Data Protection Regulation (“GDPR”), which came into effect on May 25, 2018. While we appointed a Data Protection Officer to oversee and supervise our compliance with European data protection regulations and have obtained in certain instances data privacy insurance policies and have taken steps to mitigate the risks of GDPR, we cannot provide any assurance that we are in compliance with all aspects of European data protection regulations, including GDPR. Despite our ongoing efforts to bring practices into compliance, we may not be successful either due to various factors within our control, such as limited financial or human resources, or other factors outside of our control. For example, while we seek to enter into data processing agreements with third-parties with whom we share data, or who share data with us, we may be unable to execute agreements with all such-third parties. It is also possible that local data protection authorities may have different interpretations of the GDPR, leading to potential inconsistencies amongst various EU member states.

In Singapore, the Personal Data Protection Act 2012, No. 26 of 2012 of Singapore generally requires organizations to give notice and obtain consents prior to collection, use or disclosure of personal data (data, whether true or not, about an individual who can be identified from that data or other accessible information). The Protection of Personal Information Act, No. 4 of 2013 (the “POPI Act”) was promulgated into law on November 26, 2013 in South Africa and final regulations were published on December 14, 2018.

The majority of the POPI Act's provisions commenced on July 1, 2020. The provisions of the POPI Act applies to each of our South African subsidiaries. We have updated and will continue to evaluate our group data protection and security policies, charters, and procedures to assist in maintaining data privacy and data security in line with international practices. If our privacy or data security measures fail to comply, or are perceived to fail to comply, with current or future laws and regulations, we may be subject to litigation, regulatory investigations or other liabilities.

Moreover, if future laws and regulations limit our customers' ability to use and share this data or our ability to store, process and share data with our clients over the Internet, demand for our solution could decrease, our costs could increase, and our results of operations and financial condition could be harmed. For example, we will have to consider the potential implications of the new privacy law in California, the California Consumer Privacy Act ("CCPA"), which went into effect on January 01, 2020. The CCPA creates new rights for consumers and will be widely applicable to businesses (regardless of location) that collect personal information about California residents. The potential effects of this legislation are far reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. The CCPA also provides for civil penalties for violations, as well as a private right of action for data breaches that may increase the volume of and costs associated data breach litigation. The California Attorney General may also bring enforcement actions under the CCPA resulting in financial penalties for violations.

We also run an insurance agency or broking unit that sells short-term insurance policies and selected vehicle warranty and service plans to our customers. This results in us receiving personally identifiable information with the customer's consent. This information is increasingly subject to legislation and regulation. This legislation and regulation are generally intended to protect individual privacy and the privacy and security of personal information. We could be adversely affected if government regulations require us to significantly change our business practices with respect to this type of information or if the insurance providers who use our marketplace violate applicable laws and regulations.

Changes in applicable laws and regulations may materially increase our direct and indirect compliance and other expenses of doing business, having a material adverse effect on our business, financial condition and results of operations. If there were to be changes to statutory or regulatory requirements, we may be unable to comply fully with or maintain all required licenses and approvals. Regulatory authorities have relatively broad discretion to grant, renew and revoke licenses and approvals. If we do not have all requisite licenses and approvals, or do not comply with applicable statutory and regulatory requirements, the regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or monetarily penalize us, which could have a material adverse effect on our business, results of operations and financial condition.

We cannot predict whether any proposed legislation or regulatory changes will be adopted, or what impact, if any, such proposals or, if enacted, such laws could have on our business, results of operations and financial condition. If we fail to comply with applicable laws and regulations, we may be subject to investigations, criminal penalties or civil remedies, including fines, injunctions, loss of an operating license or approval, increased scrutiny or oversight by regulatory authorities, the suspension of individual employees, limitations on engaging in a particular business or redress to customers. The cost of compliance and the consequences of non-compliance could have a material adverse effect on our business, results of operations and financial condition. In addition, a failure to comply with applicable laws and regulations could have a material adverse effect on our business, results of operations and financial condition by exposing us to negative publicity and reputational damage or by harming our customer or employee relationships.

In most jurisdictions, government regulatory authorities have the power to interpret and amend applicable laws and regulations, and have discretion to grant, renew and revoke the various licenses and approvals we need to conduct our activities. Such authorities may require us to incur substantial costs in order to comply with such laws and regulations. Regulatory statutes are broad in scope and subject to differing interpretation. In some areas of our businesses, we act on the basis of our own or the industry's interpretations of applicable laws or regulations, which may conflict from jurisdiction to jurisdiction. In the event those interpretations eventually prove different from the interpretations of regulatory authorities, we may be penalized or precluded from carrying on our previous activities.

Our software platform may contain undetected defects or software errors, which could result in damage to our reputation, market rejection of our products, or adversely affect our business, financial condition and results of operations.

Our continued growth depends in part on the ability of our existing and potential customers to access our solutions and platform capabilities at any time and within an acceptable amount of time. We have experienced, and may in the future experience, disruptions, outages, and other performance problems due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints due to an overwhelming number of users accessing our platform simultaneously, denial of service attacks, or other security-related incidents. We must update our SaaS platform quickly to keep pace with the rapidly changing market including the third-party software and devices with which our solutions integrate, and we have a history of frequently introducing new versions. Our solutions could contain undetected errors or defects, especially when first introduced or when new versions are released that are difficult to detect and correct despite third-party testing. Our solutions, including software, may not be free from errors or defects, which could result in damage to our reputation or a material adverse effect on our results of operations.

It may become increasingly difficult to maintain and improve our performance, especially during peak usage times and as our solutions and platform capabilities become more complex and our user traffic increases. If our platform is unavailable or if our users are unable to access our solutions and platform capabilities within a reasonable amount of time or at all, we may experience a loss of customers, lost or delayed market acceptance of our platform and solutions, delays in payment to us by customers, injury to our reputation and brand, legal claims against us, and the diversion of our resources. In addition, to the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, financial condition and results of operations may be adversely affected.

The operation of our hardware is controlled by the firmware loaded on the hardware. We generally provide firmware updates to our customers by “over-the-air” wireless communication of the updated firmware directly to our customers’ telematics devices. If the firmware does not function as expected and prevents the uploading of updated firmware, it would require direct servicing of the installed on-board computer by trained personnel resulting in significant costs. Variations among communications protocols in the markets in which we operate enhance the risk of error in the remote installation of firmware. Although we attempt to manage this risk by introducing firmware updates in stages so that the success of deployment to a small number of telematics devices can be assessed before the installment risk is expanded to a larger customer base, there can be no assurance that we will be successful in detecting firmware operation and integration problems or otherwise in managing our exposure to remediation expense related to the deployment of firmware updates.

Our “over-the-air” transmission of firmware updates could permit a third party to disable our customers’ telematics devices or introduce malware into our customers’ telematics devices, which could expose us to customer claims.

“Over-the-air” transmission of our firmware updates potentially provides the opportunity for a third party to modify or disable our customers’ operating systems or introduce malware into our customers’ operating systems. While no such incidents have occurred to date, there can be no assurance that they will not occur in the future. For example, a third party could attempt to introduce software modifications providing incorrect location data and functionality or the deletion of data. Damage to our customers’ telematics devices as a result of such incidents could only be remedied through direct servicing of their installed telematics devices by trained personnel resulting in significant costs, particularly if the incidents were widespread. Moreover, such incidents could expose us to claims by our customers under various theories of liability, the outcome of which would be uncertain. Third party interference with our over-the-air transmission of firmware or with our customers’ telematics devices during such processes could have a material adverse effect on our business, financial condition and results of operations.

Any significant disruption in service on our SaaS platform or in our computer systems, through cybersecurity breaches, computer viruses or otherwise or disruption of our platform, could damage our reputation and result in a loss of customers, which would harm our business and results of operations.

Our brand, reputation, and ability to attract, retain, and serve our customers are dependent upon the reliable performance of our service and our customers’ ability to access our solutions at all times. Our customers rely on our solutions to make operating decisions related to their fleet, as well as to measure, store and analyze valuable data regarding their businesses. Our solutions are vulnerable to interruption and our data centers are vulnerable to damage or interruption from human error, intentional bad acts, computer viruses or hackers, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures, and similar events, any of which could limit our customers’ ability to access our solutions. Prolonged delays or unforeseen difficulties in connection with adding capacity or upgrading our network architecture may cause our service quality to suffer. Any event that significantly disrupts our service or exposes our data to misuse could damage our reputation and harm our business and results of operations, including reducing our revenue, causing us to issue credits to customers, subjecting us to potential liability, harming our churn rates, or increasing our cost of acquiring new customers.

We host our solutions and serve all of our customers from our network servers, which are principally located at third-party data center facilities in South Africa, Singapore, the Netherlands and United Arab Emirates. While we control and have access to our servers and all of the components of our network that are located in our external data centers, we do not control the operation of these facilities. Problems faced by our third-party data centers, with the telecommunications network providers with whom we or they contract, or with the systems by which our telecommunications providers allocate capacity among their customers, including us, could adversely affect the experience of our customers. Our third-party data center operators could decide to close their facilities without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by our third-party data center operators or any of the service providers with whom we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict. Our disaster recovery systems are located at our third-party hosting facilities. While we are increasing redundancy, our systems have not been tested under actual disaster conditions and may not have sufficient capacity to recover all data and services in the event of an outage. In the event of a disaster in which our disaster recovery systems are irreparably damaged or destroyed, we would experience interruptions in access to our solutions. Any changes in third-party service levels at our data centers or any errors, defects, disruptions, or other performance problems with our solutions could harm our reputation and may damage our data. Interruptions in our services might reduce our revenue, cause us to issue credits or refunds to customers, subject us to potential liability, or harm our customer retention rate. Compliance with the various data protection laws across nations is challenging due to the complex and sometimes contradictory nature of the different regulatory regimes. Because data protection regulations are not uniform among the various nations in which we operate, our ability to transmit consumer information across borders is limited by our ability to comply with conditions and restrictions that vary from country to country. In countries with particularly strict data protection laws, we might not be able to transmit data out of the country at all and may be required to host individual servers in each such country where we collect data.

We have experienced, and may in the future experience, disruptions, outages, and other performance problems due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints due to an overwhelming number of users accessing our solutions and platform capabilities simultaneously, denial of service attacks, or other security-related incidents. It may become increasingly difficult to maintain and improve our performance, especially during peak usage times and as our solutions and platform capabilities become more complex and our user traffic increases. If our solutions and platform capabilities are unavailable or if our users are unable to access our solutions and platform capabilities within a reasonable amount of time or at all, we may experience a loss of customers, lost or delayed market acceptance of our platform and solutions, delays in payment to us by customers, injury to our reputation and brand, legal claims against us, and the diversion of our resources.

In addition, to the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, financial condition and results of operations may be adversely affected.

Cybersecurity incidents are increasing in frequency and evolving in nature and include, but are not limited to, installation of malicious software, unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data. Given the unpredictability of the timing, nature and scope of information technology disruptions, there can be no assurance that the procedures and controls we employ will be sufficient to prevent security breaches from occurring and we could be subject to manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Security or privacy breaches in our electronic transactions or data may expose us to additional liability or result in a loss of customers, either of which events could harm our business.

Use of our solutions involve the storage, transmission and processing of our customers' proprietary data, including potentially personal or identifying information. We may experience data security breaches or unauthorized disclosures of personal, confidential or proprietary information. Any inability on our part to protect the information security of our SaaS platform or the privacy of confidential information could have a material adverse effect on our profitability by exposing us to additional liability, increasing our expenses relating to resolution of these breaches and deterring users from using our solutions. Further, unauthorized access to, or security breaches of, our solutions could result in the loss, compromise or corruption of data, loss of business, severe reputational damage adversely affecting customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, penalties for violation of applicable laws or regulations, significant costs for remediation and other liabilities. For example, under the GDPR, substantial penalties for failure to comply with the regulations can be imposed, including a fine of up to €20 million or up to 4% of the annual worldwide turnover, whichever is greater. We have incurred and expect to incur significant expenses to prevent security breaches and achieve compliance with all applicable laws and regulations including the GDPR, such as deploying additional personnel and protection technologies, training employees, and engaging third-party experts and consultants. Our errors and omissions insurance coverage covering certain security and privacy damages and claim expenses may not be sufficient to compensate for all liabilities we may incur.

In addition, our and our third-party vendors' systems, operations and information technology systems are vulnerable to damage or interruption from human error, physical break-ins, unauthorized access, computer hackers, computer viruses, worms, malicious applications, distributed denial of service attacks, spurious spam attacks, intentional acts of vandalism and similar events. We cannot assure you that our current security methods and measures will effectively counter evolving security risks, prevent future slowdowns or disruptions, protect against extraordinary attacks while addressing the security and privacy requirements of existing and future users. Any physical or electronic break-in or other security breach or compromise of the information handled by us or our service provider may jeopardize the security or integrity of information in our computer systems and networks or those of our customers and cause significant interruptions in our and our customers' operations. Although we have developed systems and processes that are designed to protect customer information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third-party vendor, such measures cannot provide absolute security. It is also possible that, despite existing safeguards, our personnel could misappropriate our customers' proprietary information or data, exposing us to a risk of loss or litigation and possible liability. Customers and other end-users who rely on our solutions for applications that are integral to their businesses may have a greater sensitivity to security vulnerabilities than customers for software solutions generally. Any such access, breach, or other loss of information could result in legal claims or proceedings, liability under applicable federal or state laws and regulatory penalties. Under certain applicable law, notice of breaches must be made to affected individuals, and for extensive breaches, notice may need to be made to the media or state attorneys general. Such a notice could harm our reputation and our ability to compete. Unauthorized access, loss, or dissemination could also damage our reputation or disrupt our operations, including our ability to conduct our analyses, deliver results, provide customer assistance, conduct research and development activities, collect, process, and prepare company financial information, and manage the administrative aspects of our business. Further, any system failures, slowdowns or disruptions will likely result in unanticipated disruptions in service to our users, decreased levels of user satisfaction and significant negative effects on our reputation, which could have a material adverse effect on our business.

We rely on third-party encryption and authentication technology to provide secure transmission of confidential information over the Internet, including customer bank account numbers. Advances in technological capabilities, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology we use to protect sensitive transaction data. If we are unable to detect and prevent unauthorized use of bank account numbers, our business could suffer. If any such compromise of our security, or the security of our customers, were to occur, it could result in misappropriation of proprietary information or interruptions in operations and have a material adverse effect on our reputation or the reputation of our customers.

Our SaaS platform relies on specific third-party software and any inability to license or use such software from third-parties could render our platform inoperable.

We rely on software and other intellectual property licensed from third parties, including mapping software, business intelligence tools and data from third party vendors such as Google, MapIT, Here and Sisense to develop and provide solutions to our customers. In addition, we may need to obtain future licenses from third parties to use software or other intellectual property associated with our solutions. We cannot assure you that these licenses will be available to us on acceptable terms, without significant price increases or at all. Any loss of the right or inability to obtain the right to use any such software or other intellectual property required for the development and maintenance of our solutions could result in interruptions in the provision of our solutions until equivalent technology is either developed by us, or, if available from others, is identified, obtained, and integrated, which could harm our business.

Our use of open-source software may pose particular risks to our proprietary software and systems.

We use open-source software in our proprietary software and systems and intend to continue using open-source software in the future. The terms of many open-source licenses to which we are subject have not been interpreted by Singapore, South Africa or U.S. courts or courts of other jurisdictions, and there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our solutions. The licenses applicable to our use of open-source software may require that source code that is developed using open-source software be made available to the public and that any modifications or derivative works to certain open-source software continue to be licensed under open-source licenses. Moreover, we cannot ensure that we have not incorporated additional open-source software in our software in a manner that is inconsistent with the terms of the applicable license or our current policies and procedures. In that event, we could be required to seek licenses from third parties in order to continue offering our solutions, to re-develop our solutions, to discontinue sales of our solutions, or to release our proprietary software source code under the terms of an open-source license, any of which could have a material adverse effect on our business.

Although we employ open-source software license screening measures, if we were to combine our proprietary software products with open-source software in a certain manner we could, under certain open-source licenses, be required to release the source code of our proprietary software products. If we fail to comply with these licenses, we may be subject to certain requirements, including requirements that we offer our solutions that incorporate the open-source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open-source software and that we license such modifications or derivative works under the terms of applicable open-source licenses. If an author or other third party that distributes such open-source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our products that contained the open-source software and required to comply with onerous conditions or restrictions on these products, which could disrupt the distribution and sale of these products.

From time to time, there have been claims challenging the rights in open-source software against companies that incorporate it into their products. We and our customers may face claims from third parties claiming infringement of their intellectual property rights for what we believe to be permissive open-source software, or demanding the release or license of the open-source software or derivative works that we developed using such software (which could include our proprietary source code) or otherwise seeking to enforce the terms of the applicable open-source license. These claims could result in litigation that could be costly to defend, have a negative effect on our business, financial condition and results of operations, and could require us to purchase a costly license, publicly release the affected portions of our source code, be limited in or cease the sale or use of the implicated software unless and until we can re-engineer such software to avoid infringement or change the use of, or remove, the implicated open-source software, which could require us to devote additional research and development resources, or take other remedial actions.

In addition to risks related to license requirements, use of certain open-source software can lead to greater risks than use of third-party commercial software, as open-source licensors generally do not provide warranties, indemnities or other contractual protections with respect to the software (for example, non-infringement or functionality). Some open-source projects have known vulnerabilities and architectural instabilities and are provided on an “as-is” basis which, if not properly addressed, could negatively affect the performance of our product. Our use of open-source software may also present additional security risks because the source code for open-source software is publicly available, which may make it easier for hackers and other third parties to determine how to breach our website, our software platform and systems that rely on open-source software.

Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a material adverse effect on our business, financial condition, results of operations and prospects.

If our SaaS platform does not comply with quality standards set forth under our subscription agreements or we breach our obligations under our subscription agreements, our subscribers may assert claims for reduced payments or seek damages from us.

Under our subscription contracts, we typically provide certain representations and warranties to our subscribers, including, among others, that we have not knowingly incorporated any intellectual property which infringes the rights of any third-party, the software being delivered has been developed as per the specifications provided and is free from any patent defects and services will be provided with reasonable care.

In case of any breach of these representations and warranties, we would be required to take certain remedial steps, including: modifying the solution, defending our subscribers in any litigation arising from an intellectual property rights infringement claim by a third-party, providing functionally equivalent replacements to the subscribers, rectifying the defect and indemnifying our subscribers for any direct losses arising from such a breach of representations and warranties.

Such steps may involve significant monetary costs and management time. Any inability to predict our performance and measure our productivity would further compound these risks and expose us to additional liabilities. Our subscribers could seek significant compensation from us for the losses they suffer. Although our subscription agreements typically contain provisions designed to limit our exposure to product liability claims, existing or future laws or unfavorable judicial decisions could negate these limitations. Even if not successful, a product liability claim brought against us would likely be time-consuming and costly and could seriously damage our reputation in the marketplace, making it harder for us to sell our solutions.

An assertion by a third party that we are infringing on its intellectual property could subject us to costly and time-consuming litigation or expensive licenses and our business could be harmed.

The industries in which we operate are characterized by the existence of entities, including leading companies, competitors, patent holding companies and non-practicing entities that hold a large number of patents, copyrights, trademarks and trade secrets. Further, the industries are characterized by frequent litigation based on allegations of infringement or other violations of intellectual property rights. Such entities may assert patent, copyright, trademark or other intellectual property claims against us, our customers and partners, and those from whom we license technology and intellectual property. Much of this litigation involves patent holding companies or other adverse patent owners who have no relevant product revenues of their own. We do not have a patent portfolio of our own and even if we did, a patent portfolio may provide little or no deterrence to such patent holding companies or non-practicing entities.

Legal proceedings involving intellectual property rights are highly uncertain, and can involve complex legal and scientific questions. We cannot assure you that we will prevail in any current or future intellectual property infringement or other litigation given the complex technical issues and inherent uncertainties in such litigation. Defending such claims, regardless of their merit, could be time-consuming and distracting to management, result in costly litigation or settlement, cause development delays, or require us to enter into royalty or licensing agreements. Insurance may not cover or be insufficient for any such claim. In addition, we could be obligated to indemnify our customers against third parties' claims of intellectual property infringement based on our solutions. If our solutions violate any third-party intellectual property rights, we could be required to withdraw those solutions from the market, re-develop those solutions or seek to obtain licenses from third parties, which might not be available on reasonable terms or at all. Any efforts to re-develop our solutions, obtain licenses from third parties on favorable terms or license a substitute technology might not be successful and, in any case, might substantially increase our costs and harm our business, financial condition and results of operations. Withdrawal of any of our solutions from the market could also harm our business, financial condition and results of operations. Further, we may not have the ability to terminate or amend our supplier contracts in connection with such solutions being withdrawn from the market, nor may we have recourse through representations, warranties, indemnification provisions or otherwise in such supplier contracts.

In addition, we incorporate open-source software into our platform. Given the nature of open-source software, third parties might assert copyright and other intellectual property infringement claims against us based on our use of certain open-source software programs, particularly in the United States. The terms of many open-source licenses to which we are subject have not been interpreted by U.S. courts or courts of other jurisdictions, and there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our solutions. In that event, we could be required to seek licenses from third parties in order to continue offering our solutions, to re-develop our solutions, to discontinue sales of our solutions, or to release our proprietary software source code under the terms of an open-source license, any of which could have a material adverse effect on our business.

If we are unable to protect our intellectual property and proprietary technologies, our business may be adversely affected.

Our future success and competitive position depend in large part on our ability to protect our intellectual property and proprietary technologies. We rely on a combination of trademark, copyright, and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our intellectual property rights, all of which provide only limited protection and may not currently or in the future provide us with a competitive advantage.

We enter into confidentiality agreements with our employees, independent contractors and other individual advisors and enter into confidentiality agreements with licensees and other third parties, including suppliers and partners. We have not entered into invention assignment agreements with licensees and third parties. However, we cannot guarantee that we have entered into such agreements with each party that has or may have had access to our proprietary information, know-how and trade secrets. Moreover, no assurances can be given that these agreements effectively prevent access to, distribution, use, misuse, misappropriation, reverse engineering or disclosure of confidential or proprietary information. Further, these agreements may not provide adequate remedy in the event of unauthorized disclosure of confidential or proprietary information. In addition, others may independently discover our trade secrets or develop similar technologies and processes, and, in either event we would not be able to assert trade secret rights.

We also rely to a limited extent on trademark and copyright law. We have no patents or patent applications. We cannot make any assurances that any future trademark registrations will be issued for pending or future applications or that any registered trademarks will be enforceable or provide adequate protection of our proprietary rights. Intellectual property rights protection is territorial in nature and therefore, successfully obtaining intellectual property rights protection in one jurisdiction may not necessarily provide protection in another jurisdiction. For example, while we have obtained certain registered trademarks in South Africa, Namibia, Nigeria and Tanzania, we have not obtained registered trademarks in all of the jurisdictions in which we operate or plan to operate. Accordingly, we rely primarily on common law or unregistered rights in such jurisdictions, which may not provide the same scope of protection as registered trademarks and may be insufficient for our business. In addition, third-parties have filed, and may in the future file, for registration of trademarks similar or identical to our trademarks, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names.

We cannot assure you that any patents or trademarks will issue from any future patent or trademark applications, that any patents or trademarks that issue from such applications will give us the protection that we seek, or that any such patents or trademarks will not be challenged, invalidated, or circumvented. Any patents or trademarks that may issue in the future from future patent and trademark applications may not provide sufficiently broad protection and may not be enforceable in actions against alleged infringers.

Even upon intellectual property rights registration, there is no certainty that our intellectual property rights will provide us with substantial protection or commercial benefit. Despite our efforts to protect our intellectual property, some of our innovations may not be protectable, and our intellectual property rights may offer insufficient protection from competition or unauthorized use, lapse or expire, be challenged, narrowed, invalidated, or misappropriated by third-parties, or be deemed unenforceable or abandoned, which, could have a material adverse effect on our business, financial condition, results of operations and prospects and the legal remedies available to us may not adequately compensate us.

We cannot assure you that the steps we take will be adequate to protect our technologies and intellectual property, any patent and trademark applications will lead to issued patents or registered trademarks, others will not develop or patent similar or superior technologies or solutions, or that our trademarks and other intellectual property will not be challenged, invalidated, or circumvented by others. Furthermore, effective patent, trademark, copyright, and trade secret protection may not be available in every country in which our solutions are available or where we have employees or independent contractors. In addition, the legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights in Internet-related industries are uncertain and still evolving. The steps we have taken and will take may not prevent unauthorized use, reverse engineering, or misappropriation of our technologies and we may not be able to detect any of the foregoing. Defending and enforcing our intellectual property rights may result in litigation, which can be costly and divert management attention and resources. Any such litigation may not be successful even if such rights have been infringed, and an adverse decision could limit the scope of such rights. If our efforts to protect our technologies and intellectual property are inadequate, the value of our intangible assets may be diminished and competitors may be able to replicate our solutions and methods of operations. Any of the foregoing events could have a material adverse effect on our business, financial condition, and results of operations.

Risks Related to Legal Proceedings

We may incur material losses and costs as a result of lawsuits or claims that may be brought against us which are related to product liability, warranty, product recalls, client service interruptions or other matters, and any litigation against us could be costly and time-consuming to defend and could harm our business, financial condition and results of operations.

We are exposed to product liability and warranty claims in the normal course of business, in the event that our solutions actually or allegedly fail to perform as expected, or the use of our solutions results, or is alleged to result, in bodily injury and/or property damage. Our safety and security services may be disabled or prove to be ineffective as a result of techniques employed by car thieves or the discovery of technological weaknesses by such persons.

Additionally, we provide asset recovery warranty coverage of up to ZAR 1.0 million on certain contracts in the event we fail to recover a stolen vehicle. If our recovery rate for stolen vehicles falls, we may be subject to an increased number of claims. We could experience material warranty costs in the future and incur significant costs to defend ourselves against these claims.

If there were a systematic failure of any of our solutions, we could suffer significant damage to our reputation and any product liability insurance we maintain might not be sufficient to prevent us from suffering a material economic loss. While we carry insurance and maintain reserves for product liability claims, we have not established a liability reserve under these warranties. Our insurance coverage may be inadequate if such claims do arise, and any defense costs and liability not covered by insurance could have a material adverse impact on our financial condition, results of operations or cash flow. A future claim could involve the imposition of punitive damages, the award of which, pursuant to local laws, may not be covered by insurance. In addition, warranty and certain other claims are not typically covered by insurance. Any product liability or warranty issues may adversely impact our reputation as a manufacturer of high-quality, effective and safe solutions and could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, we have in the past and may in the future become subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our clients or vendors in connection with commercial disputes or employment claims made by our current or former employees. Internal fraud, which may include the stealing and dissemination of client personally identifiable information, may also create significant client distrust and result in litigation against us. Actions taken by security officers involved in SVR operations as part of our services may also result in legal proceedings and claims which could then result in reputational harm to us or criminal and/or civil liability, including monetary damages or other penalties. See “Risk Factors—Risks Relating to Our Reliance on Third Parties—The conduct of security officers engaged in SVR operations in support of our services from time to time involves the use of force, which could expose the Company to reputational harm or, potentially, civil and/or criminal liability.”

We are unable to predict the outcome of such legal proceedings. Such proceedings might result in substantial costs, regardless of the outcome, and may divert management’s attention and resources, which might seriously harm our business, financial condition and results of operations. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, potentially resulting in a material adverse effect on our business, financial condition, and results of operations.

Risks Relating to Our Operations in South Africa and Other Emerging Markets

We conduct a substantial amount of our business in foreign currencies, which heightens our exposure to the risk of exchange rate fluctuations.

We are subject to fluctuations in foreign exchange rates between the South African rand, our reporting currency, and currencies of other countries where we market our solutions or source our raw components, for example the Euro, Mozambican metical, the Singapore dollar and Polish zloty. Such fluctuations may result in significant increases or decreases in our reported revenue and other results as expressed in South African rand, and in the reported value of our assets, liabilities and cash flows. In addition, currency fluctuation may adversely affect receivables, payables, debt, firm commitments and forecast transactions denominated in foreign currencies. In particular, translation risks arise where parts of the cost of sales are not denominated in the same currency of such sales. The U.S. dollar/South African rand exchange rates have historically been volatile and we expect this volatility to continue. Fluctuation in exchange rates, depreciation of local currencies, changes in monetary and/or fiscal policy or inflation in the countries in which we operate could negatively impact the prices at which the ordinary shares trade and have a material adverse effect on our business, financial condition, results of operations and prospects.

Exchange controls may restrict the ability of our subsidiaries to convert or transfer sums in foreign currencies.

Our ability to generate operating cash flows at the holding company level depends on the ability of our subsidiaries, including Cartrack Holdings Proprietary Limited, to upstream funds. In particular, companies operating in South Africa are subject to exchange control limitations. Exchange controls in South Africa are administered by the South African Reserve Bank (“SARB”) pursuant to the Exchange Control Regulations, 1961, as amended, which regulates transactions between South African residents and non-residents. While exchange controls have been relaxed in recent years and may continue to be relaxed, South African companies remain subject to restrictions on their ability to export capital outside of the Common Monetary Area, which includes South Africa, Namibia, Lesotho and Eswatini. In addition, as the cash flows of certain countries are highly dependent on the export of certain raw materials, the ability to convert such currencies can be limited by the timing of payments for such exports, which may require us to organize our currency conversions around such constraints. These restrictions may affect the manner in which we finance our transactions outside South Africa and the geographic distribution of our debt.

We can offer no assurance that additional restrictions on currency exchange will not be implemented in the future or that these restrictions will not limit the ability of our subsidiaries to transfer cash to us, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The markets in which we operate are exposed to high inflation and interest rates which could increase our operating costs and thereby reduce our profitability.

The economies of countries in which we operate, including South Africa, Mozambique, Tanzania, Kenya and Nigeria in the past have been, and in the future may continue to be, characterized by rates of inflation and interest rates that are substantially higher than those prevailing in the United States and other highly developed economies. High rates of inflation could increase our costs in such regions and decrease our operating margins. In particular, the inflation rate in South Africa, where we have significant operations, is relatively high compared to developed, industrialized countries. As of February 2022, the annual CPI stood at 5.7% compared to 2.9% in February 2021 and 4.6% in February 2020. Inflation in South Africa generally results in an increase in our operational costs in rand. Higher and sustained inflation in the future, with a consequent increase in operational costs could have a material adverse effect on our results of operations and our financial condition and could result in operations being discontinued or reduced or rationalized, which could have a material adverse effect on our business, financial condition and results of operations.

Although higher interest rates would increase the amount of income we earn on our cash balances, they would also adversely affect our ability to obtain cost-effective debt financing in certain countries in which we operate.

The laws and regulations which we are subject to, such as U.S. and other anti-corruption laws, trade controls, economic sanctions and similar laws and regulations in the jurisdictions which we operate, are complex and the regulatory and political regimes under which we operate are volatile. Our failure to comply with the relevant laws and regulations could subject us to civil, criminal and administrative penalties and harm our reputation.

Doing business on a worldwide basis requires us to comply with the laws and regulations of various foreign jurisdictions, including those not specifically related to our industry. These laws and regulations place restrictions on our operations, trade practices, partners and investment decisions. In particular, our operations are subject to U.S. and foreign anti-corruption and trade control laws and regulations, such as the Foreign Corrupt Practices Act (the “FCPA”), export controls and economic sanctions programs, including those administered by the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”). As a result of doing business in foreign countries and with foreign partners, we are exposed to a heightened risk of violating anti-corruption and trade control laws and sanctions regulations.

The FCPA prohibits us from providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. It also requires us to keep books and records that accurately and fairly reflect our transactions. As part of our business, we may deal with state-owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA. In addition, the United Kingdom Bribery Act (the “Bribery Act”) has been enacted and came into effect on July 1, 2011. The provisions of the Bribery Act extend beyond bribery of foreign public officials and also apply to transactions with individuals not employed by a government. The provisions of the Bribery Act are also more onerous than the FCPA in a number of other respects, including jurisdiction, non- exemption of facilitation payments and penalties. Some of the international locations in which we operate lack a developed legal system and have higher than normal levels of corruption.

Economic sanctions programs restrict our business dealings with certain sanctioned countries, persons and entities, such as Zimbabwe, a country in which we conduct business.

Violations of anti-corruption and trade control laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment. We have established policies and procedures designed to assist our compliance with applicable U.S. and international anti-corruption and trade control laws and regulations, including the FCPA, the Bribery Act and trade controls and sanctions programs administered by OFAC, and have trained our employees to comply with these laws and regulations. However, there can be no assurance that all of our employees, consultants, agents or other associated persons will not take actions in violation of our policies and these laws and regulations, and that our policies and procedures will effectively prevent us from violating these regulations in every transaction in which we may engage or provide a defense to any alleged violation. In particular, we may be held liable for the actions that our local strategic partners take inside or outside of the United States, even though our partners may not be subject to these laws. Such a violation, even if our policies prohibit it, could have a material adverse effect on our reputation, business, results of operations and financial condition.

Our continued international expansion, including in developing countries, and our development of new partnerships and joint venture relationships worldwide, could increase the risk of FCPA, OFAC or Bribery Act violations in the future. Additionally, our software contains encryption technologies, certain types of which are subject to U.S. and foreign export control regulations and, in some foreign countries, restrictions on importation and/or use. Any failure on our part to comply with encryption or other applicable export control requirements could result in financial penalties or other sanctions under the U.S. export regulations, including restrictions on future export activities, which could harm our business and results of operations. Regulatory restrictions could impair our access to technologies needed to improve our solutions and may also limit or reduce the demand for our solutions in certain geographic regions.

Furthermore, we currently sell regulated insurance products in South Africa through an authorized Financial Services Provider (“FSP”) that is a wholly owned subsidiary of ours. FSPs are subject to a variety of regulations, including the Financial Advisory and Intermediary Services Act, No. 37 of 2002. We may from time to time face challenges resulting from changes in applicable law and regulations in South Africa, or changes in approach to oversight of our business from insurance or other regulators in South Africa.

Additionally, we have to comply with the South African anti-corruption law, the Prevention and Combating of Corrupt Activities Act, No. 12 of 2004, as amended (“PRECCA”). This law prohibits public and private bribery and criminalizes various categories of corrupt activities. PRECCA also contains a reporting obligation to authorities of known or suspected corrupt activities which is triggered when the value of any known or suspected acts of corruption exceeds ZAR 100,000. Failure to report said corrupt activities is a criminal offense under PRECCA and imposes significant penalties on those convicted of corrupt activities. Regulation 43 of the South African Companies Act No. 71 of 2008 (“South African Companies Act”) also contains a number of anti-corruption compliance obligations that we must adhere to.

Although we have policies and procedures in place to comply with financial crime regulation, these policies and procedures may not prevent all situations of money laundering, bribery, fraud or corruption, including actions by our employees, for which we might be held responsible. Any such event may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Operating in emerging markets, such as South Africa, subjects us to greater political, economic and market risks than those we would face if we only operated in more developed markets, which could increase our operating costs.

For the year ended February 28, 2022, 77% of our revenue was derived from South Africa. Emerging markets, including South Africa, are subject to greater risks than more developed markets. The political, economic and market conditions in many emerging markets present risks that could make it more difficult to operate our business successfully. These risks include:

- the strength of emerging market economies;
- fluctuations in interest rates;
- political and economic instability, including higher rates of inflation and currency fluctuations;
- high levels of crime and unemployment;
- higher levels of corruption, including bribery of public officials;
- loss due to civil strife, acts of war or terrorism, guerrilla activities and insurrection;
- a lack of well-developed legal systems which could make it difficult for us to enforce our intellectual property and contractual rights;
- potential adverse changes in laws and regulatory practices, including import and export license requirements and restrictions, tariffs, taxation and other laws or policies affecting foreign trade or investment;

- restrictions on the right to convert or repatriate currency or export assets;
- introduction or changes to indigenization and empowerment programs;
- logistical and communications challenges;
- difficulties in staffing and managing operations and ensuring the safety of our employees;
- greater risk of uncollectible accounts and longer collection cycles; and
- future downgrades of the debt ratings of the countries in which we operate, particularly in South Africa, where the three major rating agencies have all downgraded South Africa's sovereign debt credit rating below investment-grade status;

If we are unable to effectively manage these risks, it could have a material adverse effect on our business, financial condition and results of operations.

We have operations in other African and Asian countries, and governments in Africa and Asia have in the past intervened in the economies of their respective countries and occasionally made significant changes in policy and regulations. Governmental actions have often involved, among other measures, nationalizations and expropriations, price controls, currency devaluations, mandatory increases on wages and employee benefits, capital controls, limits on imports and arbitrary interference with private ownership of contract rights. Our business, financial condition and results of operations may be adversely affected by changes in government policies or regulations, including such factors as exchange rate and exchange control policies, inflation control policies, price control policies, consumer protection policies, import duties and restrictions, liquidity of domestic capital and lending markets, electricity rationing, tax policies, including tax increases and retroactive tax claims, and other political, diplomatic, social and economic developments in or affecting the countries where we operate. In the future, the level of intervention by African and Asian governments may continue to increase. It is difficult to predict the future political, economic and market environment in these countries, and these or other measures could have a material adverse effect on the economy of the countries in which we operate and, consequently, could have a material adverse effect on our business, financial condition and results of operations.

We face the risk of disruption from labor disputes and changes to labor laws, which could result in significant additional operating costs or alter our relationship with our employees.

We are required to comply with extensive labor regulations in each of the countries in which we have employees, including with respect to wages, social security benefits and termination payments. In particular, South African laws relating to labor regulate work time, provide for mandatory compensation in the event of termination of employment for operational reasons, and impose monetary penalties for non-compliance with administrative and reporting requirements in respect of affirmative action policies, could result in significant costs.

Recent amendments to the labor legislation in South Africa have introduced more stringent requirements in relation to the relationship with employees. For example, under the Labour Relations Amendment Act, No. 66 of 1995 (as amended) (the "LRA"), an employee on a fixed term contract must be permanently employed unless the employer can establish justification for employment on a fixed term basis. The reasons available to an employer for justifying a fixed term contract are limited. Temporary employees are required to be given the same pay and benefits as permanent employees, including pensions and medical insurance coverage. The LRA provides strict penalties for failure to comply with its provisions and in certain instances breach of the legislation amounts to a criminal offense.

Furthermore, the Employment Equity Act, No. 55 of 1998 (as amended) (the "EEA") creates obligations and administrative requirements in respect of non-discrimination and equity in employment matters. Fines of up to 10% of revenue may be imposed in the event of non-compliance with certain provisions of the EEA.

In addition, future changes to South African legislation and regulations relating to labor may increase our costs or alter our relationship with our employees. Resulting disruptions could have a material adverse effect on our business, results of operations and financial condition.

If we do not achieve applicable black economic empowerment objectives in our South African operations, we risk early termination of certain of our subscription contracts and the loss of the corresponding revenue.

The South African government, through the Broad-Based Black Economic Empowerment Act No, 53 of 2003 (as amended), and the codes of good practice and industry charters published pursuant thereto, has established a legislative framework for the promotion of broad-based black economic empowerment, or “B-BBEE”. Achievement of specified B-BBEE objectives is measured by a scorecard which establishes a weighting for the various objectives of B-BBEE, which include procuring goods and services from black-owned businesses (or from businesses that have earned good B-BBEE scores) and achieving certain levels of black South African employment and management participation, which is then translated to an entity’s “contributor level”. Compliance may affect the ability of a company to secure contracts in the public and private sectors in South Africa. We have four customers which require us to maintain specific/specified B-BBEE contributor levels as measured under the Amended Broad-Based Black Economic Empowerment Information and Communication Technology Sector Code. We currently maintain a level 8 B-BBEE contributor level. Customers with such requirements collectively represented 0.4% of our total revenue for the year ended February 28, 2022.

Failing to achieve or maintain a specified B-BBEE contributor level could affect our ability to maintain existing customers or to sell to large enterprise customers in South Africa, which could have an adverse effect on our business, financial condition and results of operations.

Tax regulations and challenges by tax authorities could have a material adverse effect on us and we may be subject to challenges by tax authorities.

We operate in a number of countries and are therefore regularly examined by and remain subject to numerous tax regulations. Changes in our global mix of earnings could affect our effective tax rate.

Furthermore, changes in tax laws could result in higher tax-related expenses and payments. Legislative changes in any of the countries in which our businesses operate could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities. Additionally, the uncertain tax environment in some regions in which our businesses operate may limit our ability to successfully challenge adverse determination by any local tax authorities. Some of our businesses operate in countries with complex tax rules, which may be interpreted in a variety of ways and could affect our effective tax rate. Future interpretations or developments of tax regimes or a higher than anticipated effective tax rate could have a material adverse effect on our tax liability, return on investments and business operations.

In addition, we and our businesses operate in, are incorporated in and are tax residents of, various jurisdictions. The tax authorities in the various jurisdictions in which we and our businesses operate, or are incorporated, may disagree with and challenge our assessments of our transactions, tax position, deductions, exemptions, where we or our subsidiaries or businesses are tax resident, or other matters. If we, or our businesses, are unsuccessful in responding to any such challenge from a tax authority, we, or our businesses, may be required to pay additional taxes, interest, fines or penalties, we, or our businesses, may be subject to taxes for the same business in more than one jurisdiction or may also be subject to higher tax rates, withholding or other taxes. A successful challenge could potentially result in payments to the relevant tax authority of substantial amounts that could have a material adverse effect on our financial condition and results of operations.

Even if we, or our businesses, are successful in responding to challenges by taxing authorities, responding to such challenges may be expensive, consume time and other resources, or divert management’s time and focus from our operations or businesses or from the operations of our businesses. Therefore, a challenge as to our, or our businesses’, tax position or status or transactions, even if unsuccessful, may have a material adverse effect on our business, financial condition, results of operations or liquidity or the business, financial condition, results of operations or liquidity of our businesses.

A breach of any of the covenants or other provisions contained in our credit facilities could result in an event of default, which could result in amounts outstanding under our credit facilities becoming immediately due and payable as well as foreclosure by our lenders upon our critical assets.

Our Revolving Credit Facility, as defined below, entered into between the wholly-owned subsidiary of Karooooo, Cartrack Holdings Proprietary Limited, and The Standard Bank of South Africa Limited (“Standard Bank”) contains certain covenants, including without limitation, those limiting our and our guarantor subsidiaries’, as applicable, ability to, among other things, incur indebtedness, incur liens, or sell or acquire assets or businesses.

Our obligations under our credit facility agreement with Standard Bank are secured by one of our significant subsidiaries and are secured by a lien on bank accounts, cash and cash equivalent investments, intellectual property, insurance policies, insurance proceeds and a pledge of the shares of certain of our subsidiaries incorporated in South Africa. A breach of any of these covenants or other provisions of our credit facilities could result in an event of default, which if not cured or waived, could result in amounts outstanding under our credit facilities becoming immediately due and payable. In the event that some or all of the amounts outstanding under our credit facilities are accelerated and become immediately due and payable, we may not have the funds to repay, or the ability to refinance, such outstanding amounts under our credit facilities, or our lenders could foreclose upon critical assets, which could have a material adverse effect on our business, results of operations and financial condition.(Refer to disclosure of Revolving Credit Facility with Standard Bank on page 79)

Changes in practices of insurance companies in the markets in which we provide our solutions could have an adverse effect on demand for products and services.

We depend in part on the practices of insurance companies in some of our markets to support demand for our SaaS platform. For example, in South Africa, which is currently our largest market based on new subscriber additions, insurance companies either mandate the installation of tracking devices as a prerequisite for providing insurance coverage to owners of certain vehicles, or provide insurance premium discounts to encourage vehicle owners to subscribe to vehicle tracking and mobile asset recovery solutions such as ours. We benefit from this continued practice in the South African and certain other markets of:

- accepting mobile asset location technologies such as ours as a preferred security product;
- providing premium discounts for using location and recovery products and services such as ours; and
- mandating the use of our products and services, or similar products and services, for certain vehicles.

If any of these policies or practices change, revenues from sale of our solutions could decline, which could have a material adverse effect on our business, results of operations and financial condition.

Risks Relating to Investments in Singapore Companies

We are incorporated in Singapore, and our shareholders may have more difficulty in protecting their interests than they would as shareholders of a corporation incorporated in the United States.

Our corporate affairs are governed by our constitution and by the laws governing companies incorporated in Singapore. The rights of our shareholders and the responsibilities of the members of our board of directors under Singapore law may be different from those applicable to a corporation incorporated in the United States. Therefore, our public shareholders may have more difficulty in protecting their interests in connection with actions taken by us, our management, members of our board of directors or our controlling shareholder than they would as shareholders of a corporation incorporated in the United States. For example, controlling shareholders in corporations incorporated in Delaware are subject to fiduciary duties while controlling shareholders in Singapore companies are not subject to such duties.

In addition, only persons who are registered as shareholders in our register of members are recognized under Singapore law as our shareholders. Only registered shareholders have legal standing to institute shareholder actions against us or otherwise seek to enforce their rights as shareholders. Investors in our ordinary shares who are not specifically registered as shareholders in our register of members (for example, where such shareholders hold ordinary shares indirectly through the depository trust company “DTC”) are required to be registered as shareholders in our register of members in order to institute or enforce any legal proceedings or claims against us, our directors or our executive officers relating to shareholder rights. The administrative process of becoming a registered shareholder could result in delays prejudicial to any such legal proceeding or enforcement action. See Exhibit 2.2 “Description of Ordinary Shares—Comparison of Shareholder Rights” for a discussion of certain differences between Singapore and Delaware corporation law.

It may be difficult for you to enforce any judgment obtained in the United States against us, our directors, officers or our affiliates.

A majority of our directors and officers reside outside the United States. In addition, a majority of our assets and the assets of those persons are located outside the United States. As a result, it may be difficult to enforce in the United States any judgment obtained in the United States against us or any of these persons, including judgments based upon the civil liability provisions of the U.S. securities laws. In addition, in original actions brought in courts in jurisdictions located outside the United States, it may be difficult for investors to enforce liabilities based upon U.S. securities laws.

There is no treaty between the United States and Singapore providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters and a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws, would, therefore, not be automatically enforceable in Singapore. It is not clear whether a Singapore court may impose civil liability on us or our directors and officers who reside in Singapore in an action brought in the Singapore courts against us or such persons with respect to a violation solely of the federal securities laws of the United States.

In addition, holders of book-entry interests in the ordinary shares (for example, where such shareholders hold ordinary shares indirectly through the DTC) will be required to be registered shareholders as reflected in our register of members in order to have standing to bring a shareholder action and, if successful, to enforce a foreign judgment against us, our directors or our executive officers in the Singapore courts. Any such enforcement action would be subject to applicable Singapore laws. The administrative process of becoming a registered shareholder could result in delays that could be prejudicial to any legal proceeding or enforcement action. In making a determination as to enforceability of a judgment of a state court or a federal court of the United States, the Singapore courts would have regard to, among others, whether the judgment was final and conclusive, given by a court of law of competent jurisdiction, expressed to be for a fixed sum of money, whether it was procured by fraud, or in breach of principles of natural justice, or whether the enforcement thereof would be contrary to public policy.

Accordingly, there can be no assurance that the Singapore courts would enforce against us, our directors or our officers, judgments obtained in the United States which are predicated upon the civil liability provisions of the federal securities laws of the United States.

Subject to the general authority to allot and issue new ordinary shares provided by our shareholders, the Singapore Companies Act and our constitution, our directors may allot and issue new ordinary shares on terms and conditions and for such purposes as may be determined by our board of directors in its sole discretion. Any issuance of new shares would dilute the percentage ownership of existing shareholders and could adversely impact the market price of our ordinary shares.

Under Singapore law, we may only allot and issue new ordinary shares with the prior approval of our shareholders in a general meeting. Subject to the general authority to allot and issue new ordinary shares provided by our shareholders, the provisions of the Singapore Companies Act, and our constitution, we may allot and issue new ordinary shares on such terms and conditions as our directors may think fit to impose. Such terms and conditions may be adverse to the rights of holders of our ordinary shares. Any additional issuances of new ordinary shares could dilute the percentage ownership of our existing shareholders and may adversely impact the market price of our ordinary shares.

Because new issuances of ordinary shares are subject to shareholder approval, if a sufficient number of shares have not been approved for issuance in any given year, we may be delayed in raising capital through equity offerings or delayed or prevented from consummating an acquisition using our ordinary shares.

Assuming shareholders have approved the issuance of new shares, we may seek to raise capital in the future, including to fund acquisitions, future investments and other growth opportunities. We may, for these and other purposes, issue additional ordinary shares or securities convertible into ordinary shares. Any additional issuances of new ordinary shares could dilute the percentage ownership of our existing shareholders and may also adversely impact the market price of our ordinary shares.

We are subject to the laws of Singapore, which differ in certain material respects from the laws of the United States.

As a Singapore-incorporated company, we are required to comply with the laws of Singapore, certain of which are capable of extra-territorial application, as well as our constitution. In particular, we are required to comply with certain provisions of the Securities and Futures Act, Chapter 289 of Singapore, which prohibit certain forms of market conduct and information disclosures, and impose criminal and civil penalties on corporations, directors and officers in respect of any breach of such provisions. In addition, the Singapore Code on Take-Overs and Mergers, or “Singapore Take-Over Code”, which specifies, among other things, certain circumstances in which a general offer is to be made upon a change in control of a Singapore-incorporated public company, and further specifies the manner and price at which voluntary and mandatory general offers are to be made.

The laws of Singapore and of the United States differ in certain significant respects. The rights of our shareholders and the obligations of our directors and officers under Singapore law may be different from those applicable to U.S. corporations, including those incorporated in Delaware, in material respects, and our shareholders may have more difficulty and less clarity in protecting their interests in connection with actions taken by our management, members of our board of directors or our controlling shareholders than would otherwise apply to U.S. corporations, including those incorporated in Delaware. See Exhibit 2.2 “Description of Ordinary Shares—Comparison of Shareholder Rights” for a discussion of certain differences between Singapore and Delaware corporation law.

In addition, the application of Singapore law, in particular, the Singapore Companies Act may, in certain circumstances, impose more restrictions on us, our shareholders, directors and officers than would otherwise be applicable to U.S. corporations, including those incorporated in Delaware. For example, the Singapore Companies Act requires a director to act with reasonable degree of diligence in the discharge of the duties of his office and, in certain circumstances, imposes criminal liability for specified contraventions of particular statutory requirements or prohibitions. In addition, pursuant to the provisions of the Singapore Companies Act, shareholders holding 10% or more of the total number of paid-up shares as at the date of the deposit carrying the right of voting at general meetings (disregarding paid-up shares held as treasury shares) may by depositing a requisition, require our directors to convene an extraordinary general meeting. If our directors do not within 21 days after the date of deposit of the requisition proceed to convene a meeting, the requisitioning shareholders, or any of them representing more than 50% of the total voting rights represented of all of them, may themselves, proceed to convene such meeting, and we will be liable for the reasonable expenses incurred by such requisitioning shareholders. We are also required by the Singapore Companies Act to deduct corresponding amounts from fees or other remuneration payable by us to such of the directors as are in default.

Singapore take-over laws contain provisions that may vary from those in other jurisdictions.

The Singapore Take-Over Code applies to, among others, corporations with a primary listing of their equity securities in Singapore. While the Singapore Take-Over Code is drafted with, among others, listed public companies in mind, unlisted public companies with more than 50 (fifty) shareholders and net tangible assets of S\$5.0 million or more, must also observe the letter and spirit of the general principles and rules of the Singapore Take-Over Code, wherever this is possible and appropriate. Public companies with a primary listing overseas may apply to Securities Industry Council (“SIC”) to waive the application of the Singapore Take-Over Code. As at the date of this annual report, no application has been made to SIC to waive the application of the Singapore Take-Over Code in relation to us.

In this regard, the Singapore Take-Over Code contains certain provisions that may possibly delay, deter or prevent a future take-over or change in control of us. Under the Singapore Take-Over Code, except with the consent of SIC, any person acquiring an interest, whether by a series of transactions over a period of time or not, either on his own or together with parties acting in concert with him, in 30% or more of our voting shares is required to extend a take-over offer for all remaining voting shares in accordance with the procedural and other requirements under the Singapore Take-Over Code.

Except with the consent of SIC, such a take-over offer is also required to be made if a person holding between 30% and 50% (both inclusive) of our voting shares, either on his own or together with parties acting in concert with him, acquires additional voting shares representing more than 1% of our voting shares in any six-month period. While the Singapore Take-Over Code seeks to ensure an equality of treatment among shareholders in take-over or merger situations, its provisions could substantially impede the ability of the shareholders to benefit from a change of control and, as a result, may adversely affect the market price of the ordinary shares and the ability to realize any benefit from a potential change of control.

Risks Relating to Our Ordinary Shares

Our stock price may fluctuate and you could lose a significant part of your investment.

The market price of our ordinary shares may be influenced by many factors, some of which are beyond our control, including:

- actual or anticipated variations in our operating results;
- the failure of financial analysts to cover our ordinary shares;
- changes in financial estimates by financial analysts, or any failure by us to meet or exceed any of these estimates, or changes in the recommendations of any financial analysts that elect to follow our ordinary shares or the shares of our competitors;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships or joint ventures;
- future sales of our shares by us or our shareholders;
- investor perceptions of us and the industry in which we operate;
- general economic, industry or market conditions; and
- the other factors described in this “Risk Factors” section.

In addition, the stock market in general has experienced substantial price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies affected. These broad market and industry factors may materially harm the market price of our ordinary shares, regardless of our operating performance. In the past, following periods of volatility in the market price of certain companies’ securities, securities class action litigation has been instituted against these companies. This litigation, if instituted against us, could have a material adverse effect on our business, financial condition and results of operations.

The ordinary shares are traded on more than one stock exchange and this may result in price variations between the markets.

The ordinary shares are listed on each of the Nasdaq and the JSE. Trading in the ordinary shares therefore will take place in different currencies (U.S. dollars on the Nasdaq and South African Rand on the JSE), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and South Africa). The trading prices of the ordinary shares on these two markets may differ as a result of these, or other, factors. Any decrease in the price of ordinary shares on either of these markets could cause a decrease in the trading prices of ordinary shares on the other market.

Sales of substantial amounts of our ordinary shares in the public market, or the perception that these sales may occur, could cause the market price of our ordinary shares to decline.

Sales of substantial amounts of our ordinary shares in the public market, or the perception that these sales may occur, could cause the market price of our ordinary shares to decline. This could also impair our ability to raise additional capital through the sale of our equity securities. We are authorized to issue an unlimited number of shares as there is no concept of authorized share capital under Singapore law. Moreover, we have entered into a registration rights agreement pursuant to which we have granted demand and piggyback registration rights to our Chief Executive Officer, Isaias (Zak) Jose Calisto.

Although we have paid dividends in the past, our ability to pay dividends in the future depends on many factors and we cannot guarantee you that we will continue to pay dividends in the future.

Any future determination to pay cash dividends will be at the discretion of the board of directors and will depend on many factors, including general and economic conditions, financial condition and operating results, available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions, including restrictive covenants contained in our financing agreements, the ability of the group's subsidiaries to distribute funds to Karooooo and such other factors as the board of directors may deem relevant. The board may, by ordinary resolution, declare dividends at a general meeting of its shareholders, but no dividend shall be payable except out of our profits, and the amount of any such dividend shall not exceed the amount recommended by the board of directors. Subject to Karooooo's constitution and in accordance with the Singapore Companies Act, the board of directors may, without the approval of shareholders, declare and pay interim dividends, but any final dividends the board declares must be approved by an ordinary resolution at a general meeting of shareholders.

We cannot provide assurances regarding the amount or timing of dividend payments and may decide not to pay dividends in the future. As a result, you should not rely on an investment in our ordinary shares to provide dividend income and if we do not pay dividends, capital appreciation, if any, of our ordinary shares will be a shareholder's sole source of gain in the near future. See "Dividends and Dividend Policy."

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our ordinary shares and our trading volume could decline.

The trading market for our ordinary shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our company. If no or too few securities or industry analysts commence coverage of our company, the trading price for our ordinary shares would likely be negatively affected. In the event securities or industry analysts initiate coverage, if one or more of the analysts who cover us downgrade our ordinary shares or publish inaccurate or unfavorable research about our business, the price of our ordinary shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our ordinary shares could decrease, which might cause the price of our ordinary shares and trading volume to decline.

Requirements associated with being a public company in the United States require significant company resources and management attention.

As a U.S. public company, we incur significant additional legal, accounting, reporting, compliance and other expenses as a result of having publicly traded ordinary shares in the United States. We also incur costs including, but not limited to, costs and expenses for directors' fees, increased directors and officers insurance, investor relations, and various other costs relating to being a public company registered in the United States.

We also incur costs associated with United States corporate governance requirements, including requirements under SOX, as well as rules implemented by the SEC, Nasdaq and the JSE. These rules and regulations increase our legal and financial compliance costs and make some management and corporate governance activities more time-consuming and costly, particularly after we are no longer an "emerging growth company." These rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. This could have an adverse impact on our ability to recruit and retain a qualified independent board.

Our senior management and other personnel have devoted, and will need to continue to devote, a substantial amount of time and attention away from revenue producing activities to management and administrative oversight, adversely affecting our ability to attract and complete business opportunities and increasing the difficulty in both retaining professionals and managing and growing our businesses. Furthermore, new rules and regulations relating to disclosure, financial reporting and controls and corporate governance, or varying interpretations of existing rules and regulations, could be adopted by the SEC, Nasdaq or other regulatory bodies and exchange entities from time to time, and could result in a significant increase in legal, accounting and compliance costs and make certain activities more time-consuming and costly. Any of these effects could have a material adverse effect on our business, financial condition and results of operations.

For as long as we are an “emerging growth company” under the recently enacted JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of SOX. We could be an emerging growth company for up to five years. See “Summary—Implications of Being an Emerging Growth Company,” below.

Furthermore, after the date we are no longer an emerging growth company, our independent registered public accounting firm will only be required to attest to the effectiveness of our internal control over financial reporting depending on our market capitalization. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may still decline to attest to our management’s assessment or may issue a report that is qualified if it is not satisfied with our controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, in connection with the implementation of the necessary procedures and practices related to internal control over financial reporting, we may identify deficiencies that we may not be able to remediate in time to meet the deadline imposed by SOX for compliance with the requirements of Section 404. Failure to comply with Section 404 could subject us to regulatory scrutiny and sanctions, impair our ability to raise capital, cause investors to lose confidence in the accuracy and completeness of our financial reports and negatively affect our share price.

As a foreign private issuer and “controlled company” within the meaning of the Nasdaq rules, we are permitted to, and we will, rely on exemptions from certain corporate governance standards. Our reliance on such exemptions may afford less protection to holders of our ordinary shares.

Nasdaq’s corporate governance rules require listed companies to have, among other things, a majority of independent directors and independent director oversight of executive compensation, nomination of directors and corporate governance matters. As a foreign private issuer, we are permitted to, and we will, follow home country practice in lieu of the above requirements. While a majority of the directors on our board of directors are independent directors and all of our board committees consist entirely of independent directors, as long as we rely on the foreign private issuer exemption to certain of the Nasdaq corporate governance standards, a majority of the directors on our board of directors are not required to be independent directors, and that certain of our board committees do not have to consist entirely of independent directors. Therefore, to the extent we rely on such exemptions in the future, our board of directors’ approach to governance may be different from that of a board of directors consisting of a majority of independent directors, and, as a result, the management oversight of our company may be more limited than if we were subject to all of the Nasdaq corporate governance standards.

In the event we no longer qualify as a foreign private issuer, we intend to rely on the “controlled company” exemption under the Nasdaq corporate governance rules. A “controlled company” under the Nasdaq corporate governance rules is a company of which more than 50% of the voting power is held by an individual, group or another company. Our controlling shareholder controls a majority of the combined voting power of our outstanding ordinary shares, making us a “controlled company” within the meaning of the Nasdaq corporate governance rules. As a controlled company, we would be eligible to elect not to comply with certain of the Nasdaq corporate governance standards, including the requirement that a majority of directors on our board of directors are independent directors and that certain of our board committees consist entirely of independent directors. We may utilize some of these exemptions.

Accordingly, our shareholders will not have the same protection afforded to shareholders of companies that are subject to all of the Nasdaq corporate governance standards, and the ability of our independent directors to influence our business policies and affairs may be reduced.

If we fail, for any reason, to effectively or efficiently maintain proper internal control procedures for compliance with Section 404 of SOX, or Section 404, such failure could materially and adversely affect our business, results of operations and financial condition.

Section 404(a) of SOX, or Section 404(a), requires that beginning with this annual report, management assess and report annually on the effectiveness of our internal control over financial reporting and identify any material weaknesses in our internal control over financial reporting and identify any material weaknesses in our internal control over financial reporting. Although Section 404(b) of SOX, or Section 404(b), requires our independent registered public accounting firm to issue an annual report that addresses the effectiveness of our internal control over financial reporting, we have opted to rely on the exemptions provided in the JOBS Act, and consequently will not be required to comply with SEC rules that implement Section 404(b) until such time as we are no longer an EGC.

Our first Section 404(a) assessment took place for this annual report, and based on this assessment, our management concluded that, as of February 28, 2022, our internal control over financial reporting was effective. If it is determined that we are not in compliance with Section 404 in the future, we will be required to implement new internal control procedures and re-evaluate our financial reporting. We may experience higher than anticipated operating expenses as well as outside auditor fees during the implementation of these changes and thereafter. We may need to hire additional qualified personnel in order for us to maintain compliance with Section 404. During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify weaknesses and deficiencies in our internal control over financial reporting. If we fail, for any reason, to implement these changes effectively or efficiently, such failure could harm our operations, financial reporting or financial results and the trading price of our ordinary shares, expose us to increased risk of fraud or misuse of corporate assets, subject us to regulatory investigations and civil or criminal sanctions and could result in our conclusion that our internal control over financial reporting is not effective.

Insiders have substantial control over us and may have interests that are different from the interests of our other shareholders.

Certain of our major shareholders may have interests that are different from, or are in addition to, the interests of our other shareholders. In particular, our Chief Executive Officer and certain of his affiliates, may be deemed to beneficially own approximately 65.0% of our issued and outstanding shares. For so long as such shareholders continue to own a significant percentage of our ordinary shares, they will be able to significantly influence the composition of our board of directors and the approval of actions requiring shareholder approval through their voting power. Additionally, as a consequence of our “staggered” board of directors, as further described in Item 6.C. “Board Practices—Board Composition,” only a minority of the board of directors will be considered for election at any annual meeting and such shareholders, because of their ownership position, will have considerable influence regarding the outcome of the election. Accordingly, for such period of time, they will have significant influence with respect to our management, business plans and policies, including the appointment and removal of our officers. In particular, for so long as such shareholders continue to own a significant percentage of our ordinary shares, they may be able to cause or prevent a change of control of our company and could preclude any unsolicited acquisition of our company. The concentration of ownership could deprive you of an opportunity to receive a premium for your ordinary shares as part of a sale of our company and ultimately might affect the market price of our ordinary shares.

We may lose our foreign private issuer status which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

In order to maintain our current status as a foreign private issuer, either (a) more than 50% of our outstanding voting securities must be either directly or indirectly owned of record by non-residents of the United States or (b) if more than 50% of our outstanding voting securities are owned either directly or indirectly owned of record by residents of the United States, (i) a majority of our executive officers or directors may not be U.S. citizens or residents, (ii) more than 50% of our assets cannot be located in the United States and (iii) our business must be administered principally outside the United States. If we lose this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We would be required under current SEC rules to prepare our financial statements in accordance with GAAP, rather than IFRS, and modify certain of our policies to comply with corporate governance practices associated with U.S. domestic issuers. Such conversion of our financial statements to GAAP would involve significant time and cost. We may also be required to make changes in our corporate governance practices in accordance with various SEC and Nasdaq rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the costs we will incur as a foreign private issuer.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our ordinary shares less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of SOX. We cannot predict if investors will find our ordinary shares less attractive because we will rely on these exemptions. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares and our share price may be more volatile.

There can be no assurance that we will not be a passive foreign investment company, or PFIC, for any taxable year, which could result in adverse U.S. federal income tax consequences to U.S. investors in our ordinary shares.

In general, a non-U.S. corporation is a PFIC for U.S. federal income tax purposes for any taxable year in which (i) 50% or more of the value of its assets (generally determined based on the average of the quarterly values of its gross assets) consists of assets that produce, or are held for the production of, passive income, or (ii) 75% or more of its gross income consists of passive income. For purposes of the above calculations, a non-U.S. corporation that owns, directly or indirectly, at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties and gains from the sale or exchange of investment property. Cash is generally a passive asset for these purposes. Goodwill is generally characterized as an active asset to the extent it is associated with business activities that produce active income.

Based on the composition of our income and assets and value of our assets, including the value of our goodwill, we believe that we were not a PFIC for our taxable year ended February 28, 2022. However, our PFIC status for any taxable year is an annual determination that can be made only after the end of that year, and will depend on the composition of our income and assets and the value of our assets from time to time (including the value of our goodwill, which may be determined in part by reference to the market price of the ordinary shares, which has been, and could continue to be, volatile). We hold a significant amount of cash and cash equivalents and our PFIC status for any taxable year may also depend on how, and how quickly, we use them. Because the value of our goodwill may be determined by reference to our market capitalization, we could become a PFIC for any taxable year if the price of our ordinary shares declines significantly while we hold a substantial amount of cash, cash equivalents and financial investments. In addition, the application of the PFIC rules is subject to certain uncertainties and the proper characterization of some of our income and assets is not entirely clear. Accordingly, there can be no assurance that we will not be a PFIC for our current or any future taxable year. If we were a PFIC for any taxable year during which a U.S. taxpayer owned ordinary shares, the U.S. taxpayer generally would be subject to adverse U.S. federal income tax consequences, including increased tax liability on disposition gains and "excess distributions" and additional reporting requirements. See "Tax Considerations—Material U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

Item 4. INFORMATION ABOUT THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

We were founded in 2001 in South Africa with an initial focus on SVR services in the region. We have strategically grown our business and are now a global provider of leading smart transportation management and analytics.

In 2020, we moved our global headquarters to Singapore, where we believe we have access to the talent and capital to maintain and further our technological and operational leadership in the industry. Since our founding, we have gained vast expertise and enhanced our business in the following areas:

- Developing new software applications such as fleet management, mobile asset accounting, workforce management and insurance solutions;
- Developing capabilities in data management at scale as well as a broad range of communication technologies and protocols;
- Expanding our sales and marketing focus to include commercial fleets of all sizes; and
- Expanding our geographic footprint to meet the needs of our customers who are increasingly global with larger, more complex fleets and requirements.

Our single user interface and fully integrated cloud-based platform runs on internally developed and cost-effective smart IoT devices, enabling us to deliver a unified and comprehensive service to our customers while maintaining control of our cost structure. Our discreet, sophisticated smart devices stream data to the platform, facilitating informed decisions about optimal asset efficiency and productivity, including live tracking and location of assets. Customers utilize the platform through an easily accessible web-based portal or mobile application, which is designed to be easy to deploy across customers' entire mobile asset fleets. Our devices can be installed in a range of mobile assets independent of asset procurement, allowing our customers to integrate our solutions in existing or new vehicles. Our platform includes a wide range of reliable services to effectively serve the needs of a geographically diverse range of clients. Where appropriate, partnerships with third party technology providers are established to create incremental value to customers in the markets we serve.

As part of a limited strategy to distribute our SaaS platform through independent business owners, our solutions are sold through independent licensees in Botswana, Malawi, Rwanda, Eswatini and Zimbabwe, who enter into franchise agreements and have exclusive geographic licenses to market and sell our solutions in exchange for royalty payments. Revenue generated by licensees was 0.1% of our total revenue for the year ended February 28, 2022, 0.2% of our total revenue for the year ended February 28, 2021 and 0.2% of our total revenue for the year ended February 29, 2020.

B. BUSINESS OVERVIEW

Overview

Cartrack is a global provider of leading real-time mobility data analytics solutions for smart transportation.

In our view, all vehicles will be connected, and data will drive all aspects of mobility in the future and our mission is to build the leading mobility SaaS platform that maximizes the value of data.

We offer a full-stack smart mobility SaaS platform for connected vehicles and other assets and provide customers with differentiated insights and analytics to optimize their business and workforce, increase efficiency and decrease costs, improve safety, monitor environmental impact, assist with regulatory compliance and manage risk.

Our business is vertically integrated, which affords us complete autonomy with regards to the development of the capabilities and features that differentiate our applications as well as the speed of our innovation. Since we own and control almost every aspect of our smart device design, platform innovation and software application development, client acquisition and onboarding, customer service and the management of our back-end support, we are able to move quickly without any significant third-party dependencies and inefficiencies.

We serve customers in 23 countries across five continents, supporting more than 1.5 million subscribers as of February 28, 2022 and our highly scalable platform serves large multinational enterprises and individual consumers alike, enabling us to address a large, growing and underpenetrated global market. We collect an average of over 90 billion data points per month and have maintained a consistent platform uptime of 99.9%.

Our proprietary 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. Our platform collects, processes, and analyzes data via two-way communication with our proprietary hardware technology or third-party devices in each vehicle or other asset, providing our users with visibility into their fleets from a single, user friendly interface with reporting and tracking capabilities that deliver actionable insights in real-time. Our intuitive web-based applications provide a comprehensive set of software features for managing fleets and related workforces without the need for customers to incur upfront information technology costs and include advanced functionality such as real-time high speed video streaming.

We provide customers with the flexibility to deploy our solutions across a range of vehicles, including electric vehicles, and other assets and to use our platform alone or in conjunction with the systems of OEM's and other third parties. We are committed to the continued enhancement of our customer experience and retention by driving innovation in the platform, adding functionality, new software features and integration with OEM solutions. The benefits of our platform to our customers include increased productivity, efficiency, sustainability, and regulatory compliance. We empower our customers, which range from consumers to large enterprise fleets, with actionable intelligence to enhance profitability, better serve their customers, and strengthen safety and security. We define customers at the enterprise or consumer level and subscribers as each vehicle or asset we service.

Our Platform and its Key Strengths

We have built one platform with vertically integrated operations and we offer a -

Broad array of mobility applications. Cartrack offers real-time connectivity services through mobile devices to manage the deployment of people and vehicles and the tasks that they are required to perform. This includes communications, analytics, accounting, live video streaming, workforce management and an array of medical and roadside assistance services that are applicable to taxi/ridesharing, public transit systems and logistics businesses. With fleet management, mobile asset accounting, workforce management, and a broad set of additional software features, we offer a highly functional, unified platform for smart transportation management and analytics delivered through a single screen.

Highly scalable vertical SaaS. Cartrack's cloud architecture enables us to quickly and reliably add thousands of mobile subscriptions and integrate their corresponding data streams each month, including data from sources such as OEMs and other third-party devices. Our easy-to-use interfaces for iOS and Android, as well as our online platform for desktop, make it seamless for users to switch between devices, and our internally developed SaaS platform caters to all types of vehicle propulsion methods (internal combustion, hybrid, and electric) and allows for flexible integration with all major OEM hardware and software platforms.

Large and growing global infrastructure. Our business is fully vertically integrated in the design, development, production, and deployment of its hardware and software offerings. Unlike many of our competitors, almost all of our systems and products that we use are proprietary. Our vertically-integrated model allows us to provide our customers with the benefits of lower costs and greater flexibility without third-party vendor lock-in. Our R&D center in Singapore is staffed exclusively by our employees and is positioned to ensure our continued access to world-class talent in Southeast Asia. To provide leading service in installations, customer support, and vehicle recovery, we have established a comprehensive branch network of automotive technicians with rapid-response capabilities in each of the 23 countries in which we or our licensees operate. Our more than 1000 mobile workshops serve customers globally around-the-clock. Our customer focused approach to service is key to our leadership position in the industry.

Deep domain expertise, industry knowledge, and institutional intellectual property. Our experienced R&D and management teams have accumulated vast experience in the fields of data operations, GSM, radio frequency, and satellites, as well as emerging and next-generation technologies such as LPWAN and V2X communications. Each of our proprietary smart devices is compact, facilitating effective concealment, and is transferable from one vehicle to another. Personal safety considerations, specialized fleet management, and regulatory compliance will continue to require the design and development of proprietary hardware. Our trained automotive technicians carry out installations with electronic connections kept at a minimum so as not to interfere with the vehicle's electronic systems. Our products and installations are endorsed by a number of insurers and motor vehicle manufacturers.

Culture of service and innovation. The values at the heart of our culture — accountability, integrity, service orientation, relationships, and entrepreneurial leadership — are core drivers of our success. As we have grown from a small South African company to a global enterprise with more than one million subscribers, we have maintained a start-up culture that eschews hierarchy and where individual ownership and agility remain key features of our everyday behaviors and operations. We have a highly proven service delivery track record and are known for being quick to deploy and fast to respond.

Key Benefits to Our Customers

The relatively low monthly cost and material return on investment realized by our customers favorably positions us in both weak and strong macroeconomic environments. Our platform provides the following key benefits to our customers:

Lower operating costs. Research by the U.S. Department of Transportation shows implementing telematics can reduce unsafe driving by 60%, which can translate into profit margin increases of 30% in commercial fleets as well as reduced emissions. Telematics insurance has also reduced car accidents by around 35% in recent years, according to Allied Market Research. We believe that the AI-enabled real-time feedback through our platform coaches drivers to engage in behavior that lowers fuel consumption, reduces maintenance costs, and improves on-road safety.

Increased workforce and asset productivity. Real-time fleet oversight and analysis of data can assist fleet managers in planning better routes and times for vehicles to be on the road, as well as planning maintenance through alerting and scheduling. Route management and traffic mapping, powered by our platform, can reduce the distance covered by each vehicle. By providing an integrated platform for data, analytics and communications, driver and dispatch teams can work together more efficiently and empower management with greater insight into key performance indicators of asset and employee performance such as utilization, service intervals, and billable hours.

Stability and reliability. Cartrack utilizes the GSM/LTE network, to facilitate reliable communication between our platform and telematics devices. This technology enables recovery teams to accurately locate stolen vehicles and allows customers to track the movement of their vehicles via the web or mobile applications. GPS satellite technology provides users with accurate positioning and monitoring of the vehicle fleet. Secondary radio homing beacons enable air and ground response teams to locate vehicles in areas where coverage may be sparse. Customers also further benefit from our consistent 99.9% system uptime for the year ended February 28, 2022.

Road safety and accident management. The World Bank Group estimates that, on average, a 25% reduction in road traffic deaths raises per capita real GDP by several percentage points in the growth markets we target, illustrating the importance of improving driver habits and monitoring commercial vehicles. Powered by industry leading AI, we provide comprehensive driver behavior monitoring and measurement applications which are easily integrated into vehicles to extract and analyze significant amounts of data to improve driver behavior. In addition, deployment of in-vehicle telematics sensors to monitor activity onroad and within a vehicle provides performance benefits and critical data in the event of a collision.

Our Opportunity

There is a significantly underpenetrated global opportunity in mobility data analytics for smart transportation. According to Allied Market Research, the market opportunity in automotive telematics in commercial vehicles alone is expected to grow from \$33.4 billion in 2018 to \$219.1 billion in 2026, representing a CAGR of 28%. We believe a large portion of spending in this space today is for outdated telematics offerings that do not provide the next-generation capabilities required by today's customers across a broad range of transportation and mobility use cases. In 2020, Fitch Solutions estimates there will be more than 1.5 billion vehicles in the world, including more than 392 million commercial vehicles, increasing to 2 billion total vehicles by 2029, including more than 500 million commercial vehicles. McKinsey & Company found that around 15% of vehicles come with telematics installed as standard, suggesting under-penetration of a significant global opportunity. Additionally, we are identifying new avenues of growth from our data analysis and monetization. We have expanded our SaaS platform into insurance, and plan to continue to expand into tires and the maintenance and the buying and selling of vehicles. We continue to serve consumers across South Africa and are well positioned to launch and scale similar offerings opportunistically in other geographies.

Our Growth Strategy

Our long-term growth is driven by five key factors:

Growth of connected devices. We are enhancing our SaaS platform to be device and service provider agnostic as we further develop smart mobility capabilities, partnering with the world's leading companies in pay-as-a-service transportation. Increasing global access to these devices will further drive demand for our solutions and services. Our platform is complementary to OEM and third-party telematics systems and we conduct aftermarket installations in collaboration with OEMs.

Deeper insights from data. Our customers are increasingly reliant on our SaaS platform to optimize business intelligence relating to both assets and people on a global scale. In order to capitalize on this rapidly growing trend, we will continue to invest in technology and operating capacity across markets.

Global demand. We have seen a notable rise in demand for connected vehicles, devices and mobility data across the globe, enabling our expansion across geographic regions. All markets remain underpenetrated, and we are capitalizing on opportunities to provide scalable, customer-centric solutions that rapidly deliver value to enterprise customers and consumers alike.

New platform enhancements. We continue to expand our platform to address our customers' most critical business priorities. R&D investments allow us to meet growing expectations from customers for deeper insights quickly. We offer an easy-to-use administrative and vehicle cost accounting software called MiFleet and a mobile enabled workforce management solution called the Communicator, which can effectively manage business processes like stock control, electronic proof-of-delivery and invoicing. Recent enhancements to our platform include business intelligence and OEM integrations, our buying and selling cars platform, and advanced jobs and messaging via our Communicator routing application.

Significant barriers to entry. We enjoy a strong competitive advantage due to the global fragmentation of our market, upfront capital requirements for the development and deployment of global infrastructure and to fund cash investments in device and installation costs, and the significant R&D expenditure necessary to keep pace with technological developments. The industry has shifted from upfront payment for hardware and installations to recurring SaaS subscription contract models where the service provider retains the ownership of the device, and we have capitalized on this shift to reinforce customer retention. This high demand for SaaS solutions with no upfront fees increases the challenge facing new entrants and vendors lacking scale.

We intend to pursue the following growth strategies:

Increase subscription sales to existing customers. We believe our longstanding commitment to R&D investment positions us favorably to continue to deploy technologically advanced solutions increasingly in demand among customers of all sizes worldwide. Our customer base of more than one million subscribers represents a significant opportunity for further subscription sales expansion. Many of the growth drivers for new subscriptions will also lead to the growth of our offering within existing customers. Our scalable platform and vertically integrated infrastructure will enable us to onboard new customers quickly and easily and make new software features immediately available to our customer base worldwide.

Expand our customer base. Our market penetration is low worldwide. We believe there is substantial opportunity to grow our customer base. We expect growth in customer demand to come from mobile asset growth and a broad range of emerging smart mobility use cases, where we expect robust demand for SaaS based data analytics solutions to optimize operations. We believe demand growth will be in excess of global fleet growth forecasts due to increased market penetration opportunities resulting from the realization of the benefits associated with adopting mobility offerings. We anticipate demand increases for safety and security services by governments, business, and individuals due to increasing crime rates in key markets. We serve a broad range of customers and industries and will continue to focus on growing our subscriber base among them.

Expand our geographic presence worldwide. While South Africa remains an important market for us, we expect more robust subscriber growth from the Asia-Pacific and Middle East regions, due to populous, fast-growing economies, a favorable competitive climate, including low penetration rates and unsophisticated competing solutions, and established operations that have now gained scale. We expect growth from the unmet need for improved road safety and decreased pollution levels, particularly in the Asia-Pacific and Middle East regions where vehicle populations are expected to show a material increase along with already elevated traffic congestion and pollution levels. We are looking to further increase our footprint in Europe, and our U.S. operations are small but highly strategic in nature. As the breadth of our offering increases over time, we believe we will be able to efficiently deploy our offering across our existing multinational customers' fleets as we enter new regions where they already operate.

Expand our consumer platform and services. We intend to expand our consumer offering into both Europe and the Asia-Pacific and Middle East region as demand grows for consumer services. For example, in Europe, the demand for accident notification and medical emergency response is growing and at our current scale, we can add these services to our business very efficiently.

Our SaaS Cloud Platform

Our single platform offers a range of scalable mobile asset management and workforce optimization applications to address the needs of our diverse customer segments. We offer a comprehensive set of software features for data analysis, mobile asset tracking, and oversight for managers to protect, connect, and report on every asset in a fleet.

Our platform is accessible to users via web interface and mobile applications, with services offered via monthly subscription. Our applications are tightly integrated to avoid the need for multiple interfaces, and include free application programming interface ("API") integrations with enterprise resource planning ("ERP") systems.

The principal components of our SaaS platform include the following:

Commercial Applications

- **Fleet Telematics:** The comprehensive Fleet Management SaaS Platform provides customers with real-time insight into their asset base through live tracking on a roadmap interface; using proprietary smart IoT devices that allow for powerful vehicle integration and the use of peripheral sensors all geared towards delivering:
 - Real-time, accurate GPS positioning enabling location management, fuel management and fraud detection, maintenance management, eco-driving, vehicle utilization, time and attendance, and cold chain management
 - Integration of real-time data into back office systems
 - Detailed driver management with advanced scorecards to manage the risk and performance of drivers
 - Real-time alerts for maintenance and engine diagnostics
- **LiveVision** enables comprehensive pro-active risk management and fleet visibility via an AI enabled two-camera video telematics system or a four-camera live streaming vehicle video system:
 - The AI enabled camera delivers live warnings to proactively mitigate the risk of driver fatigue, driver distraction and collisions and includes the monitoring of safe driving distances
 - Live on-board cameras enable video selection, replay, and analysis, enabling driver coaching and performance improvement
 - Increased driver visibility reduces extraneous driving costs, reduces driver liability, increases driver safety, and further empowers fleet control
- **MiFleet Advanced Fleet Administration and Business Intelligence (“BI”)** provides cost management and administration capabilities:
 - Provides insight into all asset-related costs, such as purchasing, fuel, fines and insurance for each asset in a fleet
 - Provides actionable intelligence for driver optimization through powerful BI
- **Karooooo Logistics** (*Picup, recently re-branded to Karooooo Logistics, given the unification of platforms*) 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.
 - Trace and locate drivers and mobile assets in real-time
 - Drive powerful and highly controlled workflows, for example, stock control, invoicing, electronic proof-of-delivery, and mobile workforce management
 - Up-to-date destinations and navigation integration, allowing drivers to spend more time focusing on job completion rather than finding a destination
 - Quick communication to drivers via synchronized task list and built-in messaging systems

- **Cartrack Field Service** provides a software application enabling the management of field and or on site workers.
 - Trace and locate field workers and mobile assets in real-time
 - Manage workflows, for example, stock control, invoicing, electronic proof-of-job-completion
 - Up-to-date destinations and navigation integration, allowing workforce to spend more time focusing on job completion rather than finding a destination
 - Quick communication to field workers via synchronized task list and built-in messaging systems
- **Business Intelligence** offers users a high-level view of fleet statistics, including analysis of key indicators and granular detail of asset-specific data.
- **Asset Tracking** provides a way to track and trace moveable assets to reduce losses, automate inventory management, and improve workforce efficiency, equipment utilization, and regulatory compliance.
- **Asset Recovery.** Our SVR and asset recovery services assist vehicle owners and insurance companies with the recovery of vehicles and other assets that have been, or have been alleged to have been, stolen. This service includes around-the-clock assistance with real-time tracking, dedicated technical teams, early warning alert systems, ground and air recovery teams dedicated exclusively to Cartrack operating under local law licenses, specialized technologies for both GSM and radio frequency and repatriation assistance across international borders. Our recovery success rate is considered by management to be achieved through the high reliability standards of our SaaS Platform, our smart in-vehicle devices, specialized installation techniques, miniaturization, and a dedicated team of rapid response recovery agents.
- **Insurance Telematics** allows insurers to tailor premiums for commercial and consumer customers using analytics our platform provides. This data also can be used to better reconstruct accident scenes, making it more efficient to evaluate claims and resulting in lower premiums.

Consumer Applications

- **Protector** is an all-encompassing safety package for all consumer vehicles. Following the installation of the Cartrack telematics device, consumers can access a diverse set of software features and benefits, including:
 - a mobile application for real time movement management and communication;
 - Asset Recovery;
 - Ambulance Assist (facilitating emergency medical outreach and response);
 - Crash Alert (as described below);
 - a Limited Asset Recovery Warranty pay out in the unlikely event of the vehicle not being recovered;
 - a power event notification provides alerts upon vehicle battery disconnect;
 - an ignition sensor remotely reads ignition status and detects improper use;
 - Crash Alert is a 24/7 monitoring system, which immediately triggers a dispatch for emergency services in response to a detected collision or accident.

- **Car Watch** is a mobile application that lets users track and watch their vehicles from a distance. It includes alert notifications and the ability to sound an alarm remotely after unauthorized movements.
- **Insurance Telematics** allows insurers to tailor premiums for commercial and consumer customers using analytics our platform provides. This data also can be used to better reconstruct accident scenes, making it more efficient to evaluate claims and drive behavioral change resulting in safer drivers, reduced risk and lower premiums.

Specialist Mobility Solutions

- **Bike Track** offers a GPS-based solution providing a comprehensive set of fleet management software features for commercial motorbike fleets. It includes a unique power management system that ensures bike batteries will not have to be discharged.
- **Credit Management** predicts payment cycles and facilitate active credit management for asset-based vehicle finance including accident reconstruction and driver behavior reporting for maintenance services and fraud detection. Real-time alarms and alerts are used to protect and secure assets.
- **Electronic Monitoring.** In Singapore, we provide an end-to-end electronic monitoring services (“EMS”) application that allows law enforcement agencies to monitor persons of interest, such as offenders on extended supervision, parole, home detention, or community detention, including released prisoners in halfway care or who are in the process of being reintegrated into society.

Next-Generation Mobility Solutions

We are constantly innovating to offer a range of additional mobility and monitoring solutions in select markets:

- **Carzuka**, our vehicle buying and selling marketplace is designed to allow clients to source, buy and sell vehicles efficiently and cost effectively with peace of mind. This marketplace includes vehicles sold by third parties as well as vehicles purchased and reconditioned by Cartrack.)
 - The global addressable market for used cars is anticipated to grow from 115 million vehicles in 2019 to 275 million vehicles in 2030 with South Africa making up 1.2 million of the used car market in 2019 according to industry sources.
 - Carzuka is currently in beta testing phase in South Africa, with a low volume of transactions as we continue to develop its business model and refine its processes. We expect Carzuka to enter full operation the second quarter of our 2023 financial year.
- **Cartrack Insurance Agency.** Our insurtech multi-quote or aggregator platform offering customers the ability to obtain a fast online quote from a panel of independent insurers at competitive rates or if they choose, they can talk to a qualified consultant to advise on the appropriate insurance at the right price;
- **On-Demand Rideshare Taxi Application.** We have developed a rideshare application that is currently deployed in the United Arab Emirates, and has been developed for localization in multiple geographies.

Smart IoT

Customers deploy our smart devices to collect real-time data from their vehicles and transmit this information to secure data centers for processing which we manage via the Cartrack Private Cloud. Our platform components are designed to operate using a diverse array of communication technologies, including radio, satellite, and network protocols such as Sigfox and LoRa. We generally design, develop and manufacture our devices and firmware in order to ensure their modularity and interoperability with our core subscription offering. We seek to drive device costs down over time in order to reduce the upfront investment required by our customers. In addition to sales of these devices to customers, we offer customers the option of a SaaS-based subscription model with no up-front payment, reducing the capital investment required to access our solutions.

Our solutions are both flexible and relevant across all industries and fleet sizes, and have the capability to track other types of assets. Our technology has proven to be scalable, with many use cases and subscribers in many countries. This has given us large amounts of data, which we have in turn learned to process quickly and reliably. As we continue to grow, we plan to leverage our data by integrating data science and AI more deeply into our platform. In a system that can watch fleets and drivers for our customers, operators can spend more time optimizing their businesses in other ways.

We believe our modular, proprietary designs give us an advantage over competitors who rely on third-party commodity telematics devices because we are able to provide more solutions through our devices tailored to our customers' needs. Our devices can access and leverage CANBUS data, a system which enables communication between various parts of a vehicle, such as the engine control unit and airbags, which can be commercialized through collaborations with OEMs.

Our Customers

We divide our subscriber base into the following five categories across a range of industries: (i) consumers and sole proprietors, (ii) small businesses, (iii) medium-sized businesses, (iv) large enterprises and (v) other connected devices. We define consumers and sole proprietors as individuals or business owners whose vehicles are used for personal and/or business use; these customers typically have between one to five vehicles under subscription with us. We define small businesses as commercial customers with up to 24 vehicle subscriptions with us. We define medium-sized businesses as fleets with between 25 and 99 vehicle subscriptions with us and large enterprises as having fleets with 100 or more vehicle subscriptions with us.

Our strategy for generating scale in a region is to initially build customer volume. We subsequently target larger business customers. Excellence in service to our customers is core to our values and culture. As of February 28, 2022 Karoo had more than 88,000 commercial customers compared to more than 75,000 as of February 28, 2021 driven by new customer additions and maintaining our high customer retention rate. We believe that we have a satisfied customer base given our high customer retention rate. We maintain a strong focus on internally monitoring and continuously enhancing our customer satisfaction levels. We provide 24/7 customer support as part of our subscription and our internal teams are proactive in assisting customers over the phone. Additional assistance is also available via phone, chat or email.

Representative customers by geographical regions are listed below:

South Africa: Anglo American De Beers Group, MAN Automotive South Africa, King Price Insurance, Avis Car Rental, The Courier Guy, SA Taxi Finance, Bridge Taxi Finance, Spartan Truck Hire, MultiChoice, SuperSport, Toyota South Africa Motors (including Hino), Clicks, Dis-Chem Pharmacies, Pick n Pay.

Africa: CAT/MANTRAC, Moove, Gemfields Group, Ryce Leasing, NCBA Kenya, Toyota Motors (including Hino), Aids Healthcare Foundation, Rentworks, AMS.

Europe: Central Cervejas e Bebidas, La Farge, Telefurgo, SONAE, MC Green, Galaxy JMV, Jeronimo Martins, Biedronka.

Asia-Pacific, Middle East and USA: Grab Rentals, Singapore Prison Service, Asia Brewery Inc., Ley Choon Group, Orix, Lim Siang Huat, GetGo, Huatong, Huawei, Unilever, KFC, CAT/MANTRAC, Hertz, Five Star, Dizon Farms, Lumens, Goldbell, Singapore, Red Cross Society, Coca-Cola.

Sales and Marketing

Our strategy to generate scale in the region is to target subscriber volume with consumers and sole proprietors and small businesses as we build our distribution and customer care model in such region. We then move to target the medium-sized businesses and large enterprises in such region. In all regions, we sell subscriptions of our solutions through our direct sales force.

Sales

We sell subscriptions to our SaaS fleet management platform through our direct sales organization. Maintaining direct control of our sales force allows us to efficiently target individual consumers and sole proprietors, small to medium-sized businesses with local fleets, and large enterprise fleets.

The focus of our sales efforts is to drive a high volume of transactions through a standardized and highly repeatable methodology. We focus on the core challenges that fleet operators face in managing their fleet. We are able to provide our prospects with an anticipated return on investment, or ROI, calculation that enables us to tangibly demonstrate the benefits of our solutions and how they address the challenges that our prospects face. We highlight the insights that fleet operators gain from our reports and real-time alerts and how they can use those insights to improve productivity, increase operating profitability and solve key business problems. We believe we effectively sell our solutions to large customers because our platform is competitively priced, easy to use, stable and delivers the required actionable insights. We are also able to rapidly deploy our devices into a large fleet, making switching quick and easy. Additionally, the ease of use of our platform allows us to meet our customers to integrate our solutions with relative simplicity.

We have dedicated sales and marketing teams in each region using the following sales channels, depending on our customers' needs and fleet sizes:

Inside sales and web sales. We sell via our internal teams to both consumers and commercial prospects. This is our primary sales channel and a key component of our go-to-market strategy and the teams have typically increased their sales productivity while lowering the aggregate cost of subscriber acquisition to date. Our sales agents conduct their selling activities telephonically, in some cases using live web demonstrations to convert sales leads to customers.

Field sales. Our field sales team of relationship managers meet face-to-face with prospects and focuses on sales to small businesses, medium-sized businesses and large enterprises. The field sales team is supported by a team of inside sales representatives.

In addition to the direct selling methods set forth above, our field sales teams, with support from our inside sales team, work closely with automobile dealerships, insurance companies and insurance brokers to generate channel-based opportunities for us to acquire new customers.

Furthermore, both the inside sales teams and field sales teams focus on assisting customers that are adding devices through fleet expansion or broader use of additional applications or software features across their fleet. They monitor customer usage to ensure that our customers are deriving the maximum benefit from our offering.

Marketing

Our marketing programs target both individual consumers, business owners and decision-making managers in multiple industries that operate fleets of commercial vehicles. Our marketing strategy is focused on lead generation and reinforcing customer engagement and thought leadership.

Lead generation is a core function of our business processes. We generate leads through a combination of internet-driven inbound activities and traditional outbound marketing activities.

Inbound leads. Our inbound leads are largely generated through digital or internet-based marketing efforts. This involves extensive search engine marketing, search engine optimization, email marketing, direct internet traffic, social media platforms and purchased lead generations. Our demand generation programs vary depending on our target customer, industry or fleet size, and include marketing activities, such as integrated programs on the internet, outbound marketing campaigns targeted to prospects in key industries and geographies, attendance and sponsorship of trade shows, email lead generation and prospect follow up, and traditional public relations and website properties. We make use of social media to engage customers and prospects to generate interest, demand and leads.

Outbound leads. Our outbound lead generation involves a variety of traditional marketing activities, including, customer referral, purchased leads, direct mail, email marketing, cold calling, advertising, trade shows and in-person events, and telemarketing. We accumulate marketing lists through a variety of sources, including purchased lists selected by industry and geographic demographics. We filter prospects by using industry knowledge to identify quality targets.

Our Technology

We designed our SaaS Cloud platform architecture for global access via an internet browser or mobile application. Updates to our platform are distributed instantaneously to all of our customers over the internet. Our solutions have been specifically built to deliver:

- a consistent, intuitive end-user experience to limit the need for training and to encourage high levels of end-user adoption and engagement;
- turnkey, out-of-the-box functionality;
- flexibility to design customized reports and alerts that enable our customers to gain insights into their existing fleet and mobile assets;
- integration with other systems such as OEM systems, fuel cards, GPS navigation devices, and customer information technology systems, such as work order management and enterprise resource management systems;
- scalability to match the needs of our growing customer base and their fleets; and
- rigorous security standards and high levels of system performance and availability demanded by our customers.

Our fleet management platform is comprised of a telematics device that incorporates off-the-shelf components, including a cellular modem, GPS receiver and memory capacity sufficient to run our proprietary firmware, which reports vehicle coordinates, time, speed, ignition status, and mileage from satellite readings. This information is collected using an event-based algorithm (allowing the events collected to provide a road hugging presentation on the mapping layers) and then sent to our receivers at third-party data centers via a commercial cellular network. The information is then processed and delivered to our customers providing a wide range of live reporting, mapping, and alerts designed to give customers business intelligence. This information can be accessed by our customers via an internet browser or mobile application as well as be sent to customers by email, an XML feed, or internet services.

Our SaaS platform is deployed using a multi-tenanted architecture that scales rapidly to support additional new subscribers through the addition of incremental commodity processing and storage hardware. This architecture flexibility allows us to sustain high levels of uptime without degradation of system performance despite significant subscriber growth. Our existing architecture and infrastructure has been designed with sufficient capacity to meet our current and anticipated future needs.

We use many frameworks, most notably REACT developed by Facebook, and write the majority of our software in industry-standard software programming languages, such as JavaScript, python, PHP and C/C++. All software is deployed for our relational database management system. Apart from these and other third-party industry standard technologies, our fleet management solutions have been specifically built and upgraded by our in-house development team.

Research and Development

The responsibilities of our research and development organization, which consists of 149 full-time employees, include platform management, platform development, quality assurance, and technology operations. Our investment in research and development is core to our business strategy and a key differentiator in the competitive landscape. All of our research and development activities are performed in-house. Our primary research and development organization is based in Singapore. We also have research and development operations in South Africa (where the first versions of our solutions were developed), and Portugal. Based on feedback from our customers and prospects, we work to expand our platform offerings while enhancing and maintaining our core solution technology to adapt to new regulatory compliance requirements, user demands, and emerging trends in the industry. We develop new functionality with a view to full platform deployment for use by all of our customers and avoid bespoke development.

Operations

We physically host our cloud-based SaaS platform for our customers principally in five secure third-party data centers located in South Africa, Singapore, the Netherlands, and the United Arab Emirates. These data centers provide us with both physical security, including around-the-clock security personnel, biometric access controls and systems security, including firewalls, encryption, redundant power and environmental controls. Our data centers maintained over 99.9% system uptime during the year ended February 28, 2022. We believe that our third-party hosting facilities are adequate for our current needs and that suitable additional capacity will be available as needed to accommodate planned expansion of our operations. We believe our agreements with these third-party data centers are generally consistent with competitive market terms and conditions.

Our platform technology also includes switches, routers, load balancers, IDS/IPS and application firewalls from top-tier suppliers to serve as the networking infrastructure and high levels of security infrastructure for the network environment. We use rack-mounted servers to run our solutions and for content caching. We use storage area network (“SAN”) hardware with fiber channel and solid-state drives at our data center locations. These SAN systems have been architected for high performance and data-loss protection, and we believe that these systems have the capacity and scalability to support our anticipated growth for the foreseeable future.

We leverage a large team of employed installers worldwide to install our telematics devices. On some occasions we may call on third parties to assist with installation. Upon contracting with a new customer, we dispatch the nearest installer to the customer’s place of business or a central location for installation of our telematics devices. Typically, the full installation cycle is accomplished within two to five days from the date of contract. If a telematics device malfunctions in the field, we also use our installers to replace the device.

Our Competition

The rapidly evolving market for our solutions is competitive and highly fragmented in certain of our regions, particularly by geography and customer segment. We compete with point-to-point solution providers as well as other companies with service offerings designed to address similar needs as our solutions that range from small, regional providers to midsized multinational providers to large global providers. Many of our competitors offer fleet or mobile asset management software solutions to particular industry segments or in limited geographic regions. For example, we compete with Verizon Connect, WebFleet by Bridgestone (formerly TomTom), Masternaut (a Michelin Group Company) and Fleet Complete for commercial fleet management in Europe; we compete with Tracker, Netstar, MiX Telematics, Geotab and CTrack (recently sold by Inseegeo) for both consumers and commercial customers in South Africa; and we compete with a large and fragmented group of competitors in Asia and Africa. Many larger competitors have entered the market in recent years through acquisitions of competing solutions, such as telecommunications provider Verizon acquiring Fleetmatics, as well as tire companies Bridgestone and Michelin acquiring TomTom and Masternaut, respectively. Some of our actual and potential competitors may enjoy competitive advantages over us, such as greater name recognition, longer operating histories, more varied services, and larger marketing budgets, as well as greater financial, technical, and other resources.

We believe that the key competitive factors in our market include:

- ease of onboarding, initial setup and use;
- platform functionality, performance and reliability (speed and stability);
- relevant features that best meet the needs of fleet operators;
- business intelligence capabilities;
- technology architecture scalability; and
- cost.

We believe that our efficient customer acquisition model, data driven business intelligence approach to fleet management, SaaS delivery model, deep domain expertise and large user base enable us to compete effectively. We believe that many of our competitors rely on up-front hardware sales to finance their operations. Their business models are a significant investment hurdle for certain customers. Additionally, many of these competitive offerings are difficult to deploy and use and lack other features required by customers.

Some of our competitors have made or may make acquisitions or enter into partnerships or other strategic relationships to offer a more comprehensive service than we do. These combinations may make it more difficult for us to compete effectively, including on the basis of price, sales and marketing programs, technology, or service functionality. We expect these trends to continue as companies attempt to strengthen or maintain their market positions.

Seasonality

Our business is not materially affected by seasonal trends.

Intellectual Property

Our intellectual property rights are important to our business. We rely on a combination of trademark, copyright, and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our intellectual property rights. We also license technology from third parties. We believe our license agreements for third-party software and other intellectual property are generally consistent with industry standard terms and conditions. See “Risk Factors—Our SaaS platform relies on specific third-party software and any inability to license or use such software from third-parties could render our platform inoperable.” Although the protection afforded by trademark, copyright, and trade secret laws, written agreements and common law may provide some advantages, we believe that the following factors help us to maintain a competitive advantage: the technological skills of our research and development personnel; frequent enhancements to our solutions; and continued expansion of our proprietary technology.

Human Capital

As at February 28, 2022, we had 3,508 full-time employees of which 2,456 are located in South Africa, 238 are located in Africa-Other, 242 are located in Europe, and 572 are located in Asia-Pacific, Middle East and USA. None of our employees are represented by a labor union or covered by a collective bargaining agreement.

We have a team-oriented culture and encourage candor from our employees, which we believe helps us to succeed and drive operational excellence. We also seek to, and have a history of, promoting from within our organization as well as hiring top talent from outside of our company to expand our capabilities. We aim to hire individuals who share our passion, commitment and entrepreneurial spirit. We are also committed to diversity and inclusion because we believe that diversity leads to better outcomes for our business and enables us to better meet the needs of our customers.

C. ORGANIZATIONAL STRUCTURE

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

Company Name	Held by	Country of incorporation	% holding 2022	% holding 2021
Cartrack Holdings Proprietary Limited	Karooooo Ltd	South Africa	100.0	68.1
Carzuka.com Pte Ltd	Karooooo Ltd	Singapore	100.0	100.0
Karooooo Management Company Pte. Ltd.	Karooooo Ltd	Singapore	100.0	-
Karooooo Software Pte. Ltd.	Karooooo Ltd	Singapore	100.0	-
Karooooo Proprietary Ltd	Karooooo Ltd	South Africa	100.0	-
Carzuka Pte Ltd	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 Limited	Cartrack Holdings Proprietary Limited	South Africa	100.0	100.0
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	-
Picup Technologies Proprietary Limited (“Picup”) ⁴	Cartrack Holdings Proprietary Limited	South Africa	70.1	-
Cartrack Telematics Proprietary Limited	Cartrack Proprietary Limited	South Africa	49.0	49.0
Veraspan Proprietary Limited	Cartrack Proprietary Limited	South Africa	100.0	100.0
Karu Holdings Proprietary Ltd	Cartrack Proprietary Limited	South Africa	100.0	100.0
Combined Telematics Services Proprietary Limited ¹	Cartrack Proprietary Limited	South Africa	49.0	49.0
Zonke Bonke Telecoms Proprietary Limited ¹	Cartrack Proprietary Limited	South Africa	100.0	100.0
Cartrack Tanzania Limited	Cartrack Technologies Pte. Limited	Tanzania	100.0	100.0
Retriever Limited	Cartrack Technologies Pte. Limited	Kenya	100.0	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	Cartrack Technologies Pte. Limited	United Kingdom	100.0	100.0

Company Name	Held by	Country of incorporation	% holding 2022	% holding 2021
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	51.0
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
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	Cartrack Portugal S.A.	France	100.0	-
Cartrack Limitada	Cartrack Technologies LLC	Mozambique	50.0	50.0
Auto Club LDA	Cartrack Technologies LLC	Mozambique	80.0	80.0

¹ Dormant

² Previously known as Cartrack Technologies Proprietary Limited

³ Previously known as Drive and Save Proprietary Limited

⁴ Picup has recently been re-branded to, and is thus referred to as, Karooooo logistics given the unification of platforms. Antonio Bruni, founder and CEO of Picup, and the management team, own the remaining 29.9% interest in Picup. Karooooo has the option to increase its shareholding to 83.5%.

D. PROPERTY, PLANT AND EQUIPMENT

Our principal executive office in Singapore consists of approximately 1,625 square meters of space under a lease that expires in April 2023. Our offices in Johannesburg, South Africa, included two offices with approximately 6,356 square meters of space under leases that were terminated in December 2021 following a decision to demolish the existing buildings. We entered into lease agreements for office space at two locations as set out below:

Lessee	Lessor	Address	Term
Cartrack Manufacturing Proprietary Limited	Stand 222 Republic Road (Pty) Ltd	Cnr Cherry Drive & Republic Rd, Randburg, Johannesburg, Gauteng, S.A	January 01, 2022 to December 31, 2024
Cartrack Proprietary Limited	Growthpoint Properties Limited	Grosvenor Corner, 195 Jan Smuts Avenue, Rosebank, Johannesburg, Gauteng, S.A.	April 01, 2021 to November 30, 2024

We use these facilities for finance, legal, human resources, information technology, sales, marketing and other administrative functions.

We currently have five data center sites providing coverage and high-speed access to all customers. The locations of the data centers are in the Netherlands, United Arab Emirates (Dubai), Singapore, and two in South Africa.

We believe that our facilities are adequate for our current needs and that suitable additional or substitute space will be available as needed to accommodate any potential expansion of our operations.

Item 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes thereto, included elsewhere in this annual report, as well as the information presented under "Presentation of Financial Information." The following discussion and analysis includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed elsewhere in this annual report. See "Special Note Regarding Forward-Looking Statements" and "Risk Factors."

Overview

Karoo, headquartered in Singapore, is a leading provider of an on-the-ground operations Internet of Things ("IoT") software-as-a-service ("SaaS") cloud that maximizes the value of data by providing insightful real-time data analytics and business intelligence reports. Its offering extends beyond connected vehicles and equipment, assisting diverse enterprise customers in digitally transforming their on-the-ground operations, including systems integrations, fleet administration, field worker management, video-based safety, risk mitigation, delivery management and ESG compliance and reporting. Our business is vertically integrated, which affords us complete autonomy with regards to the development of the capabilities and features that differentiate our applications as well as the speed of our innovation. Since we own and control almost every aspect of our smart device design, platform innovation and software application development, client acquisition and onboarding, customer service and the management of our back-end support, we are able to move quickly without any significant third-party dependencies and inefficiencies.

Karoo000 Limited (“Karoo000”), owns 100% of Cartrack, 100% of Carzuka and 70.1% of Picup (recently re-branded as Karoo000 Logistics given the unification of platforms).

We serve customers in 23 countries across five continents, supporting more than 1.5 million subscribers as of February 28, 2022 and our highly scalable platform serves large multinational enterprises and individual consumers alike, enabling us to address a large, growing and underpenetrated global market. At the end of 2022, we had more than 88,000 commercial customers (Fiscal 2021: 75,000+).

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 financial year February 28, 2022, 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.
- **Karoo000 Logistics** (Picup, recently re-branded as Karoo000 Logistics given the unification of platforms) 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.

Since our founding, Cartrack has gained vast expertise and enhanced our business in the following areas:

- Developing new software applications such as fleet management, mobile asset accounting, workforce management, and insurance solutions;
- Assisting diverse enterprise customers in digitally transforming their on-the-ground operations, including systems integrations, fleet administration, field worker management, video-based safety, risk mitigation, delivery management and ESG compliance and reporting.
- Developing capabilities in data management at scale as well as a broad range of communication technologies and protocols;
- Expanding our sales and marketing focus to include commercial fleets of all sizes; and
- Expanding our geographic footprint.

Our single user interface and fully integrated cloud-based SaaS platform runs on internally developed and cost-effective smart IoT devices, enabling us to deliver a unified and comprehensive service to our customers while maintaining control of our cost structure. Our discreet, sophisticated smart devices stream data to the platform, facilitating informed decisions about optimal asset efficiency and productivity, including live tracking and location of assets. Customers utilize the platform through an easily accessible web-based portal or mobile application, which is designed to be easy to deploy across customers’ entire mobile asset fleets. Our devices can be installed in a range of mobile assets independent of asset procurement, allowing our customers to integrate our solutions in existing or new vehicles. Our platform includes a wide range of reliable services to effectively serve the needs of a geographically diverse range of clients. Where appropriate, partnerships with third party technology providers are established to create incremental value to customers in the markets we serve.

We believe that maintaining strong financial discipline and prudent investment of capital provides a strong foundation for growth. For the year ended February 28, 2022, we grew our subscriber base by an additional 219,972 (2021: 179,485) subscribers to 1,525,972 (2021: 1,306,000) despite the effects of the COVID-19 pandemic. Our business has experienced scale, growth, strong profitability, and capital efficiency in recent years. For the year ended February 28, 2022, we generated subscription revenues of ZAR 2,568.2 million compared to subscription revenues of ZAR 2,209.0 million for the year ended February 28, 2021, reflecting year-over-year growth of 16%. Cartrack's subscription revenue represented 97% of Cartrack's total revenue.

Karoo's profit for the year was ZAR 476.6 million and ZAR 497.4 million, for the years ended February 28, 2022 and February 28, 2021, respectively, reflecting a year-over-year decline of 4%. This result includes Carzuka's and Karoo Logistics's losses incurred in the period (2021: Nil). Karoo is investing for the future in building Carzuka and Karoo Logistics for scale, supported by the group's strong cash flow generative business model and the ability to leverage the untapped network effects of the Cartrack platform. The business models of Karoo Logistics and Carzuka have delivered promising early results supporting scalability and good growth potential in the future.

Karoo's Adjusted EBITDA (a non-IFRS measure) for the year was ZAR 1,211.8 million and ZAR 1,125.4 million for the years ended February 28, 2022 and February 28, 2021, respectively, reflecting year-over-year growth of 8%.

Finally, we believe strong net cash generated from operating activities is an important factor in supporting our robust business model and indicates our ability to provide the capital necessary to invest in subscriber growth, territorial expansion, Carzuka and Karoo Logistics. For the years ended February 28, 2022 and February 28, 2021, respectively, we generated net cash from operating activities of ZAR 931.7 million and ZAR 937.9 million, reflecting a year-over-year decrease of less than 1% despite Karoo's continued and strategic investment into customer acquisition and long-term growth. Karoo's investment for growth contributed to the 23% increase in net subscriber additions to 219,972 in 2022 (2021: 179,485).

	<u>Cartrack</u>		<u>Karoo</u>	<u>Logistics</u>	<u>Carzuka</u>	<u>Karoo IFRS</u>	
	<u>Year-on-Year</u>				<u>Total Reported</u>		<u>Karoo</u>
	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>2022</u>		<u>2022</u>	<u>Year-on-Year</u>
							<u>Change</u>
	Statement of Profit or Loss Information (Rand Thousands)						
Revenue	2,636,800	15%	2,290,543	42,041	67,310	2,746,151	20%
Subscription revenue	2,565,745	16%	2,209,017	2,420	-	2,568,165	16%
Other revenue	71,055	(13)%	81,526	39,621	67,310	177,986	118%
Cost of sales	(832,197)	24%	(670,523)	(31,151)	(59,213)	(922,561)	38%
Gross profit	1,804,603	11%	1,620,020	10,890	8,097	1,823,590	13%
Other income	1,823	(16)%	2,166	18	-	1,841	(15)%
Operating expenses ⁽¹⁾	(1,091,090)	22%	(895,624)	(13,817)	(21,399)	(1,126,306)	26%
Sales and marketing	(321,723)	35%	(238,110)	(423)	(11,113)	(333,259)	40%
General and administration ⁽¹⁾	(539,617)	13%	(476,534)	(10,435)	(5,275)	(555,327)	17%
Research and development	(141,396)	41%	(100,138)	(2,959)	(4,883)	(149,238)	49%
Expected credit losses on financial assets	(88,354)	9%	(80,842)	-	(128)	(88,482)	9%
Operating profit ⁽¹⁾	715,336	(2)%	726,562	(2,909)	(13,302)	699,125	(4)%
Gross profit margin	68%		71%	26%	12%	66%	
Operating profit margin ⁽¹⁾	27%		32%	(7)%	(20)%	25%	

1. If excluding the ZAR 15.3 million relating to the write-off of capitalized commission assets in the fourth quarter of fiscal 2022, Cartrack's:

- Operating expenses increased 20%
- General and administration operating expenses increased 10% to ZAR 524.3 million, in line with management expectations

- *Operating profit increased 1% to ZAR 730.6 million*
- *Operating profit margin is 28%*

Factors Affecting Our Results of Operations

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the section of this annual report titled “Risk Factors.”

Subscriber Growth

We derive substantially all of our revenue from the sale of subscriptions to our SaaS cloud. For the year ended February 28, 2022, Cartrack’s subscription revenue accounted for 97% of Cartrack’s total revenue compared to 96% for the year ended February 28, 2021. We are focused on growing our subscription revenue by acquiring subscriptions from new customers and retaining and expanding subscriptions with existing customers, as we seek to utilize innovative feature enhancements on our SaaS cloud and value-added services as part of our customer acquisition and retention strategy.

We measure our success by our net subscriber base growth. We calculate net subscriber growth as the difference between gross subscriber additions and gross subscriber churn over a given period. For the year ended February 28, 2022, our gross subscriber additions were 448,160 and net subscriber growth was 219,972 compared to gross subscriber additions of 360,515 and net subscriber growth of 179,485 for the year ended February 28, 2021.

Karoo’s strong growth momentum in the number of subscribers carried through for 2022. The growing demand by small to large enterprises wanting to digitally transform their business to remain competitive prevailed throughout 2022. We were able to deliver 20% revenue growth despite the impact of the COVID-19 pandemic, as compared to the year ended February 28, 2021, primarily due to the success of our distribution infrastructure, despite persistent changing and challenging operating conditions. Karoo’s operational resilience, coupled with its profitable and robust business model, drove new customer additions, delivering continuous growth in the total number of subscribers (connected vehicles and equipment on our platform).

As expected, and a follow-on from the third quarter of fiscal 2022, the growth of our subscriber base was predominantly negatively impacted by higher-than-normal churn given the termination of customers that have not been able to economically survive the pandemic. Although the COVID-19 pandemic remains unpredictable, we believe the lagging effects of COVID-19 will soon normalize, with minimal impact expected by the third quarter of the 2023 financial year.

The Asia-Pacific, Middle East and USA region, and the European region are our key global growth focus areas. For the year ended February 28, 2022, the Asia-Pacific, Middle East and USA region and Europe region recorded a 22% and 15% increase in subscribers, respectively, while South Africa and Africa-Other achieved a 17% and 9% increase in subscribers, respectively, for the same period.

Customer Growth and Customer Retention

We rely on our proprietary internal systems and processes as well as our own sales teams to drive customer growth and minimize third-party risks in acquiring customers. Customer growth is a key driver of subscriber growth (vehicles under subscription contracts).

We offer our SaaS Cloud platform to a broad range of customers seeking a variety of mobility solutions. Neither our ability to acquire nor retain customers is dependent on any specific industry, and we have not historically been materially exposed or vulnerable to cyclical or niche business sectors. Moreover, as a result of this industry agnostic approach and our generally consistent average Revenue per subscriber (“ARPU”) in each region, our customer mix has not materially affected our results of operations. We do, however, monitor our customer mix to ensure that our sales and marketing efforts continue to be effective and evaluate exposure to customer concentration or other material risks in our subscriber base.

As of February 28, 2022 Karoo had more than 88,000 commercial customers compared to more than 75,000 as of February 28, 2021 driven by new customer additions and maintaining our high customer retention rate.

Unlike South Africa in 2022, Asia’s lockdown restrictions continued to remain stringent with extremely difficult travel and subdued economic activity, locally and from abroad, given the lingering presence of COVID-19. For the year ended February 28, 2022, 77% of our total revenues were derived from our South African operations, compared to 73% for the year ended February 28, 2021, respectively. We seek to capitalize on the growth opportunities in our other regional markets, with subscribers currently located in 23 countries worldwide. In addition to driving subscription revenue growth, we believe that our presence across multiple geographic markets and our exposure to multiple industry sectors can mitigate the risk of changing economic conditions.

Foreign Currency Fluctuations

We conduct business in multiple countries and currencies, and as a result, 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 (comprising the Company and its subsidiaries). The functional currencies of Group companies are primarily the ZAR, USD, Euro (EUR), Mozambican metical (MZN), the Singapore dollar (SGD) and Polish zloty (PLN).

(Refer to the Risk Factors note on foreign currencies on page 23 and Note 31.2 (c) on Currency Risk on page F-53)

COVID-19 Pandemic

The COVID-19 pandemic has negatively impacted the global economy, disrupted supply chains and created significant volatility in global financial markets. Our global operations are subject to risks associated with actions taken by governmental authorities to restrict certain business operations, trade or travel in response to the pandemic. Although we operate as an essential service in South Africa, Singapore and certain other countries, the pandemic has resulted in extended work stoppages and travel restrictions, decreases in vehicle production schedules, increases in customer defaults, disruptions to our supply chain and other adverse global economic impacts.

Although COVID-19 subdued the Company’s performance in 2022, the subscriber base still grew by 17% for the year. We continually evaluate the trade-off between our strong unit economics and our intended accelerated investment for growth as we now believe that we are transitioning towards an unpredictable COVID-19 endemic. This provides us with the opportunity to accelerate our investment in sales and marketing to drive customer acquisition. We are well positioned to materially increase our spend on sales and marketing to achieve even stronger growth given our track record of strong unit economics.

Karoo's global operations are subject to risks associated with actions taken by governmental authorities as a result of the COVID-19 pandemic. Karoo is actively monitoring these ongoing and potential impacts of COVID-19 in order to mitigate and minimize the impact on its business.

Key Business Metrics

We review a number of operating and financial metrics, including the following key business metrics, to evaluate the performance of our business, identify trends, formulate business plans, make strategic decisions and assess operational efficiencies. Our calculation of the key business metrics and other measures discussed below may differ from other similarly titled metrics used by other companies, securities analysts or investors.

Number of Subscribers

We have demonstrated a history of growing our subscriber base through growth in customers as a result of our proprietary platform with next-generation functionality and software features, sales-centric culture and competitive pricing. We believe that our ability to attract a range of diversified new customers and grow our subscriber base is key to building a sustainable business model. The number of subscribers on our platform directly drives our subscription revenue, which made up 97% of our total revenue for the fiscal year ended February 28, 2022. See "—Subscription Revenue." We define the number of subscribers at the end of any particular period as the total number of connected vehicles and equipment using our platform at the end of such period. As of February 28, 2022 and February 28, 2021, we had 1,525,972 and 1,306,000 subscribers, respectively, which represents net subscriber growth of 219,972 or a 23% increase from period to period as a result of gross subscriber sales of 448,160 and gross subscriber churn of 228,188.

As of February 28, 2021, and February 29, 2020, we had 1,306,000 and 1,126,515 subscribers, respectively, which represents net subscriber growth of 179,485 or a 8% increase from period to period as a result of gross subscriber sales of 360,515 and gross subscriber churn of 181,030.

	As of February 28/29			% Change	
	2022	2021	2020	2022	2021
Subscribers (as of end of period)	1,525,972	1,306,000	1,126,515	17%	16%

Subscription Revenue

Subscription revenue is a key metric we use to evaluate our business, since we derive substantially all of our revenue from the sale of subscriptions to our next-generation SaaS cloud platform. For the years ended February 28, 2022, February 28, 2021 and February 29, 2020, Karoo's subscription revenue was ZAR 2,568.2 million, ZAR 2,209.0 million and ZAR 1,887.7 million, respectively, which represents a 16% and 17% increase respectively compared to the prior period, as a result of resilient subscriber growth.

	Year ended February 28/29			% Change		
	2022	2022	2021	2022	2021	
(U.S.\$ thousands ⁽¹⁾)						
		(in R thousands)				
Subscription Revenue	166,791	2,568,165	2,209,017	1,887,717	16%	17%

(1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

Adjusted Earnings Before Interest Depreciation Taxation and Amortization (“Adjusted EBITDA”) (a non-IFRS measure)

In addition to our results determined in accordance with IFRS, we believe Adjusted EBITDA, a non-IFRS measure, is useful in evaluating our operating performance. We define Adjusted EBITDA, a non-IFRS measure, as profit less finance income plus finance costs, fair value changes to derivative assets, taxation, depreciation and amortization, plus once-off IPO costs, plus a write-off of capitalized commission assets of ZAR 15.3 million through profit and loss in 2022. In addition to our results determined in accordance with IFRS, we believe Adjusted EBITDA, a non-IFRS measure, is useful in evaluating our operating performance. We use Adjusted EBITDA in our operational and financial decision-making and believe Adjusted EBITDA is useful to investors because similar measures are frequently used by securities analysts, investors, ratings agencies and other interested parties to evaluate our competitors and to measure profitability. However, non-IFRS financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with IFRS. Investors are encouraged to review the related IFRS financial measure and the reconciliation of Adjusted EBITDA to profit, its most directly comparable IFRS financial measure, and not to rely on any single financial measure to evaluate our business.

	Year ended February 28/29				% Change	
	2022	2022	2021	2020	2022	2021
	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)				
Profit for the year	30,953	476,607	497,420	443,526	(4)%	12%
Less: Finance income	(395)	(6,083)	(4,358)	(2,592)	40%	68%
Add: Finance costs	801	12,331	9,302	16,831	33%	(45)%
Add: Fair value changes to derivate assets	33	506	-	-	100%	-
Add: Taxation	13,345	205,476	198,628	173,157	3%	15%
Add: Depreciation of property, plant and equipment and amortization of intangible assets	32,301	497,359	398,792	295,762	25%	35%
Add: IPO costs	668	10,288	25,570	-	(60)%	100%
Add: Capitalized commission assets written-off ⁽²⁾	994	15,301	-	-	100%	-
Adjusted EBITDA (a non-IFRS measure)	78,700	1,211,785	1,125,354	926,684	8%	21%
Profit Margin	17%	17%	22%	23%		
Adjusted EBITDA Margin (a non-IFRS measure)	44%	44%	49%	48%		

(1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

(2) During the financial year ended February 28, 2022, the Group uncovered collusion between a few insurance brokers and certain staff members. This resulted in a write-off of capitalized commission assets, of ZAR 15.3 million (2021: Nil) 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 prior periods is not material.

For the years ended February 28, 2022 and February 28, 2021, Adjusted EBITDA was ZAR 1,211.8 million and ZAR 1,125.4 million, respectively which represents an 8% increase period over period, primarily due to consistent profitability as a result of robust subscriber and subscription revenue growth offset by investment for growth. This result includes Carzuka’s and Karoo000 Logistics’s losses incurred in the period (2021: Nil). Karoo000 is investing for the future in building Carzuka and Karoo000 Logistics for scale, supported by the group’s strong cash flow generative business model and the ability to leverage the untapped network effects of the Cartrack platform. The business models of Karoo000 Logistics and Carzuka have delivered promising early results supporting scalability and good growth potential in the future.

For the years ended February 28, 2021 and February 29, 2020, Adjusted EBITDA was ZAR 1,125.4 million and ZAR 926.7 million, respectively, which represents a 21% increase from period to period, largely due to an increase in profitability as a result of strong subscriber and subscription revenue growth with improving operational efficiencies due to the expansion of proprietary internal systems and increase in scale.

Free Cash Flow and Free Cash Flow Margin (a non-IFRS measure)

In addition to our results determined in accordance with IFRS, we believe free cash flow and free cash flow margin, which are non-IFRS measures, are useful in evaluating our operating performance. Free cash flow is a non-IFRS financial measure that we calculate as net cash generated from operating activities less purchases of property, plant and equipment. Free cash flow margin is calculated as free cash flow divided by revenue. We believe that free cash flow and free cash flow margin are useful indicators of liquidity and the ability of the Company to turn revenues into free cash flow, respectively, that provide information to management and investors about the amount of cash generated from our operations that, after the investments in property and equipment and capitalized internal-use software, can be used for strategic initiatives, including investing in our business, and strengthening our financial position. However, non-IFRS financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with IFRS. In particular, free cash flow does not reflect any restrictions on the transfer of cash and cash equivalents within the group or any requirement to repay the group's borrowings and does not take into account cash flows that are available from disposals or the issue of shares. Management therefore takes such factors into account in addition to free cash flow when determining the resources available for acquisitions and for distribution to shareholders. Investors are encouraged to review the related IFRS financial measure and the reconciliation of this non-IFRS financial measure to its most directly comparable IFRS financial measure, and not to rely on any single financial measure to evaluate our business.

	Year ended February 28/29				% Change	
	2022	2022	2021	2020	2022	2021
	(U.S.\$ thousands (¹))	(in R thousands)				
Net cash generated from operating activities	60,510	931,706	937,851	901,224	(1)%	4%
Less: purchase of property, plant and equipment	(35,891)	(552,634)	(478,036)	(388,723)	16%	23%
Free cash flow (a non-IFRS measure)	24,619	379,072	459,815	512,501	(18)%	(10)%
Net cash generated from operating activities as a percentage of revenue	34%	34%	41%	46%		
Less: purchase of property, plant and equipment as a percentage of revenue	(20)%	(20)%	(21)%	(20)%		
Free cash flow margin (a non-IFRS measure)	14%	14%	20%	26%		

(1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

We calculate free cash flow as net cash generated from operating activities less purchases of property, plant and equipment. Free cash flow margin is calculated as free cash flow divided by revenue.

For the years ended February 28, 2022 and February 28, 2021, free cash flow was ZAR 379.1 million and ZAR 459.8 million, respectively, which represents a 18% decrease period over period primarily due to a 1% decrease in net cash generated from operating activities at ZAR 931.7 million (2021: ZAR 937.9 million) given Karoo's continued and strategic investment into customer acquisition and long-term growth and Karoo's strategic decisions to increase its investment into property, plant and equipment and infrastructure (predominantly being telematics devices and components) with ZAR 552.6 million invested during 2022, 16% more than the ZAR 478.0 million invested in 2021.

For the years ended February 28, 2021 and February 29, 2020, free cash flow was ZAR 459.8 million and ZAR 512.5 million, respectively, which represents a 10% decrease period over period primarily due to a 4% growth in cash generated by operations offset by a strategic increase in telematics devices and components included in its investment into property, plant and equipment and infrastructure.

Free cash flow margin was 14% and 20%, respectively, for the years ended February 28, 2022 and February 28, 2021 and was 20% and 26%, respectively, for the years ended February 28, 2021 and February 29, 2020, respectively.

Annualized Recurring Revenue (“SaaS ARR”) (a non-IFRS measure)

We use SaaS ARR, a non-IFRS measure, as a measure of our revenue trend and an indicator of our future revenue opportunity from existing recurring customer contracts, assuming zero cancellations. We define SaaS ARR as the annual run rate subscription revenue of subscription agreements from all customers at a point in time, calculated by taking the monthly subscription revenue for all customers during that month and multiplying by 12. SaaS ARR is not adjusted for the impact of any known or projected future customer cancellations, service upgrades or downgrades or price increases or decreases. The amount of actual revenue that we recognize over any 12-month period is likely to differ from SaaS ARR at the beginning of that period, sometimes significantly. This may occur due to subsequent changes in our pricing, service cancellations, upgrades or downgrades and acquisitions or divestitures. Our calculation of SaaS ARR may differ from similarly titled metrics presented by other companies. The following table shows our SaaS ARR for each of the periods presented calculated using subscription revenue for the last month in each period:

	As of February 28/29				% Change	
	2022	2022	2021	2020	2022	2021
	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)				
SaaS Annualized Recurring Revenue (a non-IFRS measure)	177,145	2,727,588	2,377,108	2,021,880	15%	18%

(1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

As at February 28, 2022 and February 28, 2021, SaaS ARR was ZAR 2,727.6 million and ZAR 2,377.1 million, respectively, which represents a 15% increase from period to period, as a result of strong subscriber growth offset by a 2% decrease in ARPU due to adverse currency fluctuations.

As at February 28, 2021 and February 29, 2020, SaaS ARR was ZAR 2,377.1 million and ZAR 2,021.9 million, respectively, which represents a 18% increase from period to period, as a result of strong subscriber growth and a 2% increase in ARPU.

Average Revenue Per Subscriber (“ARPU”)

ARPU measures the monetization of Karoo’s platform and is an indicator of pricing efficiency, competitiveness and market positioning. On an annual basis, ARPU is calculated as the average of the four quarterly ARPUs in that year. The Group’s ARPU has been fairly consistent since inception more than 15 years ago. Management believes that ARPU of approximately ZAR 150 provides attractive margins and sustainable growth in most countries.

The following table shows our historical ARPU for each of the periods presented:

	Year ended February 28/29				% Change	
	2022	2022	2021	2020	2022	2021
	(U.S.\$ ⁽¹⁾)	(in R’s)				
ARPU for the fiscal year	10	151	154	151	(2)%	2%

(1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

Components of Our Results of Operations

Revenue

Our revenue is substantially derived from the provision of mobility data analytics solutions on a subscription-based model typically under monthly SaaS subscription contracts. Our revenue is driven primarily by the number of assets under subscription to our SaaS platform and the price per asset under subscription contracts. Hardware sales, including sales to our licensees, installation revenue and royalties we receive from our licensees make up a minimal component of total revenue. Our initial per subscriber (or vehicle) contract terms are generally 36 months with automatic monthly renewals thereafter and may not be cancelled without penalty prior to the completion of the initial term. The average duration of our subscription contracts is 60 months. In some instances, we charge our customers for a ratable portion of the contract on a periodic basis, generally in advance on a monthly basis and in certain regions we apply annual escalations to the contract pricing. However, our customers may prepay all or part of their contractual obligations for the full initial contract term.

Cost of Sales

Cost of sales consists primarily of costs related to the depreciation and amortization of capitalized subscriber acquisition costs, which includes the telematics device, the cost of the installation and direct commissions paid to our sales staff. Other components of cost of sales include non-capitalized automotive technician costs, machine to machine (“M2M”) network communications costs and the costs of delivering safety and asset recovery services to our customers, including such costs incurred by our licensees. We capitalize the cost of installed telematics devices and direct sales commissions and depreciate these costs over the expected useful life of the subscriber, which is currently 60 months. We pay commissions to our sales staff only once a telematics device is installed and activated. If a customer subscription agreement is cancelled prior to the end of the expected useful life of the subscriber, the depreciation period is accelerated resulting in the carrying capitalized value being expensed in the then-current period. If an installed telematics device requires replacement for defect, the cost is taken as an expense in the replacement period. Less significant cost of sales items include expenditures incurred in connection with our asset recovery warranty program, (which is determined based on historical loss data observed over a period of at least the past five years) and mapping costs. Our cost of sales is generally driven by the number of assets under subscription and solutions provided. We expect the cost of sales in absolute terms to increase with subscriber growth. Cost of sales also includes the cost of vehicles bought for and sold via the Carzuka platform.

Other Income

Other income substantially consists of the profit on sales of fixed assets and other less significant items.

Operating Expenses

Other operating expenses consist of sales and marketing, research and development, general and administration and expected credit losses on financial assets.

Sales and Marketing

Sales and marketing expenses consist primarily of wages and benefits for sales and marketing personnel, and other marketing, advertising and promotional costs. Marketing and advertising costs consist primarily of pay-per-click advertising with search engines, social media advertising and other online and traditional advertising media, as well as the costs to create and produce these advertisements. Marketing and advertising costs are expensed as incurred.

We expect sales and marketing expenses to increase in absolute terms and to continue to be one of the largest components of operating expenses. Moreover, although sales and marketing expenses may fluctuate as a percentage of subscription revenue from period to period, our long-term target is for sales and marketing expenses to increase as a percentage of our subscription revenue.

General and Administration

General and administration expenses consist primarily of wages and benefits for administrative services, human resources, internal information technology support, executive, legal, finance and accounting personnel; professional fees; expenses for business application software licenses; non-income related taxes; other corporate expenses, such as insurance; and general office related expenses, such as rent and utilities.

In addition to the above, general and administration expenses consist of depreciation relating to other property, plant and equipment, excluding those related to subscriber acquisition costs, which are included in cost of sales, and the amortization of intangible assets relating to purchased computer software infrastructure.

We expect that administration and other expenses will increase as we continue to add personnel in connection with the anticipated growth of our business. In addition, we anticipate that we will also incur additional personnel expenses, professional service fees, including auditing and legal fees, and insurance costs related to operating as a public company in the United States of America. However, notwithstanding these additional expenses, our long-term target is to reduce general and administration expenses as a percentage of subscription revenue.

Research and Development

Research and development expenses consist of wages and benefits for hardware engineers, product management and software development personnel, technology experimental costs and the amortization of intangible assets relating to capitalized development costs. We have focused our research and development efforts on improving ease of use, functionality and technological scalability of our SaaS platform as well as on expanding and developing new offerings. The majority of our research and development employees are located in Singapore, South Africa and Portugal. Research and development costs that qualify for capitalization, such as costs related to new generation smart devices and our SaaS platform, are capitalized and amortized over 3 years.

We believe that continued investment in our technology is important for our future growth, and as a result, we expect research and development expenses to increase in absolute dollars, although they may fluctuate as a percentage of subscription revenue from period to period.

Expected Credit Losses on Financial Assets

Expected credit losses on financial assets consist of bad debts expensed, the movement on the expected credit loss provision and any bad debts recovered.

IPO costs

Costs relating directly to the IPO.

Finance Income

Finance income consists of interest earned on positive bank balances.

Finance Costs

Finance costs consist of interest paid on bank overdraft facilities, interest bearing loans, lease obligations and interest charges on outstanding taxes.

Taxation

Taxation consists primarily of current and deferred income tax and a minimal component of withholding tax.

Non-Controlling Interest

The non-controlling interest principally relates to a portion of Karoo's subsidiaries not owned by the parent, Karoo. Subsequent to the acquisition of the remaining 31.9% stake in Cartrack Holdings Proprietary Limited, there is no material non-controlling interest as at February 28, 2022.

Results of Operations

The following table sets forth our results of operations for the periods presented.

Consolidated Statement of Profit and Loss Data:	Year ended February 28/29				% Change	
	2022	2022	2021	2020	2022	2021
	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)				
Revenue	178,350	2,746,151	2,290,543	1,941,893	20%	18%
Cost of sales	(59,916)	(922,561)	(670,523)	(574,770)	38%	17%
Gross profit	118,434	1,823,590	1,620,020	1,367,123	13%	18%
Other income	120	1,841	2,166	1,867	(15)%	16%
Operating expenses	(73,149)	(1,126,306)	(895,624)	(738,068)	26%	21%
Sales and marketing ⁽³⁾	(21,644)	(333,259)	(238,110)	(177,870)	40%	34%
General and administration ⁽⁴⁾	(36,066)	(555,327)	(476,534)	(460,402)	17%	4%
Research and development ⁽⁵⁾	(9,692)	(149,238)	(100,138)	(44,924)	49%	123%
Expected credit losses on financial assets	(5,747)	(88,482)	(80,842)	(54,872)	9%	47%
Operating profit	45,405	699,125	726,562	630,922	(4)%	15%
Initial public offering costs ("IPO")	(668)	(10,288)	(25,570)	-	(60)%	100%
Finance income	395	6,083	4,358	2,592	40%	68%
Finance costs	(801)	(12,331)	(9,302)	(16,831)	33%	(45)%
Fair value changes to derivative assets	(33)	(506)	-	-	100%	-
Profit before taxation	44,298	682,083	696,048	616,683	(2)%	13%
Taxation	(13,345)	(205,476)	(198,628)	(173,157)	3%	15%
Profit for the year	30,953	476,607	497,420	443,526	(4)%	12%
Profit attributable to:						
Owners of the parent	29,222	449,953	318,183	289,882	41%	10%
Non-controlling interest	1,731	26,654	179,237	153,644	(85)%	17%
	<u>30,953</u>	<u>476,607</u>	<u>497,420</u>	<u>443,526</u>	<u>(4)%</u>	<u>12%</u>
Earnings per share						
Basic and diluted earnings per share (US\$'s & R's)	0.99	15.24	15.65	14.26	(3)%	10%
Adjusted earnings per share (a non-IFRS measure)⁽²⁾						
Adjusted basic and diluted earnings per share (a non-IFRS measure) (US\$'s & R's)	1.05	16.10	16.91	14.26	(5)%	19%

	Year ended February 28/29			
	2022	2022	2021	2020
	(U.S.\$ thousands ⁽¹⁾)			(in R thousands)
Reconciliation of basic and diluted earnings and adjusted earnings per share (a non-IFRS measure)				
Reconciliation between basic earnings and adjusted earnings (a non-IFRS measure)				
Profit attributable to ordinary shareholders	29,222	449,953	318,183	289,882
Adjust for:				
IPO costs	668	10,288	25,570	-
Capitalized commission assets written-off	994	15,301	-	-
Adjusted profit attributable to ordinary shareholders (a non-IFRS measure)	30,884	475,542	343,753	289,882
Weighted average number of ordinary shares in issue at period end (000's) on which the per share figures have been calculated	29,528	29,528	20,333	20,333
Basic and diluted earnings per share	0.99	15.24	15.65	14.26
Adjusted basic and diluted earnings per share (a non-IFRS measure)	1.05	16.10	16.91	14.26

- (1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.
- (2) Adjusted earnings per share, a non-IFRS measure, is defined as earnings per share in accordance with IFRS excluding the impact of non-recurring expenses relating to the IPO and a write-off of capitalized commission assets. For the year ended February 28, 2022, IPO costs of ZAR 10.3 million were expensed (2021: ZAR 25.6 million) and ZAR 15.3 million (2021: Nil) of capitalized commission assets were written off through profit and loss in 2022. A reconciliation from earnings per share to Adjusted earnings per share, a non-IFRS measure, is presented.
- (3) Sales and marketing expenses for the year ended February 28, 2021 has included the costs associated with the provision of motor vehicles to sales staff of ZAR 11.9 million. An amount of ZAR 13.1 million for the provision of motor vehicles to sales staff was incorrectly recorded to general and administration costs for the year ended February 29, 2020. The error was corrected prospectively as the impact to the year ended February 29, 2020 is not material.

- (4) General and administration expenses now exclude the costs associated with the provision of motor vehicles to sales staff and the amortization of capitalized research and development expenditure. An amount of ZAR 13.1 million for the provision of motor vehicles to sales staff and ZAR 9.2 million for the amortization of capitalized research and development expenditure was incorrectly recorded to general and administration costs for the year ended February 29, 2020. The error was corrected prospectively as the impact the year ended February 29, 2020 is not material.
- (5) Research and development for the year ended February 28, 2021 has included the amortization of capitalized research and development expenditure of ZAR 23.0 million. An amount of ZAR 9.2 million for the amortization of capitalized research and development expenditure was incorrectly recorded to general and administration costs for the year ended February 29, 2020. The error was corrected prospectively as the impact to the year ended February 29, 2020 is not material.

Comparison of Results for the Year Ended February 28, 2022 and February 28, 2021

Revenue

Revenue increased ZAR 455.6 million, or 20%, for the year ended February 28, 2022 compared to the year ended February 28, 2021 driven by Cartrack's robust business model that delivered a 17% increase in net subscribers from 1,306,000 to 1,525,972, bolstered by the revenue contribution from Carzuka of ZAR 67.0 million (2021: Nil) and Karoo Logistics of ZAR 42.0 million (2021: Nil). Subscription revenue increased by ZAR 359.1 million, or 16%, to ZAR 2,568.2 million for the year ended February 28, 2022 from ZAR 2,209.0 million for the year ended February 28, 2021. Net subscriber growth increased 23% from 179,485 for the year ended February 28, 2021 to 219,972 for the year ended February 28, 2022 due to higher gross subscriber additions of 448,160 when compared to the prior year's 360,515, a year-over-year growth in gross subscriber additions of 24% despite the effects of the COVID-19 pandemic.

As expected, the growth of our subscriber base was predominantly negatively impacted by higher-than-normal gross subscriber churn of 228,188 for the year ended February 28, 2022, compared to 181,030 for the year ended February 28, 2021, an increase of 26%, given the termination of customers that have not been able to economically survive the pandemic.

Cartrack has high revenue visibility with subscription revenue accounting for 97% of its total revenue for the year ended February 28, 2022 compared to 96% for the year ended February 28, 2021.

Cost of Sales

Karoo's cost of sales increased ZAR 252.0 million, or 38%, for the year ended February 28, 2022 compared to the year ended February 28, 2021. This was primarily due to the additional amounts recognized in cost of sales of ZAR 90.4 million relating to Carzuka and Karoo Logistics for the year ended February 28, 2022 compared to nil for the year ended February 28, 2021.

Cartrack's cost of sales increased ZAR 161.7 million, or 24%, for the year ended February 28, 2022 compared to the year ended February 28, 2021 as a result of economic headwinds and the higher-than-normal churn given the termination of customers that have not been able to economically survive the pandemic, increasing the write-off of related telematics devices accounted for as property, plant and equipment. The Group has capitalized telematics devices designated for installation in customer vehicles which were historically accounted for as inventory.

Other Income

Other income decreased R0.3 million, or 15%, for the year ended February 28, 2022 compared to the year ended February 28, 2021. This was due to a higher profit on sale of fixed assets in the prior year, the year ended February 28, 2021.

Operating Expenses

Operating expenses increased ZAR 230.7 million, or 26%, for the year ended February 28, 2022 compared to the year ended February 28, 2021, impacted by Karoo Logistics and Carzuka operating expenses of ZAR 13.8 million and ZAR 21.4 million respectively incurred in the year ended February 28, 2022, compared to nil in the year ended February 28, 2021. Cartrack's operating expenses increased ZAR 195.5 million, or 22%, for the year ended February 28, 2022 compared to the year ended February 28, 2021 given Cartrack's continued preparation for future growth.

Operating expenses for the year ended February 28, 2022 were negatively impacted during the fourth quarter when Cartrack management uncovered collusion between a few insurance brokers and certain staff members. This resulted in a write-off of capitalized commission assets of ZAR 15.3 million through profit and loss in 2022. The write-off was recognized in general and administration operating expenses in the fourth quarter of the year ended February 28, 2022. The error was corrected prospectively as the impact to prior periods is not material. Internal mitigation procedures have been implemented, criminal charges against parties involved have been laid with the South African Police Service (SAPS) and relevant staff members have been dismissed. Excluding the write-off of capitalized commission assets of ZAR 15.3 million through profit and loss, Cartrack's operating expenses increased 20% to ZAR 1,075.8 million for the year ended February 28, 2022, compared to the year ended February 28, 2021.

The increase in operating expenses is set forth in more detail below:

Sales and Marketing

	Year ended February 28			% Change
	2022	2022	2021	
	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)		
Sales and marketing	(21,644)	(333,259)	(238,110)	40%

(1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

Karoo's sales and marketing operating expenses increased by ZAR 95.1 million or 40% for the year ended February 28, 2022 compared to the year ended February 28, 2021, impacted by Karoo Logistics and Carzuka, sales and marketing operating expenses of R0.4 million and ZAR 11.1 million respectively incurred in the year ended February 28, 2022, compared to nil in the year ended February 28, 2021. Cartrack's sales and marketing operating expenses increased ZAR 83.6 million, or 35%, for the year ended February 28, 2022 compared to the year ended February 28, 2021 with a significant recruitment drive focused mainly on sales and customer experience. Sales and marketing basic salaries are a major component of the cost of acquiring new customers and are not expensed over the expected life span of a customer, but rather when incurred. This component increased ZAR 68.4 million or 45% for the year ended February 28, 2022.

We believe that the continued and strategic investment in enhancing our vertically integrated sales and marketing capabilities to leverage our go-to-market strategy drives customer acquisition and places us well for long term growth and margin expansion. The group had net subscriber additions of 219,972 in the year ended February 28, 2022, 23% higher than in the year ended February 28, 2021, primarily as a result of an increased investment in sales and marketing expenditure which generally takes approximately 6 months to translate into customer acquisition.

General and Administration

	Year ended February 28			% Change
	2022	2022	2021	
	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)		
General and administration ⁽²⁾	(36,066)	(555,327)	(476,534)	17%

(1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) Excluding the impact of the write-off of capitalized commission assets of ZAR 15.3 million incurred in the fourth quarter of the year ended February 28, 2022, compared to nil in the year ended February 28, 2021, Karoo000's general and administration as a percentage of subscription is 21%.

Karoo000's general and administration operating expenses increased by 17% to ZAR 555.3 million for the year ended February 28, 2022 from ZAR 476.5 million for the year ended February 28, 2021. The increase of ZAR 78.8 million includes Karoo000 Logistics' and Carzuka's general and administration operating expenses of ZAR 10.4 million and ZAR 5.3 million respectively incurred in the year ended February 28, 2022, compared to nil in the year ended February 28, 2021. Excluding the write-off of capitalized commission assets of ZAR 15.3 million through profit and loss in the year ended February 28, 2022, compared to nil in the year ended February 28, 2021, Cartrack's general and administration operating expenses increased ZAR 47.7 million, or 10%, as a result of growth, favorably offset by continued realization of economies of scale and increased staff productivity as a result of investment in internal systems

Research and Development

	Year ended February 28			% Change
	2022	2022	2021	
	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)		
Research and Development	(9,692)	(149,238)	(100,138)	49%

(1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

Karoooo's research and development operating expenses increased by ZAR 49.1 million or 49% for the year ended February 28, 2022 compared to the year ended February 28, 2021, impacted by Karoooo Logistics and Carzuka's research and development operating expenses of ZAR 3.0 million and ZAR 4.9 million respectively incurred in the year ended February 28, 2022, compared to nil in the year ended February 28, 2021. Cartrack's research and development operating expenses increased ZAR 41.3 million, or 41%, for the year ended February 28, 2022 compared to the year ended February 28, 2021 as the group continued its investment for improvement, enrichment and expansion of its connected cloud during the year ended February 28, 2022.

Expected Credit Losses on Financial Assets

Expected credit losses on financial assets increased ZAR 7.6 million, or 9%, for the year ended February 28, 2022 compared to the year ended February 28, 2021. Growth in expected credit losses is partly as a result of revenue growth and partly due to pandemic-related bad debt. The method in providing for expected credit losses is consistent with prior years or pre-pandemic conditions.

IPO Costs

The total IPO costs (including underwriters fees) have amounted to ZAR 85.1 million of which ZAR 35.9 million has been expensed (ZAR 25.6 million in the fourth quarter of fiscal 2021 and ZAR 10.3 million in the first quarter of fiscal 2022) and ZAR 49.2 million has been set-off against share capital.

Finance Income

Finance income increased ZAR 1.7 million, or 40%, for the year ended February 28, 2022 compared to the year ended February 28, 2021. This was primarily due to an increase in interest earned on positive bank balances during the course of the year.

Finance Costs

Finance costs increased ZAR 3.0 million, or 33%, for the year ended February 28, 2022 compared to the year ended February 28, 2021. This was primarily due to marginally higher loan balances and capitalized lease obligations.

Taxation

Our total effective tax rate for the year ended February 28, 2022 was 30.1%, which increased from 28.5% for the year ended February 28, 2021. This was primarily due to more taxes incurred in the year ended February 28, 2022, partly attributable to some operating entities becoming profitable and as a result, taxable during the year.

There is no dividends tax in Singapore.

See Note 24 to the accompanying consolidated financial statements included elsewhere in this annual report for a detailed reconciliation of the tax expense.

Non-Controlling Interest

Profit attributable to non-controlling interest, relates to a portion of Karoooo's subsidiaries not owned by the parent and decreased by ZAR 152.6 million or 85%, for the year ended February 28, 2022 compared to the year ended February 28, 2021. Subsequent to the acquisition of the remaining 31.9% stake in Cartrack, there is no material non-controlling interest as at February 28, 2022. Therefore, this decrease is primarily due to Cartrack's delisting from the JSE when Karoooo acquired the minority interest and took control of 100% interest in Cartrack on April 21, 2021. In the prior period, the year ended February 28, 2021, Karoooo owned 68.1% of Cartrack and profit attributable to non-controlling interest, related to the public shareholders in Cartrack.

Segment Information

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 financial year ended February 28, 2022, 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.
- Karoosoo 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 subscription revenue, total revenue and operating profit or loss.

The segment information provided to the Group CEO, for the reportable segments for the financial years ended February 28, 2022 and 2021 is as follows:

The following table sets forth the segment revenue, operating profit, operating profit margin, adjusted EBITDA and adjusted EBITDA margin for the periods presented.

	Year ended February 28									
	Cartrack			% Change	Carzuka		Karoosoo Logistics		Karoosoo Consolidated	
	2022	2022	2021		2022	2022	2022	2022	2022	2022
(U.S.\$ thousands ⁽¹⁾)	(in R thousands)		(U.S.\$ thousands ⁽¹⁾)	(in R thousands)	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)
Subscription revenue	166,634	2,565,745	2,209,017	16%	-	-	157	2,420	166,791	2,568,165
Other revenue	4,615	71,055	81,526	(13)%	-	-	-	-	4,615	71,055
Carzuka’s Vehicle sales	-	-	-		4,371	67,310	-	-	4,371	67,310
Delivery service	-	-	-		-	-	2,573	39,621	2,573	39,621
Segment revenue	171,249	2,636,800	2,290,543	15%	4,371	67,310	2,730	42,041	178,350	2,746,151
Segment operating profit/(loss)	46,458	715,336	726,562	(2)%	(864)	(13,302)	(189)	(2,909)	45,405	699,125
Segment operating profit margin		27%	32%			12%		26%		25%
Adjusted EBITDA	79,740	1,227,798	1,125,354	9%	(858)	(13,205)	(182)	(2,808)	78,700	1,211,785
Adjusted EBITDA Margin		47%	49%			(20)%		(7)%		44%

Reconciliation of segment operating profit to segment adjusted EBITDA (a non-IFRS measure)

	Year ended February 28, 2022			
	Cartrack	Carzuka	Karoo0000 Logistics	Karoo0000 Consolidated
	in R thousands			
Segment operating profit/(loss)	715,336	(13,302)	(2,909)	699,125
Depreciation and amortization	497,161	97	101	497,359
Capitalized commission assets written-off	15,301	-	-	15,301
Adjusted EBITDA	1,227,798	(13,205)	(2,808)	1,211,785

The following table sets forth the geographical region by subscriber numbers, subscription revenue and total revenue for the Cartrack business unit at the end of the periods presented.

	Cartrack											
	Year ended February 28											
	Subscriber		% Change	Subscription Revenue				% Change	Total Revenue			% Change
	2022	2021		2022	2022	2021	2022		2022	2021		
(in Units)			(U.S.\$ thousands (1))	(in R thousands)			(U.S.\$ thousands (1))	(in R thousands)				
South Africa	1,185,528	1,013,751	17%	127,659	1,965,631	1,621,636	21%	130,788	2,013,802	1,681,928	20%	
Africa-Other	67,965	62,222	9%	5,784	89,052	93,752	(5)%	6,561	101,019	105,895	(5)%	
Europe	127,336	111,091	15%	14,538	223,846	214,459	4%	14,916	229,671	219,866	4%	
Asia-Pacific, Middle East & USA	145,143	118,936	22%	18,653	287,216	279,170	3%	18,984	292,308	282,854	3%	
Total	1,525,972	1,306,000	17%	166,634	2,565,745	2,209,017	16%	171,249	2,636,800	2,290,543	15%	

South Africa

This region, being less impacted by COVID-19 operating restrictions, allowed Karoo0000 to leverage its strong market position and well-established national distribution network to deliver strong subscriber growth in the year, contributing to Karoo0000's robust financial performance. Revenue for South Africa increased ZAR 331.9 million, or 20%, for the year ended February 28, 2022 driven by and a 21% increase in subscription revenue of ZAR 344.0 million as a result of net subscriber growth of 171,777 subscribers.

Africa-Other

This region remains a positive cash generator and is strategic to Karoo0000's operations in Eastern and Southern Africa. While the number of subscribers increased 9% to 67,965 for the year ended February 28, 2022 (2021: 62,222) subscription revenue decreased ZAR 4.7 million or 5% as a result of adverse currency fluctuations and the fact that customers in Africa are facing cash flow and operational difficulties which are driven by the after effect of the COVID-19 pandemic and the economic downturn experienced on the African continent. Significant operational reorganization made in the fourth quarter of the year ended February 28, 2022 is expected to gain traction into the 2023 financial year and has already resulted in encouraging customer additions in Africa. This includes the expansion of partnerships with OEMs which are a springboard for future collaboration, given our shared commitment to continually enhance the distinctive value proposition we offer our customers across Africa and the rest of the world.

Europe

Revenue for Europe increased ZAR 9.8 million, or 4%, for the year ended February 28, 2022 compared to the year ended February 28, 2021, primarily due to an increase in subscription revenue of ZAR 9.4 million, driven by subscriber growth of 15% to 127,336 subscribers across the region at February 28, 2022, negatively impacted by adverse currency fluctuations.

Asia-Pacific, Middle East and USA

Revenue for Asia-Pacific, Middle East and USA increased ZAR 9.5 million, or 3%, for the year ended February 28, 2022 compared to the year ended February 28, 2021. Subscription revenue growth was driven by the number of subscribers in this region increasing 22% to 145,143 commercial subscribers at February 28, 2022 (2021: 118,936) negatively impacted by adverse currency fluctuations resulting in a 3% increase in subscription revenue to ZAR 287.2 million. Despite persistent operating restrictions resulting in the inability to deploy talent and efficiently transfer knowledge into the Asia Pacific region, the number of subscribers in this region grew.

Our investment in the United States is strategic in nature, as it continues to yield key insights that have positively contributed to the Company, despite its relative size.

Comparison of Results for the Year Ended February 28, 2021 and February 29, 2020

Revenue

Revenue increased ZAR 348.7 million, or 18%, for the year ended February 28, 2021 compared to the year ended February 29, 2020. Subscription revenue increased by ZAR 321.3 million, or 17%, to ZAR 2,209.0 million (or 96% of total revenue) for the year ended February 28, 2021 from ZAR 1,887.7 million (or 97% of total revenue) for the year ended February 29, 2020. This was primarily due to a 16% increase in net subscribers from 1,126,515 to 1,306,000 for the relevant periods and an increase in ARPU from ZAR 151 for the year ended February 29, 2020 to ZAR 154 for the year ended February 28, 2021. Net subscriber growth increased 8% from 165,717 for the year ended February 29, 2020 to 179,485 for the year ended February 28, 2021 due to higher gross subscriber additions of 360,515 when compared to the prior year's 342,238, a year-over-year growth in gross subscriber additions of 5% despite the effects of the COVID-19 pandemic.

Hardware and other revenue increased 50% to ZAR 81.5 million (or 4% of total revenue) for the year ended February 28, 2021 from ZAR 54.2 million (or 3% of total revenue) for the year ended February 29, 2020 primarily as a result of the sale of telematics devices to a large enterprise customer opting for a non-bundled contract. The group remains focused on bundled sales.

Cost of Sales

Cost of sales increased ZAR 95.8 million, or 17%, for the year ended February 28, 2021 compared to the year ended February 29, 2020. This was primarily due to an increase in the depreciation expense relating to the capitalization of telematics devices of ZAR 85.8 million as a result of an increase in bundled subscription sales and increased accelerated depreciation on telematics devices relating to cancelled subscriptions as a result of the COVID-19 pandemic. The amortization of capitalized commission assets increased by ZAR 15.7 million and other cost of sales decreased by ZAR 9.8 million primarily as a result of a reduction in warranty costs of ZAR 2.8 million and a reduction in consumables used for repairs of ZAR 3.9 million.

Other Income

Other income increased R0.3 million, or 16%, for the year ended February 28, 2021 compared to the year ended February 29, 2020. This was due to an increase in the profit on sale of fixed assets of 0.4 million and a decrease in sundry income of R0.1 million.

Expected Credit Losses on Financial Assets

Expected credit losses on financial assets increased ZAR 26.0 million, or 47%, for the year ended February 28, 2021 compared to the year ended February 29, 2020. This was due to an increase in expected credit losses in South Africa, Asia-Pacific, Middle East and USA and the European regions of ZAR 27.8 million, ZAR 4.4 million and ZAR 0.8 million respectively while expected credit losses on financial assets decreased in Africa-Other by ZAR 7.0 million. Growth in expected credit losses is partly as a result of revenue growth and partly due to pandemic-related bad debt. The method in providing for expected credit losses is consistent with prior years or pre-pandemic conditions. 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.

Operating Expenses

Operating expenses increased ZAR 157.6 million, or 21%, for the year ended February 28, 2021 compared to the year ended February 29, 2020 for the reasons set forth below:

Sales and Marketing

	Year ended February 28/29			% Change
	2021	2021	2020	
	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)		
Sales and marketing ⁽²⁾	(16,281)	(238,110)	(177,870)	34%

(1) For convenience purposes only, amounts in South African rand as of February 28, 2021 have been translated to U.S. dollars using an exchange rate of ZAR 14.6250 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2021 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) Sales and marketing expenses now include the costs associated with the provision of motor vehicles to sales staff of ZAR 11.9 million for the year ended February 28, 2021. An amount of ZAR 13.1 million for the provision of motor vehicles to sales staff was incorrectly recorded to general and administration costs for the year ended February 29, 2020. The error was corrected prospectively as the impact to the year ended February 29, 2020 is not material.

Sales and marketing costs increased by ZAR 60.2 million or 34% as we invested significantly into sales human capital and digital marketing in the second half of the year. Our gross subscriber additions grew 5% from 342,238 for the year ended February 29, 2020 to 360,515 for the year ended February 28, 2021. The ZAR 60.2 million increase was due to sales and marketing salaries increasing by ZAR 27.8 million, direct marketing expenses increasing by ZAR 20.6 million and the reallocation costs associated with the provision of motor vehicles to sales staff of ZAR 11.9 million which was historically incorrectly recorded to general and administration.

General and Administration

	Year ended February 28/29			% Change
	2021	2021	2020	
	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)		
General and administration ⁽²⁾	(32,584)	(476,534)	(460,402)	4%

(1) For convenience purposes only, amounts in South African rand as of February 28, 2021 have been translated to U.S. dollars using an exchange rate of ZAR 14.6250 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2021 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

- (2) General and administration expenses now exclude the costs associated with the provision of motor vehicles to sales staff and the amortization of capitalized research and development expenditure. An amount of ZAR 13.1 million for the provision of motor vehicles to sales staff and ZAR 9.2 million for the amortization of capitalized research and development expenditure was incorrectly recorded to general and administration costs for the year ended February 29, 2020. The error was corrected prospectively as the impact to the year ended February 29, 2020 is not material.

General and administration expenses increased by 4% to ZAR 476.5 million for the year ended February 28, 2021 from ZAR 460.4 million for the year ended February 29, 2020. The increase of ZAR 16.1 million is as a result of increased salaries of ZAR 40.5 million due to the hiring of additional personnel to support expansion, increased depreciation of other property, plant and equipment of ZAR 4.2 million and reduced other operating expenses of ZAR 6.1 million with the prior year comparative amount including ZAR 9.2m for the amortization of capitalized research and development and ZAR 13.1 million in costs associated with the provision of motor vehicles to sales staff.

Other operating expenses referred to above would have reduced further had it not been for ZAR 6.8 million in expenses incurred by Karooooo Ltd., which were mostly expenses which were non-operating in nature, such as bank charges, custody fees, legal and professional fees, loan arrangement fees, and exchange losses relating to the corporate operations of Karooooo Ltd.

General and administration now excludes the costs associated with the provision of motor vehicles to sales staff of ZAR 11.9 million and the amortization of capitalized research and development of ZAR 23.0 million for the year ended February 28, 2021. These have been prospectively reallocated to sales and marketing and general and research and development costs.

Research and Development

	Year ended February 28/29			% Change
	2021	2021	2020	
	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)		
Research and Development ⁽²⁾	(6,847)	(100,138)	(44,924)	123%

- (1) For convenience purposes only, amounts in South African rand as of February 28, 2021 have been translated to U.S. dollars using an exchange rate of ZAR 14.6250 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2021 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

- (2) Research and development now includes the amortization of capitalized research and development expenditure of ZAR 23.0 million for the year ended February 28, 2021. An amount of ZAR 9.2 million for the amortization of capitalized research and development expenditure was incorrectly recorded to general and administration costs for the year ended February 29, 2020. The error was corrected prospectively as the impact to the year ended February 29, 2020 is not material.

Research and development expenditure increased by more than 100% to ZAR 100.1 million for the year ended February 28, 2021 compared to ZAR 44.9 million for the year ended February 29, 2020. The increase of ZAR 55.2 million was made up of an increase in research and development expenditure of ZAR 32.2 million and the prospective reallocation of the amortization of capitalized research and development costs of ZAR 23.0 million.

For the year ended February 28, 2021, ZAR 45.6 million was capitalized against new projects compared with ZAR 31.2 million being capitalized for the year ended February 29, 2020.

IPO Costs

The total IPO costs (including underwriters fees) have amounted to ZAR 85.1 million of which ZAR 35.9 million has been expensed (ZAR 25.6 million in the fourth quarter of fiscal 2021 and ZAR 10.3 million in the first quarter of fiscal 2022) and ZAR 49.2 million has been set-off against share capital in the first quarter of fiscal 2022.

Finance Income

Finance income increased ZAR 1.8 million, or 68%, for the year ended February 28, 2021 compared to the year ended February 29, 2020. This was primarily due to an increase in interest earned on positive bank balances during the course of the year.

Finance Costs

Finance costs decreased ZAR 7.5 million, or 45%, for the year ended February 28, 2021 compared to the year ended February 29, 2020. This was primarily due to lower loan balances and reduced capitalized lease obligations.

Taxation

Our total effective tax rate for the year ended February 28, 2021 was 28.5%, which increased from 28.1% for the year ended February 29, 2020. This was primarily due to an increase in dividends withholding tax of ZAR 12.4 million, as well as additional operating entities becoming profitable and as a result, taxable during the year.

There is no dividends tax in Singapore.

See Note 24 to the accompanying consolidated financial statements included elsewhere in this annual report for a detailed reconciliation of the tax expense.

Non-Controlling Interest

Profit attributable to non-controlling interest, which principally relates to the public shareholders in CTK, increased by ZAR 25.6 million or 17%, for the year ended February 28, 2021 compared to the year ended February 29, 2020.

Segment Information

In Karoo's fiscal year 2021, the Group was organized into geographical business units and had four reportable segments by geography, as set out in the tables below. The group organization into business units based on its products and services, being Cartrack, Carzuka and Karoo Logistics was not applicable in fiscal years 2021 and 2020 given the latter two businesses were only established (Karoo Logistics via an acquisition) in the fiscal year 2022.

The following table sets forth the subscriber numbers by segment at the end of the periods presented.

	As of February 28/29		% Change
	2021	2020	
South Africa	1,013,751	868,736	17%
Africa-Other	62,222	60,128	3%
Europe	111,091	98,928	12%
Asia-Pacific, Middle East and USA	118,936	98,723	20%
Total	1,306,000	1,126,515	16%

The following table sets forth the segment revenue for the periods presented.

	Year ended February 28/29			% Change
	2021 (U.S.\$ thousands ⁽¹⁾)	2021 (in R thousands)	2020	
South Africa	115,004	1,681,928	1,417,465	19%
Africa-Other	7,241	105,895	115,974	(9)%
Europe	15,033	219,866	173,266	27%
Asia-Pacific, Middle East and USA	19,340	282,854	235,188	20%
Total	156,618	2,290,543	1,941,893	18%

- (1) For convenience purposes only, amounts in South African rand as of February 28, 2021 have been translated to U.S. dollars using an exchange rate of ZAR 14.6250 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2021 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

The following table sets forth the segment subscription revenue for the periods presented.

	Year ended February 28/29			% Change
	2021 (U.S.\$ thousands ⁽¹⁾)	2021 (in R thousands)	2020	
South Africa	110,881	1,621,636	1,383,980	17%
Africa-Other	6,410	93,752	106,977	(12)%
Europe	14,664	214,459	168,314	27%
Asia-Pacific, Middle East and USA	19,089	279,170	228,446	22%
Total	151,044	2,209,017	1,887,717	17%

- (1) For convenience purposes only, amounts in South African rand as of February 28, 2021 have been translated to U.S. dollars using an exchange rate of ZAR 14.6250 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2021 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

South Africa

Segment revenue for South Africa increased ZAR 264.5 million, or 19%, for the year ended February 28, 2021 compared to the year ended February 29, 2020, as a result of a ZAR 26.8 million or 80% increase in hardware and other revenue as a result of a non-bundled sale to a large enterprise customer and a 17% increase in subscription revenue of ZAR 237.7 million as a result of net subscriber growth of 145,015 and an increase in ARPU .

Africa-Other

Segment revenue for Africa-Other declined for the year ended February 28, 2021 compared to the year ended February 29, 2020, primarily due to a decrease in subscription revenue of ZAR 13.2 million as a result of the COVID-19 pandemic and the region being significantly affected in the final quarter of the year.

The region recorded net subscriber growth of 2,094 in commercial fleet management subscribers, and ARPU decreased when compared to the prior year period as customers were granted relief for the pandemic related trading difficulties.

Europe

Segment revenue for Europe increased ZAR 46.6 million, or 27%, for the year ended February 28, 2021 compared to the year ended February 29, 2020, primarily due to an increase in subscription revenue of ZAR 46.1 million, and an increase in hardware and other revenue of R0.5 million.

The increase in subscription revenue was primarily due to the weakening of the Rand, net subscriber growth of 12,163 in commercial fleet management subscribers, and an increase in ARPU when compared to the prior year period.

Asia-Pacific, Middle East and USA

Segment revenue for Asia-Pacific, Middle East and USA increased ZAR 47.7million, or 20%, for the year ended February 28, 2021 compared to the year ended February 29, 2020, primarily due to a 22% increase in subscription revenue of ZAR 50.7 million primarily due to net subscriber growth. This growth was partially offset by a decrease in hardware and other revenue of ZAR 3.0 million due to a higher proportion of bundled subscription sales.

The increase in subscription revenue was primarily due to net subscriber growth of 20,213 in commercial fleet management subscribers, and a decrease in ARPU when compared to the prior year period.

Our investment in the United States is strategic in nature, as it continues to yield key insights that have positively contributed to the Company, despite its relative size.

Recent Accounting Pronouncements

A discussion of new accounting guidance that we have recently adopted, as well as accounting guidance that has been recently issued but not yet adopted by us, is included below and in Note 3 — New standards and interpretations of our consolidated financial statements included elsewhere in this annual report.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements which could be relevant to the Group are disclosed below. The Group intends to adopt these new and amended standards and interpretations, when they become effective. At the date of authorization of the financial statements, the Group continues to assess and evaluate the impact to its financials on the initial adoption of these new accounting standards and interpretations and its related applicable period.

Details of amendment	Annual periods beginning on/after
Amendments to IFRS 16: COVID-19 Related Rent Concessions beyond June 30, 2021	April 01, 2021
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	January 01, 2022
Amendments to IFRS 3: Reference to the Conceptual Framework	January 01, 2022
Annual improvements to IFRS standards 2018 – 2020	January 01, 2022
Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use	January 01, 2022
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	January 01, 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	January 01, 2023
Amendments to IAS 8: Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	January 01, 2023
Amendments to IAS 1, IFRS 26, IFRS 34, IFRS 7 and IFRS Practice Statement 2: Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 28 and IFRS 10: Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Emerging Growth Company

As a company with less than \$1.07 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act.

We may take advantage of these provisions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company upon (A) the last day of the fiscal year in which we had more than \$1.07 billion in annual revenue, (B) the date on which we are deemed to be a “large accelerated filer” under the rules of the SEC, which means the market value of our ordinary shares held by non-affiliates exceeds \$700.0 million as of the prior June 30th, or (C) the date on which we have issued more than \$1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced burdens. To the extent that we take advantage of these reduced reporting burdens, the information that we provide shareholders may be different than you might obtain from other public companies in which you hold equity interests.

B. LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are our cash generated from operations, cash and cash equivalents on hand and borrowings available under our revolving credit facility. Cash and cash equivalents consist primarily of cash on deposit with banks. Cash and cash equivalents totaled ZAR 731.7 million and other financial assets totaled ZAR 15.3 million as of February 28, 2022.

We believe that our cash generated from operations, cash and cash equivalents on hand and availability under our revolving credit facility will be sufficient to fund our working capital and capital expenditure requirements for at least the next twelve months. In addition, we may choose to raise additional funds at any time through equity or debt financing arrangements, if required for additional working capital, capital expenditures or other strategic investments. Our belief concerning liquidity is based on currently available information. To the extent this information proves to be inaccurate, or if circumstances change, future availability of credit or other sources of financing may be reduced, and our liquidity could be adversely affected. Our future capital requirements and the adequacy of available funds will depend on many factors, including those described in the section of this annual report titled “Risk Factors.” Depending on the severity and direct impact of these factors on us, we may be unable to secure additional financing to meet our operating requirements on terms favorable to us, or at all.

	Year ended February 28/29				% Change	
	2022	2022	2021	2020	2022	2021
	(U.S.\$ thousands ⁽¹⁾)	(in R thousands)				
Net cash generated from operating activities ^{(2), (3)}	60,510	931,706	937,851	901,224	(1)%	4%
Net cash utilized by investing activities ⁽⁴⁾	(42,748)	(658,217)	(517,691)	(427,436)	27%	21%
Net cash (utilized by) / generated from financing activities	21,755	334,972	(486,012)	(368,230)	169%	(32)%

- (1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See “Exchange Rates” for further information about recent fluctuations in exchange rates.
- (2) Net cash generated from operating activities for the year ended February 29, 2020 includes the working capital movement in inventories relating to telematics devices and components on hand. This inventory of telematics devices and components was appropriately classified to “property, plant and equipment” for the years ended February 28, 2021 and 2022.
- (3) Net cash generated from operating activities would have increased by 11% as the reclassification of inventory of telematics devices and components to “property, plant and equipment” would have reduced the 2020 comparative by ZAR 55.0 million to ZAR 846.0 million on a like for like basis.
- (4) Net cash utilized from investing for the year ended February 28, 2021 includes the reclassification of ZAR 220.9 million in inventory movement to the purchase of property, plant and equipment.

Operating Activities

Strong net cash generated from operating activities is an important factor in supporting our robust business model, and is an indication of our ability to provide the capital necessary to invest in subscriber growth and territorial expansion.

Net cash generated from operating activities decreased ZAR 6.2 million, or 1%, for the year ended February 28, 2022 compared to the year ended February 28, 2021, primarily due to an increase in cash generated from operations before working capital changes of ZAR 121.0 million offset by a net decrease in working capital of ZAR 107.4 million due to an increase in trade receivables, increase in trade payables, and an increase in deferred revenue. The increase in cash outflows associated with the increase in net finance cost paid amounted to ZAR 5.1 million and an increase in taxation paid of ZAR 14.6 million.

Net cash generated from operating activities increased ZAR 36.6 million, or 4%, for the year ended February 28, 2021 compared to the year ended February 29, 2020, primarily due to an increase in cash generated from operations before working capital changes of ZAR 188.5 million and a net decrease in working capital of ZAR 82.9 million due to an increase in trade receivables, increase in trade payables, and an increase in deferred revenue. The increase in cash outflows associated with capitalized sales commissions amounted to ZAR 31.6 million and an increase in taxation paid of ZAR 41.3 million.

Investing Activities

Net cash utilized by investing activities increased ZAR 140.5 million, or 27%, for the year ended February 28, 2022 compared to the prior period, primarily due to the 16% increase, of ZAR 74.6 million, in the investment in property, plant and equipment and infrastructure compared to the prior period and ZAR 66.6 million net cash utilized in acquiring 70.1% of Picup (recently re-branded to Karoo Logistics) in September 2021.

Net cash utilized by investing activities increased ZAR 90.3 million, or 21%, for the year ended February 28, 2021 compared to the prior period, primarily due to the reclassification of the purchase of inventory to property, plant and equipment, ZAR 69.8 million in work in progress and finished goods of uninstalled telematics devices and an increase of ZAR 6.4 million in installed telematics devices. Capitalized research and development increased ZAR 11.4 million, investment into other property, plant and equipment increased ZAR 13.1 million and proceeds from the disposal of property, plant and equipment increased by ZAR 7.8 million. Advances of loans to a related party decreased by ZAR 2.6 million compared to the prior period.

Financing Activities

Net cash generated from financing activities increased ZAR 821.0 million for the year ended February 28, 2022 compared to the prior period as no dividend was paid in the year ended February 28, 2022 compared to ZAR 418.1 million of dividends paid in the year ended February 28, 2021, net proceeds of ZAR 450.7 million raised in April 2021 when Karoo issued 1,207,500 new ordinary shares to public shareholders. Net cash generated from financing activities was also impacted by an increase in cash outflow of ZAR 55.3 million for the year ended February 28, 2022 relating to the acquisition of interests in subsidiaries (without change in control) and lease liabilities repayment. The increase is offset by the cash inflow of ZAR 7.4 million from loans for the year ended February 28, 2022.

Net cash utilized by financing activities increased ZAR 117.8 million for the year ended February 28, 2021 compared to the prior period, the increase in dividends paid of ZAR 326.1 million during the period partially offset by the decrease in loan repayments of ZAR 209.6 million.

Other Financial Assets

As at February 28, 2022, the Group has recognized derivative – call option of ZAR 1.4 million and derivative – put option of ZAR 15.3 million relating to its acquisition of Picup. The call option is an agreement with the non-controlling shareholders of Picup to acquire an additional 13% interest and is exercisable from September 1, 2024 and expires on February 29, 2028.

The put option is an agreement entered with the ultimate controlling shareholders to grant the Group the right to sell its interest in Picup. The put option expires on August 31, 2022.

(Refer to Note 14 to the Consolidated Annual Financial Statements, “Other financial asset” on Page F-38 and Note 28 on “Acquisition of subsidiary” on Page F-47)

On December 29, 2020, prior to Karoo's corporate action during the year ended February 28, 2022, the Group received US\$58.5 million (ZAR 882.4 million) from a related party (Orient Victoria Pte Ltd) for the sole purpose of facilitating the guarantee required for Karoo to implement the corporate action in connection with its IPO in the United States. This amount has been classified as other financial assets and is excluded from cash and cash equivalents in the statement of cash flows. (Refer to Note 14 to the Consolidated Annual Financial Statements, “Other financial assets” on Page F-38). This loan and all interest due has been repaid in full terminating this related party transaction.

Term Loan Facility

The Term Loan Facility with Rand Merchant Bank was terminated and all outstanding borrowings were repaid in full in February 2021.

Euro Denominated Loan

Our wholly owned subsidiary, Cartrack Portugal, S.A., has a €1.5 million loan from Caixa Geral de Depositos S.A. pursuant to the loan agreement dated December 14, 2018 by and between Cartrack Portugal S.A. and Caixa Geral de Depositos S.A. The loan bears interest at a rate of 3.00% plus 12-month Euribor and payment on the loan is due in equal monthly installments over a five-year period. As of February 28, 2022, ZAR 10.3 million remained outstanding under the loan.

Revolving Credit Facility

General

In February 2021, Cartrack Proprietary Limited entered into a revolving credit facility agreement (the “Revolving Credit Facility”) with The Standard Bank of South Africa Limited (“Standard Bank”). The Revolving Credit Facility consists of a ZAR 925.0 million revolving credit funding facility, which includes an uncommitted term facility of ZAR 850.0 million and a committed term facility of ZAR 75.0 million. Each facility matures in a period of three years from the utilization date. At February 28, 2022, ZAR 20.0 million (2021: Nil) was utilized.

Interest Rate

Both facilities bear interest at the Johannesburg Interbank Average Rate plus 2.05%, provided that with respect to the uncommitted term facility, such rate is subject to variation as determined by Standard Bank in its sole discretion dependent on prevailing market conditions at the time of utilization, as notified by the Standard Bank to the Cartrack Proprietary Limited by no later than the applicable utilization date. Cartrack Proprietary Limited has no obligations to prepay loans under our Revolving Credit Facility and may voluntarily prepay the Revolving Credit Facility, in whole or in part, subject to certain penalties and restrictions.

Covenants

The Revolving Credit Facility contains certain financial maintenance covenants as well as customary negative covenants, including, but not limited to, restrictions on Cartrack Proprietary Limited and its restricted subsidiaries’ ability to merge and consolidate with other companies, incur indebtedness, make investments, grant liens or security interests on assets, pay dividends or make other restricted payments, sell or otherwise transfer assets or enter into transactions with affiliates.

Events of Default

The Revolving Credit Facility provides that, upon the occurrence of certain events of default, Cartrack Proprietary Limited’s obligations under the agreement may be accelerated. Such events of default include payment defaults to the lenders, material inaccuracies of representations and warranties, breach of the financial maintenance covenants, cross-defaults to other material indebtedness, the suspension or cessation of a material part of the business of Cartrack Proprietary Limited, litigation which is reasonably likely to have a material adverse effect and other customary events of default.

Security and Guarantees

Cartrack Proprietary Limited borrowings under the Revolving Credit Facility are guaranteed by Cartrack and Cartrack Manufacturing Proprietary Limited. Security has been provided in the form of a pledge and cession by the borrower and the guarantors of certain rights in favor of the lender.

Overdraft Facility

In February 2021, Cartrack Proprietary Limited entered into an unsecured ZAR 75.0 million overdraft facility with Mercantile Bank, a division of Capitec Bank Limited (“Mercantile Bank”), pursuant to the Addendum to the Short-Term Facility Letter dated February 12, 2021 by and between Cartrack Proprietary Limited and Mercantile Bank (the “Overdraft Facility”). Amounts due under the Overdraft Facility bear interest at Mercantile Bank’s prime lending rate, which as of the date of this annual report was 7%, and the overdraft facility expires on January 31, 2022.

As of February 28, 2022, ZAR 13.7 million (2021: ZAR 28.8 million) of the facility had been utilized.

Mortgage bond

A mortgage bond of ZAR 59 million is registered in favor of First Rand Bank Limited over the Remaining extent of Erf 160, Rosebank and Portion 6 of Erf 161, Rosebank, registered in the name of Purple Rain Properties No 444 Proprietary Limited (“Purple Rain”). Cartrack Proprietary Limited has signed a limited suretyship of ZAR 60 million for the mortgage bond. Interest levied by First Rand Bank Limited is at a rate of prime less 1.15% and repayable in equal monthly installments over a period of 46 months. Last The final repayment date is December 2025. Covenants are reviewed annually unless loan instalments are not met timeously. The next review date is October 31, 2022. From the inception date to the date of this report, Purple Rain has not breached the LTV covenant of 77%. As the leases on the properties have been cancelled in preparation of the demolition and redevelopment of the properties, the DSC covenant will be assessed based on the financials of Cartrack Proprietary Limited as surety for the income stream in the absence of a lease.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet activities or have any arrangements or relationships with unconsolidated entities, such as variable interest, special purpose, and structured finance entities.

Contractual Obligations

The following table summarizes our contractual obligations as of February 28, 2022.

The table below analyses 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 include contractual interest payments.

	Less than 1 year	2 years	3 years	4 years	>5 years	Total
Figures in R thousands						
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

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

For our disclosure in respect of research and development, technology and intellectual property please refer to Item 4.B. “Information on the Company—Business Overview”.

D. TREND INFORMATION

See Item 4.B. “Information on the Company—Business Overview,” Item 5.A. “Operating and Financial Review and Prospectus—Operating Results” and Item 5.B. “Operating and Financial Review and Prospects—Liquidity and Capital Resources” within this annual report.

Quarterly Financial Information and Other Information

The following table sets forth our unaudited quarterly operational and financial information for each of the nine most recent quarters for the period ended February 28, 2022. We have prepared the unaudited quarterly operational and financial information on a consistent basis with the consolidated financial statements included elsewhere in this annual report. In the opinion of management, the unaudited quarterly operational and financial information reflects all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of this data. This information should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this annual report. The results of historical periods are not necessarily indicative of results for a full year or for any future period.

Quarterly Subscriber Data	Three Months Ended								
	February 29, 2020	May 31, 2020	August 31, 2020	November 30, 2020	February 28, 2021	May 31, 2021	August 31, 2021	November 30, 2021	February 28, 2022
	(subscribers and percentage growth)								
Subscribers (as of end of period)	1,126,515	1,133,547	1,175,173	1,246,089	1,306,000	1,366,470	1,408,609	1,470,385	1,525,972
Net subscriber growth for the three months	37,770	7,032	41,626	70,916	59,911	60,470	42,139	61,776	55,587
Growth against comparative prior year quarter	-	(76)%	(15)%	42%	59%	760%	1%	(13)%	(7)%

Quarterly Financial Results Data	Three Months Ended								
	February 29, 2020	May 31, 2020	August 30, 2020	November 30, 2020	February 28, 2021	May 31, 2021	August 31, 2021	November 30, 2021	February 28, 2022 ⁽¹⁾
	(in R thousands)								
Revenue	510,570	534,991	551,144	588,667	615,741	626,193	658,768	719,541	741,649
Subscription revenue	502,593	526,289	541,563	567,189	573,976	605,866	627,637	663,947	670,715
Hardware and installation revenue	358	5,936	5,695	16,886	37,274	14,770	19,241	11,506	13,239
Other revenue	7,619	2,766	3,886	4,592	4,491	2,988	3,196	3,134	2,981
Carzuka	-	-	-	-	-	2,569	8,694	23,884	32,163
Karoo Logistics	-	-	-	-	-	-	-	17,070	22,551
Cost of sales	(151,510)	(144,807)	(153,039)	(166,401)	(206,276)	(182,341)	(207,044)	(249,878)	(283,298)
Gross profit	359,060	390,184	398,105	422,266	409,465	443,852	451,724	469,663	458,351
Other income	(472)	178	340	838	810	785	500	532	24
Operating expenses	(196,046)	(208,092)	(212,958)	(224,886)	(249,668)	(276,513)	(274,534)	(265,485)	(309,774)
Sales and marketing	(44,055)	(49,779)	(52,522)	(61,830)	(73,979)	(88,693)	(84,710)	(79,888)	(79,968)
General and administration	(125,877)	(112,932)	(127,820)	(130,599)	(105,183)	(128,675)	(131,857)	(132,537)	(162,258)
Research and development	(11,448)	(18,051)	(21,882)	(14,272)	(45,933)	(32,741)	(36,308)	(37,277)	(42,912)
Expected credit losses on financial assets	(14,666)	(27,330)	(10,734)	(18,185)	(24,593)	(26,404)	(21,659)	(15,783)	(24,636)
Operating profit	162,542	182,270	185,487	198,218	160,587	168,124	177,690	204,710	148,601
IPO costs	-	-	-	-	(25,570)	(10,288)	-	-	-
Finance income	986	1,443	1,027	1,382	506	712	1,619	1,525	2,227
Finance costs	(2,593)	(1,577)	(1,760)	(1,496)	(4,469)	(1,891)	(3,019)	(3,756)	(3,665)
Fair value changes to derivative assets	-	-	-	-	-	-	-	-	(506)
Profit before taxation	160,935	182,136	184,754	198,104	131,054	156,657	176,290	202,479	146,657
Taxation	(46,828)	(49,279)	(55,629)	(65,222)	(28,498)	(48,742)	(53,128)	(54,165)	(49,441)
Profit for the year	114,107	132,857	129,125	132,882	102,556	107,915	123,162	148,314	97,216
Profit attributable to:									
Owners of the parent	75,846	87,741	83,736	87,398	59,308	88,275	119,148	146,201	96,329
Non-controlling interest	38,261	45,116	45,389	45,484	43,248	19,640	4,014	2,113	887
	114,107	132,857	129,125	132,882	102,556	107,915	123,162	148,314	97,216

(1) Included in the fourth quarter of the year ended February 28, 2022 is the write-off of capitalized commission assets, of ZAR 15.3 million (2021: Nil) 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 prior periods is not material.

E. CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with IFRS. The preparation of our consolidated financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amounts and related disclosures. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements and, therefore, we consider these to be our critical accounting policies. Accordingly, we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions.

Useful Life of Capitalized Telematics Devices, Capitalized Commission Assets and Revenue Recognition from Deferred Revenue

We complete a detailed assessment annually on the expected life cycle of subscriber contracts across the Company. The continued growth in our customer 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 with customers. On the basis of such information, there has been no change to the estimated average useful life of 60 months of a subscriber contract for the year ended February 28, 2022. Contracts which terminate prior to 60 months result in accelerated depreciation of the underlying capitalized telematics devices and capitalized commission assets being recognized immediately.

Goodwill

We test 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.

Please refer to Note 2.1 to the accompanying consolidated financial statements included elsewhere in this annual report for information about the critical accounting policies, as well as Note 2.2 for a description of our other significant accounting policies.

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The following table sets forth information regarding the current members of our board of directors.

Name	Age	Position
Isaias (Zak) Jose Calisto	55	Executive Officer and Executive Chairman
Morné Grundlingh	47	Executive Officer
Siew Koon Lim	63	Lead Independent Director
Andrew Leong	47	Independent Director
Kim White	46	Independent Director

Board Diversity Matrix (as at February 28, 2022)

Country of Principal Executive Offices “Home Country”	Singapore
Foreign Private Issuer	Yes
Disclosure Prohibited Under Home Country Law	No
Total number of Directors	5

Name	Female	Male	Non-Binary	Did not disclose gender
Part I: Gender Identity				
Directors	2	3	0	0

Part II: Demographic Background

Underrepresented Individual in Home Country Jurisdiction	1
LGBTQ+	0
Did Not Disclose Demographic Background	0

Executive Officers

The table below sets forth information regarding individuals who serve as executive officers.

Name	Age	Position
Isaias (Zak) Jose Calisto	55	Chief Executive Officer
Morné Grundlingh	47	Chief Financial Officer
Juan Marais ⁽¹⁾	53	Chief Sales Officer

1. Mr. Marais, included above as executive officer by virtue of his shareholding in Karoo000. Mr. Marais is the beneficial owner of 3,100,000 shares through One Spire (Pty) Ltd., which corresponds to 10.02% of the issued and outstanding shares of the Company.

Senior Management

The following table sets forth information regarding members of our current senior management team.

Name	Age	Position
Richard Schubert	48	Chief Operating Officer
Carmen Calisto	25	Chief Strategy and Marketing Officer
Pedro Ventura	34	Chief Technology Officer

The following sets forth certain biographical information with respect to our directors, executive officers and senior management. Unless otherwise stated, the business address for our directors, executive officers and senior management is 2 Aljunied Ave 1, #06-11, Framework Building 2, Singapore 389977.

Isaias (Zak) Jose Calisto is our Chief Executive Officer and has been a member of our board of directors since May 2018. He has been the Chief Executive Officer of the Group since its founding in 2001. Before founding the Company, Mr. Calisto was a Member of Vehicle Tracking Services, a company specializing in the distribution of telematics services, from 1994 through 2001. Prior to that, Mr. Calisto was a Member of Cell Communications, a company specializing in the distribution of telecommunication services, from 1994 to 1996. Mr. Calisto also completed an accelerated training program at Standard Bank, Africa’s largest lender by assets, from 1986 through 1991. Mr. Calisto studied at the University of South Africa and University of the Witwatersrand.

Morné Grundlingh is our Chief Financial Officer and has been a member of our board of directors since February 2021. Prior to joining Cartrack Holdings Limited in this role in 2017, Mr. Grundlingh provided outsourced CFO services from 2014 through 2016 at CFO on Call, a Singaporean provider of financial management services to private and public businesses on a part-time or interim basis. Prior to that, Mr. Grundlingh was the Head of Treasury in the Asia-Pacific Region for BlackRock. Mr. Grundlingh held various other senior positions at BlackRock between 2007 and 2014 including Head of Treasury for the Asia-Pacific Region. Mr. Grundlingh was also a financial manager at Barclays, a global financial institution, in London and Singapore. Mr. Grundlingh is a Chartered Accountant and holds a Bachelor of Commerce in accounting (with honors) from the University of Johannesburg and a Masters in Accounting and Finance from Birmingham City University.

Siew Koon Ong (Siew Koon Lim) was appointed to our board in July 2021 and is currently Karoo's Lead Independent Director and the Chair of the Audit and Risk Committee. Mrs. Lim holds a Bachelor of Accountancy degree from the National University of Singapore and is a Chartered Accountant and fellow member of the Institute of Singapore Chartered Accountants. Mrs. Lim has 37 years of experience in providing audit and business advisory services to local companies as well as major public listed companies in a wide range of industries, including banks. She has led initial public offerings of companies in the retail and lifestyle, manufacturing, construction and property development industries. Mrs. Lim joined Ernst & Young LLP (then known as Ernst & Whinney) in April 1982 and was a partner of the firm from July 1998 to June 2019, acting as Chief Financial Officer for a period of 3 years with the responsibility for the firm's financial and management accounts. Mrs. Lim is also an independent director of Nanofilm Technologies International Limited, which is listed on the Mainboard of the SGX, serving as the Lead Independent Director and Chairperson of the Audit Committee and member of the Risk Committee and Nominating Committee. Mrs. Lim is also an independent director of Maribank (Singapore) Pte Ltd, one of the four digital banks in Singapore. At Maribank, she is the Lead Independent Director and Chairperson of the Audit Committee. She also sits on the Risk Committee and Remuneration and Nominating Committee at Maribank. In addition to Mrs. Lim's global financial expertise and deep understanding of regulatory and technical compliance in a listed environment, we believe her extensive local knowledge and experience qualifies her to serve as a member of the Board.

Andrew Leong has been a member of our board of directors since February 2021 and is currently the co-founder and the Chief Executive Officer of Videre Security Solutions, a software company established in 2016, providing data analytics and cyber security to Singapore. Mr. Leong started his career in Singapore's Intelligence Agency in 1998 and was head of the cybersecurity division from 1999 until 2005. From 2005 until 2015, Mr. Leong was the Managing Director of Chameleon Associates Pte. Ltd., a company specializing in risk mitigation utilizing predictive profiling. Mr. Leong holds a Bachelor of Applied Sciences in computer engineering from the Nanyang Technology University, Singapore. We believe that Mr. Leong is well qualified to serve as a member of our board of directors given his extensive experience in artificial intelligence and data analytics.

Kim White was appointed to our board on June 25, 2021. Mrs. White served as a member of the board of directors of Cartrack Holding Limited since 2014. Mrs White also served as Chairman of the Audit and Risk Committee and member of the Remuneration Committee for Cartrack Holding Limited during this time. Mrs. White started her career at RSM South Africa and then founded KCE Consulting, an audit and advisory firm in 2001. Mrs. White currently holds the position of managing director at this firm. Mrs White holds a Bachelor of accounting science degree, an Honours degree in Accounting Science, a post-graduate certificate in Advanced taxation, a post-graduate certificate in international taxation and a certified financial planner diploma. Mrs. White is a registered Chartered Accountant (South Africa). We believe Mrs. White is well qualified to serve as a member of our board of directors given her extensive knowledge, leadership, and experience serving on the board of Karoo.

Juan Marais is our Chief Sales Officer. Before joining Cartrack Holdings Limited in this role in 2004, he was the Chief Executive Officer of Advancor (Pty) Ltd., an insurance brokerage, from 2001 to 2004. Prior to that, Mr. Marais was the Chief Executive Officer of Finance Mart (Pty) Ltd., a financial services company, from 1998 to 2001. Mr. Marais began his career in the insurance industry at Broadstreet Financial Advisory Services, where he was a Managing Member from 1993 to 1998. Mr. Marais holds a Certification in Financial Planning from Milpark Business School.

Richard Schubert is our Chief Operating Officer. Mr. Schubert joined Cartrack Holdings Limited in 2007 and has held this role at Cartrack Holdings Limited since 2017, and prior to that, served as Chief Information Officer from 2007 through 2017. Mr. Schubert holds a National Higher Diploma in Electronic Engineering from the Technikon of the Witwatersrand.

Carmen Calisto joined Cartrack Holdings Limited in February 2020 as Group Chief Marketing Officer. Before joining Cartrack Holdings Limited in this role, she was a Media Activation Executive at Essence Global from 2019-2020, a global data and measurement-driven full-service agency. Prior to that, Ms. Calisto interned as an Actuarial Marketer with the Cartrack Group and an Actuarial Advisor at Ernst & Young. She holds a BSc (Honours) in Actuarial Science from Cass Business School and an MSc in Strategic Marketing from Imperial College London.

Pedro Ventura is our Chief Technology Officer. Mr. Ventura joined Cartrack Holdings Limited in 2015 as a senior Software Engineer and he was promoted to Chief Technical Officer in November 2020 assuming full responsibility for the strategic and technical direction of Research and Development and our IT infrastructure. Prior to joining Cartrack Holdings Limited, Mr. Ventura held various senior roles in technology and software development including being the founder of Internet Business Solutions & Technologies S.A., an Internet based start-up. Mr. Ventura studied Computer Engineering at the Instituto Superior Técnico in Lisbon.

Family Relationships

Carmen Calisto is the daughter of Isaias (Zak) Jose Calisto.

Additional Information

Mr. Morné Grundlingh, Chief Financial Officer (CFO) of Karoos, has decided to step down as CFO effective June 20, 2022. Mr. Grundlingh's resignation is not due to any disagreement with Karoos or the Board of Directors, nor to any matter relating to Karoos's operations, financial statements, internal controls, auditors, policies or practices.

Effective the same day as Mr. Grundlingh's resignation, Karoos will appoint Ms. Hoeslin Goy (Hoe Shin) as Karoos's CFO and an executive director to the Board. Hoe Shin is a registered Chartered Accountant based in Singapore. Hoe Shin joined Ernst & Young LLP in 2004 and was with the firm until 2009. She has extensive experience in audit, full spectrum finance and group financial reporting throughout the span of her career. Hoe Shin was the Director of Consolidation and Group Reporting for DFS Group, under the Selective Retailing Maison of LVMH.

B. COMPENSATION

Directors and Executive Officer Compensation footnote

The following table provides information about the aggregate compensation, including benefits in kind, accrued or paid to our executive officers and directors with respect to the years ended February 2022 and 2021 for services in all capacities:

	Year ended February 28		
	2022	2022 ⁽²⁾	2021 ⁽²⁾
	(U.S.\$		
	thousands ⁽¹⁾)	(in R thousands)	
Short-term employee benefits	851	13,109	27,775
Post-employment benefits	18	276	590
	<u>869</u>	<u>13,385</u>	<u>28,365</u>

(1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) In 2021 aggregate information disclosed includes directors, executive officers, and senior management. In 2022, aggregate information disclosed includes directors and executive management given Karoos's IPO in the United States and the incorporation of an international headquarter in Singapore with a centralized management function. The Group CEO and CFO drive the Group's strategy implementation, operation and direction. In 2022 Mr. Marais, is included as executive officer by virtue of his shareholding in Karoos. Mr. Marais is the beneficial owner of 3,100,000 shares through One Spire (Pty) Ltd., which corresponds to 10.02% of the issued and outstanding shares of the Company.

C. BOARD PRACTICES

Board Composition

Our board of directors is composed of five members, of whom Siew Koon Lim, Andrew Leong and Kim White qualify as “independent” under Nasdaq listing rules. Our constitution provides that our board of directors initially be divided into three classes with staggered terms over a three-year period. Only Class I directors were subject to re-election at the first annual meeting of stockholders held after the Nasdaq listing, with the other classes continuing for the remainder of their respective terms. Our current directors are divided among the three classes as follows:

- the Class I director that retired at the first annual meeting of stockholders held after the Nasdaq listing, Andrew Leong, was re-elected for a term of three years;
- the Class II director is Kim White, and her term will expire at the upcoming second annual meeting of stockholders held after the Nasdaq listing; and
- the Class III directors are Isaias (Zak) Jose Calisto and Morné Grundlingh, and their terms will expire at the third annual meeting of stockholders held after the Nasdaq listing.

At each annual meeting of stockholders, upon the expiration of the term of a class of directors, the successor to each such director in the class will be elected to serve from the time of election and qualification until the third annual meeting following his or her election and until his or her successor is duly elected and qualified, in accordance with our amended and restated certificate of incorporation. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors.

This classification of our board of directors may have the effect of delaying or preventing changes in control of our company. For additional information regarding our board of directors, see Exhibit 2.2 “Description of Ordinary Shares—Election and Reelection of Directors.”

Siew Koon Lim was appointed as an additional director in accordance with article 92 of our Constitution, which required her to retire at the first annual general meeting of shareholders following her appointment. She was re-elected for a term of three years.

We have not entered into service contracts with any directors of our company or any of our subsidiaries providing for benefits upon termination of employment.

Audit Committee

The audit committee, which consists of Siew Koon Lim, Andrew Leong and Kim White assists the board in overseeing our accounting and financial reporting processes, the audits of our financial statements and business risk analysis. In addition, the audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. The audit committee is also responsible for reviewing and determining whether to approve certain transactions with related parties. See Item 7.B. “Related Party Transactions—Related Person Transaction Policy.” The board of directors has determined that Siew Koon Lim qualifies as an “audit committee financial expert,” as such term is defined in the rules of the SEC, and that Siew Koon Lim, Andrew Leong and Kim White are independent, as independence is defined under the rules of the SEC and the Nasdaq applicable to foreign private issuers. Siew Koon Lim acts as chairman of our audit committee.

Compensation and Nomination Committee

The compensation and nomination committee consists of Andrew Leong, Siew Koon Lim and Kim White and assists the board in identifying and nominating candidates for election to the board of directors; reviews and recommends the compensation arrangements for certain members of our board of directors and administers any equity compensation plan. Andrew Leong is the appointed director to act as chairman of our compensation and nomination committee.

Duties of Directors

Under Singapore law, members of the board of directors of a Singapore company owe certain fiduciary duties towards the company, including a duty to act in good faith in the best interests of the company, a duty to act honestly and to use reasonable diligence in the discharge of the duties of their office. Directors generally owe fiduciary duties to the company, and not to the company’s individual shareholders. Our shareholders may not have a direct cause of action against our directors. The company has a right to seek damages if a duty owed by directors is breached.

Foreign Private Issuer and Controlled Company Exemptions

In general, under the Nasdaq corporate governance standards, foreign private issuers, as defined by the rules adopted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are permitted to follow home country corporate governance practices instead of the corporate governance practices of the Nasdaq. Accordingly, we follow certain corporate governance practices of our home country, Singapore, in lieu of certain of the corporate governance requirements of the Nasdaq in respect of the following:

- the requirement under Section 5605(e)(2) of Nasdaq listing rules that companies must adopt a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the U.S. federal securities laws;
- the requirement under Section 5605(d) of Nasdaq listing rules that a compensation committee comprised solely of independent directors governed by a compensation committee charter oversee executive compensation;
- the requirement under Section 5605(b)(2) of Nasdaq listing rules that the independent directors have regularly scheduled meetings with only the independent directors present;
- the requirement under Section 5605(c) of Nasdaq listing rules that a quorum must consist of at least 33 1/3 percent of the outstanding shares of a listed company’s common voting stock; and
- the requirement under Section 5610 of Nasdaq listing rules that a company must have adopted one or more codes of conduct applicable to all directors, officers and employees, and that such codes are publicly available.

In the event we no longer qualify as a foreign private issuer, we intend to rely on the “controlled company” exemption under the NASDAQ corporate governance rules. A “controlled company” under the Nasdaq corporate governance rules is a company of which more than 50% of the voting power is held by an individual, group or another company. Our controlling shareholder and chief executive officer, Zak Calisto, controls a majority of the combined voting power of our outstanding ordinary shares, and will be able to nominate a majority of directors for election to our board of directors. Accordingly, we would be eligible to, and, in the event we no longer qualify as a foreign private issuer, we intend to, take advantage of certain exemptions under the Nasdaq corporate governance rules.

The “foreign private issuer” exemption and the “controlled company” exemption do not modify the independence requirements for the audit committee, and we comply with the requirements of the Sarbanes-Oxley Act and the Nasdaq rules, which require that our audit committee be composed of at least three directors, all of whom are independent.

If at any time we cease to be a “controlled company” or a “foreign private issuer” under the rules of the Nasdaq and the Exchange Act, as applicable, our board of directors will take all action necessary to comply with the NASDAQ corporate governance rules.

Due to our status as a foreign private issuer and our intent to follow certain home country corporate governance practices, our shareholders will not have the same protections afforded to shareholders of companies that are subject to all the Nasdaq corporate governance standards. See Exhibit 2.2 “Description of Ordinary Shares.”

D. EMPLOYEES

As at February 28, 2022, we had 3,508 full-time employees, of which 2,456 are located in South Africa, 238 are located in Africa-Other, 242 are located in Europe, and 572 are located in Asia-Pacific, Middle East and USA. None of our employees are represented by a labor union or covered by a collective bargaining agreement.

We have a team-oriented culture and encourage candor from our employees, which we believe helps us to succeed and drive operational excellence. We also seek to, and have a history of, promoting from within our organization as well as hiring top talent from outside of our company to expand our capabilities. We aim to hire individuals who share our passion, commitment and entrepreneurial spirit. We are also committed to diversity and inclusion because we believe that diversity leads to better outcomes for our business and enables us to better meet the needs of our customers.

E. SHARE OWNERSHIP

For information regarding the share ownership of our directors and executive officers, please refer to Item 6.B. “—Compensation” and Item 7.A. “Major Shareholders and Related Party Transactions—Major Shareholders.”

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth information as at May 20, 2022 regarding actual ownership of our ordinary shares by:

- each person or entity we know to own 5% or more of our ordinary shares;
- each executive officer; and
- each director.

For purposes of the table below, the percentage ownership calculations are based on 30,951,106 ordinary shares outstanding as of May 20, 2022. To the extent different, beneficial ownership determined in accordance with the rules of the SEC, including voting or investment power with respect to the securities, is described in the footnotes to the table.

Name of Owner	As of May 20, 2022	
	Number	Percent
Directors and Executive Officers		
Isaias (Zak) Jose Calisto ⁽¹⁾	20,028,811	64.71%
Morne Grundlingh	-	0.0%
Kim White	-	0.0%
Siew Koon Lim	-	0.0%
Andrew Leong	-	0.0%
Richard Schubert	-	0.0%
Juan Marais ⁽²⁾	3,100,000	10.02%
Carmen Calisto	188	0.0%
Pedro Ventura	-	0.0%
All executive officers and directors as a group (9 persons)	23,128,999	74.73%
Other 5% Shareholders		
Gobi Capital LLC ⁽³⁾	2,177,218	7.03%
Total Ordinary Shares	30,951,106	100.0%

(1) Mr. Calisto owns 20,028,811 shares, or 64.71%. However, Mr. Calisto and One Spire (Pty) Ltd. have agreed that if Mr. Calisto's beneficial ownership falls to below 51% of the issued and outstanding shares of the Company, then One Spire (Pty) Ltd. will cast all votes in respect of the ordinary shares that One Spire (Pty) Ltd. beneficially owns as directed by Mr. Calisto. As a result, in accordance with the rules of the SEC, Mr. Marais' 3,100,000 shares may be deemed to be beneficially owned by Mr. Calisto. Therefore, Mr. Calisto may be deemed to beneficially own 23,128,811 shares or 74.73%. Mr. Calisto disclaims beneficial ownership of Mr. Marais' 3,100,000 ordinary shares.

(2) Mr. Marais is the beneficial owner of 3,100,000 shares through One Spire (Pty) Ltd., which corresponds to 10.02% of the issued and outstanding shares of the Company. Mr. Marais and Jennie Allen are directors of One Spire (Pty) Ltd., and accordingly, Mr. Marais and Ms. Allen share voting and investment power over the shares held by One Spire (Pty) Ltd. Mr. Calisto and One Spire (Pty) Ltd. have agreed that if Mr. Calisto's beneficial ownership falls to below 51% of the issued and outstanding shares of the Company, then One Spire (Pty) Ltd. will cast all votes in respect of the ordinary shares that One Spire (Pty) Ltd. beneficially owns as directed by Mr. Calisto. As a result, in accordance with the rules of the SEC, Mr. Calisto may be deemed to beneficially own such shares. Mr. Calisto disclaims beneficial ownership of such ordinary shares.

(3) Gobi Capital LLC is controlled by Bo Shan. Gobi Capital LLC and Bo Shan disclaim beneficial ownership of the ordinary shares listed above except to the extent of any pecuniary interest therein. The business address of Gobi Capital LLC is 909 Montgomery Street, Suite 400, San Francisco, CA 94133.

As at May 20 2022, we had 2 holders of record of our ordinary shares, 1 of which was located in the United States and held approximately 35.03% of our total issued ordinary shares. The U.S. shareholder of record is CEDE & CO., a nominee of The Depository Trust Company. We believe that the shares held by CEDE & CO. include ordinary shares beneficially owned by both holders in the United States and non-U.S. beneficial owners, and include an administrative depository share register in South Africa holding 7,204,433 ordinary shares.

B. RELATED PARTY TRANSACTIONS

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Person Transaction Policy

We have adopted a policy requiring approval by the audit committee, subject to certain exceptions, of certain transactions between us and a related person (as defined below). Transactions subject to the policy would include the following transactions in which a related person has or will have a direct or indirect material interest:

- any transaction or series of transactions with a related person that is material to us or the related person, or
- any transactions that are unusual in their nature or conditions, involving goods, services, or tangible or intangible assets, to which we are a party.

For purposes of the policy, “related person” means:

- any director or executive officer of (i) the Company or (ii) an affiliated entity of the Company;
- any immediate family member of a director or executive officer of (i) the Company or (ii) an affiliated entity of the Company;
- any nominee for director of (i) the Company or (ii) an affiliated entity of the Company and the immediate family members of such nominee;
- a 10% beneficial owner of the Company’s voting securities or any immediate family member of such owner; and
- enterprises in which a substantial interest in the voting power is owned, directly or indirectly by a person described in any of the immediately preceding four bullet points or over which such a person is able to exercise significant influence.

Related Party Transactions

The information below describes related party transactions we have entered into, which are material to the company or the related party, or any transactions that are unusual in their nature or conditions, involving goods, services or tangible or intangible assets, to which the company or any of its affiliates was a party.

Additional information about our related party transactions is included in Note 30 to the audited consolidated financial statements.

Property leases

Up to December 2021, we leased offices at 166 Jan Smuts Avenue, Rosebank, Johannesburg, 2196, South Africa and at 11 Keyes Avenue, Rosebank, Johannesburg, 2196, South Africa, with approximately 6,356 square meters of space in total, pursuant to lease agreements (the “Lease Agreements”) by and between Purple Rain, and each of (i) Cartrack Proprietary Limited, (ii) Cartrack Manufacturing Proprietary Limited and (iii) Found Proprietary Limited, each dated as at March 1, 2020. Purple Rain was an entity in which our Chief Executive Officer, Isaias (Zak) Jose Calisto, owned an 85% stake. Under the Lease Agreements, the aggregate amount of payments paid to Purple Rain were ZAR 7.2 million, ZAR 12.4 million and ZAR 16.4 million for the years ended February 28, 2022, February 28, 2021 and February 29, 2020, respectively.

The Lease Agreements were terminated during fiscal 2022 and the shares of Purple Rain were acquired by Cartrack Holdings Proprietary Limited, terminating the only material related party transaction within the group, more detail below “acquisitions”. Following a decision to demolish the existing buildings we entered into lease agreements for office space at two locations as set out in Item 4.D, “Property, Plant and Equipment”.

Put Option

When Karoo0000 acquired 70.1% of Picup in September 2021, Karoo0000 entered into a Put Option Agreement with our Chief Executive Officer, Isaias (Zak) Jose Calisto, the ultimate controlling shareholder of Karoo0000, to grant Karoo0000 the right to sell all its interest in Picup to Isaias (Zak) Jose Calisto. The put option expires on August 31, 2022. As this is a transaction between Karoo0000 and the ultimate controlling shareholder of Karoo0000, Isaias (Zak) Jose Calisto, the fair value and subsequent changes in fair value of the put option is recognized directly against retained earnings, amounting to ZAR 15.3 million. Refer to FS – page F-38.

Registration Rights Agreement

In connection with the Offering, we entered into a registration rights agreement with our Chief Executive Officer, Isaias (Zak) Jose Calisto. The registration rights agreement grants Mr. Calisto and his designees specified registration rights in connection with any transfer of ordinary shares issuable to us or our affiliates upon conversion of any shares. As a result, Mr. Calisto may require us to use reasonable best efforts to effect the registration under the Securities Act of our ordinary shares that he or his affiliates own, in each case at our own expense. The registration rights agreement also provides that we will indemnify Mr. Calisto in connection with the registration of our ordinary shares.

Loan Arrangements

Given our commitment to South Africa's broad-based Black economic codes of good practice, we entered into an Enterprise Development Loan Agreement with Bumbene House (Proprietary) Limited in February 2020 under which we provided Bumbene House (Proprietary) Limited with a loan in an aggregate amount of ZAR 11.0 million. The loan was extended by a further ZAR 8.4 million during the 2021 financial year. Our Chief Executive Officer, Isaias (Zak) Jose Calisto, serves as a trustee of the Kubu Trust that owns 100% of Bumbene House (Proprietary) Limited. Amounts due under this loan bear no interest, have no fixed terms of repayment and are repayable on demand. As at February 28, 2022, ZAR 19.4 million of this loan remained outstanding in full.

On December 22, 2020, the Company entered into an agreement with a related party (Orient Victoria Pte Ltd), whereby the related party agreed to lend and advance up to USD 65 million for the sole purpose of facilitating the Company's acquisition of the remaining interest in the subsidiary, CTK. The related party loan bore interest at a rate of 1.25% and was repayable as soon as possible and prior to the Company paying any dividends. On December 29, 2020, the Company received a USD 58.5 million (ZAR 882.4 million) loan from Orient Victoria Pte Ltd. This loan was fully repaid, with interest, on April 22, 2021.

Acquisitions

Picup Technologies (Pty) Ltd: In September 2021, the Group strategically acquired 70.1% of the shares and voting interest in Picup Technologies (Pty) Ltd ("Picup"), a logistics cloud-based disruptive technology company located in South Africa. The acquisition may be a related party transaction given that Isaias (Zak) Jose Calisto, founder and CEO of Karooooo, had been working with Picup prior to its acquisition by the Group, to build the Picup business for scale, including through a ZAR 4.5 million loan from Onecell Holdings (Pty) Ltd of which Mr J Marais and Mr Calisto hold substantial voting interests, and Mr Calisto is a director, given the timing of the approval of the transaction. The loan was intended as a once-off short-term bridge financing for Picup prior to final acquisition approvals, and was fully repaid in September 2021 following the completion of the acquisition.

Mr J Marais, Mr Calisto and Onecell Holdings (Pty) Ltd had no interest in Picup prior to the acquisition.

As Cartrack's mobility open eco system platform allows for seamless integration into third party systems, Picup has been working with Cartrack to address the challenges of last-mile delivery through an integrated offering. Picup simplifies transport operations and helps mitigate the risks associated with logistics, specifically in relation to meeting tight delivery timeframes. Cartrack customers are now able to manage their own fleets and workflows, interact with specialist courier companies, as well as a network of vetted crowd-sourced drivers, thus enabling them to efficiently scale their e-commerce business, deliveries and general logistic needs. The platform allows enterprises and transporters to plan and allocate their loads, access real-time tracking and proof of delivery with automated payments.

Purple Rain Properties (Pty) Ltd ("Purple Rain"): In February 2022, the Group acquired 100% of the shares and voting interest in Purple Rain for a nominal consideration of ZAR 100 which equaled the net asset value and issued share capital of Purple Rain at the time. See Note 28 to the accompanying consolidated financial statements included elsewhere in this annual report for further information.

The Transaction is a related party transaction due to Mr J Marais and Mr Calisto indirectly owning Purple Rain through their interest in Onecell Holdings (Pty) Ltd, a private company registered in South Africa.

Purple Rain's only asset is the properties at the location of the office space utilized by Cartrack businesses in Johannesburg, South Africa prior to this acquisition and redevelopment. Independent valuation appraisals of these properties have been concluded.

Given Karooooo's consistent annual growth rate since inception, its existing leased office premises in Johannesburg South Africa, Cartrack Corner, situated at 11 Keyes Avenue Rosebank ("office premises"), no longer provides adequate space to accommodate the expected growth.

Subsequent to the acquisition the office buildings are being demolished and the properties consolidated to enable the erection of a head office suite for South Africa.

The full total cost for the redevelopment of the office premises, including the site, is estimated to be ZAR 346.9 million. The complete asset estimated to be ZAR 346.9 million equates to an estimated monthly long term lease cost of ZAR 115 per square meter, in comparison to the current market rate of ZAR 140 per square meter with an annual escalation of 8%. The new offices, including 404 parking bays, will have a built-up area of approximately 31,800 square meters. Whilst the redevelopment is taking place, expected to be 2 years, Cartrack has temporarily leased offices opposite its current offices in Rosebank, Johannesburg and another location in Johannesburg South Africa, as set out in Item 4.D "Property, Plant and Equipment".

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

Item 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18. “FINANCIAL STATEMENTS”

LEGAL PROCEEDINGS

To our knowledge, we are not currently a party to any legal proceeding that would have a material adverse effect on our financial condition, results of operations, or liquidity, nor are we aware of any pending legal proceedings, which may have a material adverse effect on our financial condition, results of operations, or liquidity. From time to time in the future, we may become involved in legal proceedings arising in the ordinary course of our business. Litigation is subject to many uncertainties, the outcome of individual litigated matters is not predictable with assurance, and it is reasonably possible that some of these matters may be decided unfavorably to us.

DIVIDENDS AND DIVIDEND POLICY

Dividends are declared at the discretion of our board of directors and we cannot assure you that we will pay any dividends to holders of our ordinary shares, or as to the amount of any such dividends if our board of directors determines to do so.

The Group did not pay any dividends during Fiscal 2022 (Fiscal 2021: ZAR 418 million).

Any future determination to pay cash dividends will be at the discretion of the board of directors and will depend on many factors, including general and economic conditions, financial condition and operating results, available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions, including restrictive covenants contained in our financing agreements, the ability of the group’s subsidiaries to distribute funds to Karooooo and such other factors as the board of directors may deem relevant. See “Risk Factors—Although Karooooo has paid dividends in the past, our ability to pay dividends in the future depends on many factors and we cannot guarantee you that we will continue to pay dividends in the future.”

The board may, by ordinary resolution, declare dividends at a general meeting of its shareholders, but no dividend shall be payable except out of our profits, and the amount of any such dividend shall not exceed the amount recommended by the board of directors. Subject to Karooooo’s constitution and in accordance with the Singapore Companies Act, the board of directors may, without the approval of shareholders, declare and pay interim dividends, but any final dividends the board declares must be approved by an ordinary resolution at a general meeting of shareholders.

In accordance with the stated dividend policy above, an interim dividend of 60 U.S. cents per ordinary share, pertaining to the first quarter of Karooooo’s 2023 financial year, will be paid, out of Karooooo’s retained earnings, on September 12, 2022 to shareholders on record as at the close of business on September 02, 2022. Although Karooooo’s reporting currency is ZAR, its statutory filings in Singapore are reported in USD, as a result of which dividends are declared in USD.

B. SIGNIFICANT CHANGES

See Note 38 in the notes to the consolidated financial statements attached to this annual report for discussion of subsequent events since the date of our most recent audited financial statements.

Item 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

The principal market in which our ordinary shares trade is the Nasdaq Capital Market under the symbol “KARO”.

The secondary market in which our ordinary shares trade is the Johannesburg Stock Exchange (“JSE”) under the symbol “KRO”.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Not applicable.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

Item 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

The information required by this section, including a summary of certain key provisions of our constitution, has been included previously in our Registration Statement on Form F-1 (Registration No. 333-253625) as filed under the Securities Act with the SEC on February 26, 2021 and has not changed since, and therefore is incorporated by reference to that Registration Statement. A copy of our constitution is attached as Exhibit 1.1 to this annual report. For additional information on our memorandum and articles of association, please see Exhibit 2.2 “Description of Ordinary Shares” to this annual report.

C. MATERIAL CONTRACTS

We have not entered into any material contracts other than in the ordinary course of business and other than as may be described in Item 5.B. “Operating and Financial Review and Prospects—Liquidity and Capital Resources,” Item 7.B. “Major Shareholders and Related Party Transactions—Related Party Transactions” or elsewhere in this annual report.

D. EXCHANGE CONTROLS

There are no governmental laws, decrees, regulations or other legislation of Singapore that may affect:

- the import or export of capital including the availability of cash and cash equivalents for use by the Company, or
- the remittance of dividends, interests or other payments to non-resident holders of the Company’s securities other than those deriving from the U.S.-Singapore double taxation treaty.

The risks associated with exchange controls experienced in the ordinary course of business are described in Item 3.D. “Key Information—Risk Factors.”

E. TAXATION

TAX CONSIDERATIONS

The following are material Singaporean, South African and U.S. federal income tax considerations relevant to an investment in our ordinary shares. This discussion does not address all of the tax consequences that may be relevant in light of the investor’s particular circumstances. Potential investors should consult their tax advisers regarding the Singaporean, South African, U.S. federal, state and local, and non-U.S. tax consequences of owning and disposing of our ordinary shares in their particular circumstances.

Singaporean Tax Considerations

The statements made herein regarding taxation are general in nature and based on certain aspects of current tax laws of Singapore and administrative guidelines issued by the relevant authorities in force as of the date of this annual report and are subject to any changes in such laws or administrative guidelines, or in the interpretation of these laws or guidelines, occurring after such date, which changes could be made on a retrospective basis. These laws and guidelines are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. The statements below are not to be regarded as advice on the tax position of any holder of our ordinary shares or of any person acquiring, selling or otherwise dealing with our ordinary shares or on any tax implications arising from the acquisition, sale or other dealings in respect of our ordinary shares. The statements made herein do not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of our ordinary shares and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Holders of our ordinary shares are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of our ordinary shares. The statements below regarding the Singapore tax treatment of dividends received in respect of our ordinary shares are based on the assumption that the Company is tax resident in Singapore for Singapore income tax purposes. It is emphasized that neither the Company nor any other persons involved in this annual report accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our ordinary shares.

Individual Income Tax

An individual is a tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore. All foreign-sourced income received in Singapore on or after January 01, 2004 by a Singapore tax resident individual (except for income received through a partnership in Singapore) is exempt from Singapore income tax if the Comptroller of Income Tax in Singapore (“Comptroller”) is satisfied that the tax exemption would be beneficial to the individual. A Singapore tax resident individual is taxed at progressive rates ranging from 0% to 22%.

Non-resident individuals, subject to certain exceptions and conditions, are subject to Singapore income tax on income accruing in or derived from Singapore at the rate of 22%.

Corporate Income Tax

A corporate taxpayer is regarded as resident in Singapore for Singapore tax purposes if the control and management of its business is exercised in Singapore.

Corporate taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore. Foreign-sourced income in the form of dividends, branch profits or after June 01, 2003 are exempt from tax if certain prescribed conditions are met, including the following:

- (i) such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received; and
- (ii) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15%.

Certain concessions and clarifications have also been announced by the Inland Revenue Authority of Singapore (“IRAS”) with respect to such conditions.

A non-resident corporate taxpayer is subject to income tax on income that is accrued in or derived from Singapore, and on foreign-sourced income received or deemed received in Singapore, subject to certain exceptions.

The corporate tax rate in Singapore is currently 17%. In addition, three-quarters of up to the first S\$10,000 of a company’s annual normal chargeable income, and one-half of up to the next S\$190,000, is exempt from corporate tax from the year of assessment (“YA”) 2020 onwards. The remaining chargeable income (after the tax exemption) will be fully taxable at the prevailing corporate tax rate.

New companies will also, subject to certain conditions and exceptions, be eligible for tax exemption on three-quarters of up to the first S\$100,000 of a company’s annual normal chargeable income, and one-half of up to the next S\$100,000, a year for each of the Company’s first three YAs from YA 2020 onwards. The remaining chargeable income (after the tax exemption) will be taxed at the applicable corporate tax rate.

Dividend Distributions

All Singapore-resident companies are currently under the one-tier corporate tax system (“one-tier system”).

Dividends received in respect of our ordinary shares by either a resident or non-resident of Singapore are not subject to Singapore withholding tax, on the basis that we are a tax resident of Singapore and under the one-tier system.

Under the one-tier system, the tax on corporate profits is final and dividends paid by a Singapore resident company are tax exempt in the hands of a shareholder, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Gains on Disposal of our Ordinary Shares

Singapore does not impose tax on capital gains. There are no specific laws or regulations which deal with the characterization of whether a gain is income or capital in nature. Gains arising from the disposal of our ordinary shares may be construed to be of an income nature and subject to Singapore income tax, especially if they arise from activities which the IRAS regards as the carrying on of a trade or business in Singapore.

Holders of our ordinary shares who apply, or who are required to apply, the Singapore Financial Reporting Standard ("FRS") 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 ("SFRS(I) 9") (as the case may be) may for the purposes of Singapore income tax be required to recognize gains or losses (not being gains or losses in the nature of capital) in accordance with the provisions of FRS 39, FRS 109 or SFRS(I) 9 (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal of our ordinary shares is made.

Holders of our ordinary shares who may be subject to this tax treatment should consult their accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of our ordinary shares.

Stamp Duty

Where our ordinary shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of their transfer at the rate of 0.2% of the consideration for, or market value of, our ordinary shares, whichever is higher.

Stamp duty is borne by the purchaser unless there is an agreement to the contrary. Where an instrument of transfer is executed outside Singapore or no instrument of transfer is executed, no stamp duty is generally payable on the acquisition of our ordinary shares. However, stamp duty may be payable if the instrument of transfer is executed outside Singapore and is received in Singapore.

Pursuant to recent amendments to the Stamp Duties Act, Chapter 312 of Singapore, stamp duty is payable on certain electronic instruments that effect a transfer of interest in our ordinary shares, where such instruments are regarded or deemed to be executed in Singapore, or executed outside Singapore and received in Singapore. In this regard, an electronic instrument that is executed outside Singapore is received in Singapore if (a) it is retrieved or accessed by a person in Singapore; (b) an electronic copy of it is stored on a device (including a computer) and brought into Singapore; or (c) an electronic copy of it is stored on a computer in Singapore.

On the basis that any transfer instruments in respect of any interests in our ordinary shares (whether traded on Nasdaq or JSE) are executed outside Singapore through the transfer agent(s), share registrar(s) and/or administrative depository agent(s) in the United States and/or South Africa for registration in our share register(s) and/or administrative depository register(s) (including branch register(s) of members) maintained in the United States and/or South Africa respectively, no stamp duty should be payable in Singapore on such transfers to the extent that the instruments of transfer (including electronic instruments) are not received in Singapore and all electronic records and any information relating to such transfers are not electronically received by persons in Singapore, stored on any server or device in Singapore or made accessible to any person in Singapore.

Estate Duty

Singapore estate duty was abolished with respect to all deaths occurring on or after February 15, 2008.

Goods and Services Tax ("GST")

The sale of our ordinary shares by a GST-registered investor belonging in Singapore for GST purposes to another person belonging in Singapore is an exempt supply not subject to GST. Any input GST incurred by the GST-registered investor in making an exempt supply is generally not recoverable from the Singapore Comptroller of GST.

Where our ordinary shares are sold by a GST-registered investor in the course of or furtherance of a business carried on by such investor contractually to and for the direct benefit of a person belonging outside Singapore, the sale should generally, subject to satisfaction of certain conditions, be considered a taxable supply subject to GST at 0%. Any input GST incurred by the GST-registered investor in making such a supply in the course of or furtherance of a business may be fully recoverable from the Singapore Comptroller of GST. Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of our ordinary shares.

Services consisting of arranging, brokering, underwriting or advising on the issue, allotment or transfer of ownership of our ordinary shares rendered by a GST-registered person to an investor belonging in Singapore for GST purposes in connection with the investor's purchase, sale or holding of our ordinary shares will be subject to GST at the standard rate of 7.0%. Similar services rendered by a GST registered person contractually to and for the direct benefit of an investor belonging outside Singapore should generally, subject to the satisfaction of certain conditions, be subject to GST at 0%.

The Singapore's Goods and Services Tax (GST) will be raised in 2 phases, with the first increase from 7% to 8% taking place from January 01, 2023 and the second increase to 9% will take place from January 01, 2024.

South African Tax Considerations

The following summary describes the principal South African income tax considerations generally applicable to the acquisition, holding and disposal of the Company's ordinary shares.

This summary is based on the current provisions of the South African Income Tax Act No. 58 of 1962 ("Income Tax Act"), and the prevailing practice adopted by the South African Revenue Service ("SARS"), published in writing prior to the date hereof. This summary does not consider legislative proposals to amend the Income Tax Act. This summary is of a general nature only and is not intended to be legal or tax advice to any particular shareholder. This summary is not exhaustive of all South African income tax considerations. Accordingly, shareholders should consult their own tax advisors as to the tax consequences under the tax laws of the country of which they are resident or otherwise subject to tax.

As used in this registration statement, the term "SA Corporate" means a person in section 64F(1)(a) of the Income Tax Act being "a company which is a resident" for tax purposes in South Africa.

As used in this registration statement, the term "Regulated Intermediary" means a regulated intermediary as contemplated in section 64D of the Income Tax Act.

For tax years ending before March 31, 2023, the Corporate Income Tax rate applicable to the corporate income of both resident and non-resident companies is 28%. This rate will be reduced to 27% with effect for years of assessment ending on or after March 31, 2023.

SA Tax Resident Shareholders

SA Tax Resident Shareholders (i.e. shareholders of the Company who are subject to income tax in South Africa on their worldwide income) will initially be reflected in the administrative depository share register in South Africa and will not hold their shares through DTC. SA Tax Resident Shareholders who choose to hold their shares through DTC will need to ensure they have sufficient single discretionary allowance in respect of individuals and trusts or foreign direct investment allowance for SA Corporates.

South African dividend tax at 20% will be withheld on any cash dividends declared and paid by the Company to SA Tax Resident Shareholders holding Company ordinary shares listed on the JSE, subject to any applicable exemptions that may apply.

No South African dividend tax will be withheld on any cash dividends declared and paid by the Company to SA Tax Resident Shareholders holding Company ordinary shares through DTC. Such dividends will be subject to income tax in South Africa in the hands of the SA Tax Resident Shareholders.

A controlled foreign company (“CFC”) is a non-South African company in which more than 50% of the participation rights/voting rights are directly or indirectly held/exercisable by SA Tax Residents who are not headquarter companies. Certain profits of CFCs are included in the taxable income of certain SA Tax Resident ordinary shareholders.

The Company’s shares are not held more than 50% by SA Tax Resident ordinary shareholders and thus the Company is not currently a CFC.

The shareholder base of the Company, classified either as SA Tax Resident Shareholders or non-SA Tax Resident Shareholders, may vary over time. Where the Company achieves CFC status in future, only those SA Tax Resident Shareholders holding, alone or together with any connected person, 10% or more of the Company’s ordinary shares must include in their taxable income (i.e. impute unless any of the exemptions from imputation apply — see below) their proportion of the “profit” of the Company, with such proportion being their proportional shareholding equivalent to the percentage of their shareholding in the Company’s ordinary shares.

SA Tax Resident Shareholders who, together with connected persons, will acquire more than 10% of the Company’s ordinary shares in future are advised to obtain tax advice regarding whether they will have a South African tax exposure as a result of the Company potentially being a CFC as at that date, having regard to the Company’s shareholder base as at that point in time.

SA Tax Resident Shareholders that dispose of their Company ordinary shares will be subject to either income tax (in the case of share dealers) or capital gains tax (in the case of capital investors).

Non-SA Tax Resident Shareholders

No South African dividend tax will be withheld on any cash dividends declared and paid by the Company to Non-SA Tax Resident Shareholders (i.e. shareholders of the Company who are not subject to income tax in South Africa on their worldwide income) holding Company ordinary shares. Where such shares are registered on the JSE, a specific exemption is applicable in terms of the Income Tax Act, provided that the Non-SA Tax Resident Shareholder has submitted the prescribed information to their Regulated Intermediary or the Company as required in terms of section 64G(2)(a) prior to payment of the relevant cash dividend. Where such shares are registered through the DTC, South African dividend tax is not applicable.

Non-SA Tax Resident Shareholders that dispose of their Company ordinary shares registered on the JSE or through the DTC will not be subject to capital gains tax (in the case of capital investors) in South Africa provided that the Company ordinary shares are not attributable to a permanent establishment of the Non-SA Tax Resident Shareholder in South Africa.

Where the Non-SA Tax Resident Shareholders are share dealers no income tax will be payable on disposal of their Company ordinary shares registered on the JSE or through the DTC as the income will not be from a South African source, provided that the Company ordinary shares are not attributable to a permanent establishment of the Non-SA Tax Resident shareholder in South Africa.

U.S. Federal Income Tax Considerations

The following are certain U.S. federal income tax consequences to the “U.S. Holders” described below of owning and disposing of ordinary shares, but this discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person’s decision to hold ordinary shares.

This discussion applies only to a U.S. Holder that holds the ordinary shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of a U.S. Holder’s particular circumstances, including any alternative minimum tax or Medicare contribution tax considerations, or consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding ordinary shares as part of a straddle, integrated or similar transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes and their partners;
- tax-exempt entities, “individual retirement accounts” or “Roth IRAs”;
- persons that own or are deemed to own 10% or more of our stock by voting power or value;
- persons who acquired our ordinary shares pursuant to the exercise of an employee stock option or otherwise as compensation; or
- persons holding ordinary shares in connection with a trade or business outside the United States.

If a partnership (or other entity that is classified as a partnership for U.S. federal income tax purposes) owns ordinary shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships that own ordinary shares and their partners should consult their tax advisers as to their particular U.S. federal income tax consequences of owning and disposing of ordinary shares.

This discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

As used herein, a “U.S. Holder” is a person that is, for U.S. federal income tax purposes, a beneficial owner of ordinary shares and:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion does not address the effects of any state, local or non-U.S. tax laws, or any U.S. federal tax laws other than income tax laws (such as U.S. federal estate or gift tax laws). U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of ordinary shares in their particular circumstances.

Except as described below under “— Passive Foreign Investment Company Rules,” this discussion assumes that we are not, and will not be, a passive foreign investment company (a “PFIC”) for any taxable year.

Taxation of Distributions

Distributions paid on our ordinary shares, other than certain pro rata distributions of ordinary shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, U.S. Holders generally should expect that all distributions will be treated as dividends. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Subject to applicable limitations, (including a minimum holding period requirement), dividends paid by “qualified foreign corporations” to certain non-corporate U.S. investors are taxable at a preferential rate applicable to long-term capital gains. A non-U.S. corporation is treated as a qualified foreign corporation with respect to dividends paid on stock that is readily tradable on certain U.S. securities markets, such as the Nasdaq. The preferential rate does not apply if the non-U.S. corporation is a PFIC for the year the dividend is paid or the preceding year. Non-corporate U.S. Holders should consult their tax advisers regarding the availability of the preferential rate and any limitations that may apply in their particular circumstances.

Dividends will be included in a U.S. Holder’s income on the date of receipt. The amount of any dividend income paid in a currency other than the U.S. dollar will be the U.S. dollar amount calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars on such date. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the amount received. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. Dividends will be treated as foreign-source income for foreign tax credit purposes, which may be relevant to U.S. Holders in calculating their foreign tax credit limitation. Foreign currency gain or loss generally will be treated as U.S.-source income or loss for foreign tax credit purposes.

As described under Item 10.E. “Tax Considerations—Singaporean Tax Considerations—Dividend Distributions” and “Tax Considerations—South African Tax Considerations—Non-SA Tax Resident Shareholders,” Singapore and South Africa generally do not impose withholding taxes on dividends paid by the Company on ordinary shares held through DTC (and in the case of a Non-SA Resident, JSE, provided that procedural requirements to establish an exemption are met). If any non-U.S. jurisdiction imposes taxes on dividends, U.S. Holders should consult their tax advisers regarding the creditability or deductibility of any such foreign taxes (including any applicable limitations that may apply either generally or in their particular circumstances).

Sale or Other Taxable Disposition of Ordinary Shares

A U.S. Holder will generally recognize capital gain or loss on a sale or other taxable disposition of ordinary shares, which will be long-term capital gain or loss if, at the time of the sale or disposition, the U.S. Holder has owned the ordinary shares for more than one year. The amount of gain or loss will equal the difference between the amount realized on the sale or disposition and the U.S. Holder’s tax basis in the ordinary shares disposed of, in each case as determined in U.S. dollars. A U.S. Holder’s gain or loss will generally be treated as U.S.-source income or loss for foreign tax credit purposes. U.S. Holders that sell ordinary shares for an amount denominated in a non-U.S. currency should consult their tax advisers regarding the exchange rate at which the amount received should be translated to U.S. dollars, and whether any U.S.-source foreign currency gain or loss may be required to be recognized as a result of the sale. Long-term capital gains recognized by non-corporate U.S. Holders are taxed at a rate that is lower than the rate applicable to ordinary income. The deductibility of capital losses is subject to limitations.

As described under Item 10.E. “Tax Considerations—Singaporean Tax Considerations—Gains on Disposal of our Ordinary Shares” and “Tax Considerations—South African Tax Considerations—Non-SA Tax Resident Shareholders,” Singapore and South Africa generally do not tax capital gains of non-resident investors from the sale of their ordinary shares. If any non-U.S. taxes are imposed on dispositions of our ordinary shares generally, they will not be creditable for U.S. federal income tax purposes (although, in certain circumstances, such taxes may reduce the amount realized by a U.S. Holder on the disposition, or be deductible). U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of the imposition of any non-U.S. taxes on dispositions of our ordinary shares.

Passive Foreign Investment Company Rules

In general, a non-U.S. corporation is a PFIC for U.S. federal income tax purposes for any taxable year in which (i) 50% or more of the value of its assets (generally determined based on the average of the quarterly values of its gross assets) consists of assets that produce, or are held for the production of, passive income, or (ii) 75% or more of its gross income consists of passive income. For purposes of the above calculations, a non-U.S. corporation that owns, directly or indirectly, at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties and gains from the sale or exchange of investment property. Cash is generally a passive asset for these purposes. Goodwill is generally characterized as an active asset to the extent it is associated with business activities that produce active income.

Based on the composition of our income and assets and the value of our assets, including the value of our goodwill, we believe that we were not a PFIC for our taxable year ended February 28, 2022. However, our PFIC status for any taxable year is an annual determination that can be made only after the end of that year, and will depend on the composition of our income and assets and the value of our assets from time to time (including the value of our goodwill, which may be determined in part by reference to the market price of the ordinary shares, which has been, and could continue to be, volatile). We hold a significant amount of cash and cash equivalents and our PFIC status for any taxable year may also depend on how, and how quickly, we use them. Because the value of our goodwill may be determined by reference to our market capitalization, we could become a PFIC for any taxable year if the price of our ordinary shares declines significantly while we hold a substantial amount of cash, cash equivalents and financial investments. In addition, the application of the PFIC rules is subject to a number of uncertainties and the proper characterization of some of our income and assets is not entirely clear. Accordingly, there can be no assurance that we will not be a PFIC for our current or any future taxable year.

If we are a PFIC for any taxable year and any entity in which we own equity interests is also a PFIC (a “Lower-tier PFIC”), U.S. Holders will be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and will be subject to U.S. federal income tax according to the rules described in the next paragraph on (i) certain distributions by the Lower-tier PFIC and (ii) dispositions of shares of the Lower-tier PFIC, in each case as if the U.S. Holders held such shares directly, even though the U.S. Holder will not receive any proceeds of those distributions or dispositions.

In general, if we are a PFIC for any taxable year during which a U.S. Holder owns ordinary shares, gain recognized by such U.S. Holder on a sale or other disposition (including certain pledges) of its ordinary shares will be allocated ratably over its holding period. The amounts allocated to the taxable year of the sale or disposition and to any year before we became a PFIC with respect to such U.S. Holder will be taxed as ordinary income. The amount allocated to each other taxable year will be subject to tax at the highest rate in effect for individuals or corporations, as applicable, for that taxable year, and an interest charge will be imposed on the resulting tax liability for each such year. Furthermore, to the extent that distributions received by a U.S. Holder in any year on its ordinary shares exceed 125% of the average of the annual distributions on the ordinary shares received during the preceding three years or the U.S. Holder’s holding period, whichever is shorter, such excess distributions will be subject to taxation in the same manner. If we are a PFIC for any taxable year during which a U.S. Holder owns ordinary shares, we will generally continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder owns the ordinary shares, even if we cease to meet the threshold requirements for PFIC status, unless a “deemed sale” election is made. If we are a PFIC for any taxable year, a mark-to-market election may be available, which will result in an alternative treatment of the ordinary shares. U.S. Holders should consult their tax advisers to determine whether any of these elections will be available or advisable, and, if so, what the consequences of the resulting alternative treatments will be in their particular circumstances.

If we are a PFIC (or with respect to a particular U.S. Holder are treated as a PFIC) for a taxable year in which we pay a dividend or for the prior taxable year, the preferential tax rate described above with respect to dividends paid to certain non-corporate U.S. Holders will not apply.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If we are a PFIC for any taxable year during which a U.S. Holder owns any ordinary shares, the U.S. Holder will generally be required to file annual reports on an Internal Revenue Service Form 8621. Substantial penalties and other adverse tax consequences may apply for failure to timely file such reports. U.S. Holders should consult their tax advisers regarding the determination of whether we are a PFIC for any taxable year and the potential application of the PFIC rules to their ownership of ordinary shares.

Information Reporting and Backup Withholding

Payments of distributions and sales proceeds that are made within the United States or through certain U.S. related financial intermediaries may be subject to information reporting and backup withholding, unless (i) the U.S. Holder is a corporation or other “exempt recipient” and (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against its U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals (or certain specified entities) may be required to report information relating to their ownership of ordinary shares or non-U.S. financial accounts through which ordinary shares are held, on Internal Revenue Service Form 8938. Substantial penalties and other tax consequences may apply for failure to timely file such reports. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to our ordinary shares.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to the informational requirements of the Exchange Act. In accordance with these requirements, we file reports and furnish other information as a foreign private issuer with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet website that contains reports and other information regarding registrants, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

I. SUBSIDIARY INFORMATION

Not applicable.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in foreign currency exchange rates and interest rates. Please refer to Note 31 to the accompanying consolidated financial statements included elsewhere in this annual report for information about quantitative and qualitative disclosures about market risk.

Foreign Currency Risk

We conduct business in multiple countries and currencies, and as a result, 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, Mozambican metical, the Singapore dollar and Polish zloty.

(Refer to the Risk Factors note on foreign currencies on page 23 and Note 31.2 (c) on Currency Risk on page F-53)

At this time, we do not hedge our foreign currency risk.

Interest Rate Risk

Interest rate risk primarily relates to our loan obligations with variable interest rates. For example, amounts outstanding under our Term Loan Facilities accrue interest at variable rates linked to the South African prime rate and 12-month Euribor which exposes us to interest rate risk. Short-term deposits held at banking institutions also carry interest rates at prevailing market conditions.

An increase of 100 basis points at February 28, 2022 would have resulted in R0.9 million in additional interest income.

We have not entered into any financial instruments to mitigate interest rate risk.

Credit Risk

Credit risk primarily results from when a customer fails to meet its contractual obligations, and arises principally from our receivables from customer, cash deposits and cash equivalents. Credit risk is managed by each subsidiary subject to our policies and procedures. A significant percentage of our individual customers pay via direct debit in order to minimize our credit risk.

We evaluate credit risk relating to customers on an ongoing basis using independent ratings, or if independent ratings are not available, we assess the credit quality of our customers by taking into account their financial position, past experience and other factors, including the default risk associated with the country in which the customer operates. Individual risk limits are set based on internal or external ratings in accordance with limits set by our board of directors. The utilization of credit limits is regularly monitored.

We do not have any significant credit risk exposure to any single customer or any group of customers having similar characteristics.

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. DEBT SECURITIES

Not applicable.

B. WARRANTS AND RIGHTS

Not applicable.

C. OTHER SECURITIES

Not applicable.

D. AMERICAN DEPOSITORY SHARES

Not applicable.

PART II

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

A. DEFAULTS

Not applicable.

B. ARREARS AND DELINQUENCIES

Not applicable.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

Item 15. CONTROLS AND PROCEDURES

A. DISCLOSURE CONTROLS AND PROCEDURES

We have evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the Group's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act, as amended) as of February 28, 2022. Based on that evaluation, we concluded that, as of such date, our disclosure controls and procedures were effective and ensured that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officers and our Chief Financial Officer, to allow timely decisions regarding required disclosures, and is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

B. MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Karooooo is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, for the Company. Karooooo's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of Karooooo's financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with IFRS as issued by the IASB.

Karooooo's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation in accordance with IFRS.

Management assessed the effectiveness of the Company's internal control over financial reporting as of February 28, 2022. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control—Integrated Framework (2013)" and assessed the current processes as effective.

C. ATTESTATION REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

As Karooooo Ltd is still classified as an Emerging Growth Company ("EGC") company, under the Jumpstart our Business Startups Act (JOBS Act); The effectiveness of internal control over financial reporting as of February 28, 2022 need not be independently audited by the independent registered public accounting firm. This exemption was applied in the current reporting cycle.

D. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting that occurred during the year ended February 28, 2022 that have materially affected, or are reasonably likely to materially affect, the Group's internal control over financial reporting.

Limitations on effectiveness of controls and procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 16. RESERVED

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Audit Committee

The audit committee, which consists of Siew Koon Lim, Andrew Leong and Kim White will assist the board in overseeing our accounting and financial reporting processes and the audits of our financial statements. In addition, the audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. The audit committee is also responsible for reviewing and determining whether to approve certain transactions with related parties. See "Certain Relationships and Related Party Transactions—Related Person Transaction Policy." The board of directors has determined that Siew Koon Lim qualifies as an "audit committee financial expert," as such term is defined in the rules of the SEC, and that Siew Koon Lim, Andrew Leong and Kim White are independent, as independence is defined under the rules of the SEC and the Nasdaq applicable to foreign private issuers. Siew Koon Lim acts as chairman of our audit committee.

Item 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our code of business conduct and ethics is posted on the investor relations page of our website at <https://www.karooooo.com/corporate-governance.php>. We intend to disclose any amendments to our code of business conduct and ethics, or waivers of its requirements, as it applies to our executive officers and directors, on our website or in filings under the Exchange Act.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate audit and audit-related fees, tax fees and all other fees billed or accrued for professional services rendered by our principal accountants KPMG LLP, Singapore:

	Year ended February 28		
	2022	2022	2021
	(U.S.\$ thousands ⁽¹⁾)	In R thousands	
Audit fees	803	12,364	11,139
Tax fees	-	-	-
All other fees	-	-	-
Total	803	12,364	11,139

- (1) For convenience purposes only, amounts in South African rand as at February 28, 2022 have been translated to U.S. dollars using an exchange rate of ZAR 15.3975 to U.S.\$1.00, the exchange rate for U.S. dollars at February 28, 2022 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

Audit fees consist of fees billed or accrued for the annual audit of our consolidated financial statements and the audit of statutory financial statements of our subsidiaries, including fees billed for assurance and related services that are reasonably related to the performance of the audit or reviews of our financial statements that are services that only an external auditor can reasonably provide.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Item 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

Item 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

On March 15, 2022, KPMG LLP, which served as our independent auditors for the fiscal years ended February 28, 2022 and February 28, 2021, informed us that they would decline to stand for re-election at the conclusion of their term of appointment. KPMG LLP is still engaged to provide services with respect to our financial statements for the fiscal years ended February 28, 2022 and February 28, 2021 included in this annual report.

On June 06, 2022, following an evaluation process, the Audit and Risk Committee approved and recommended to our board of directors the appointment of Ernst & Young LLP as our new independent registered public accounting firm for the audit of our financial statements for the year ending February 28, 2023. As a result, and after due deliberation, our board of directors has approved, subject to shareholders’ approval, the appointment of Ernst & Young LLP.

KPMG LLP issued a report on our audited financial statements for the fiscal years ended February 28, 2022 and February 28, 2021. This report did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

During our two most recent fiscal years and subsequent interim periods through June 09, 2022, we had no disagreements with KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to its satisfaction, would have caused KPMG LLP to make reference in connection with its report. During our two most recent fiscal years there were no reportable events as such term is defined in Item 16F(a)(1)(iv) of Form 20-F.

During our two most recent fiscal years and subsequent interim periods through June 09, 2022, neither we, nor anyone acting on our behalf, consulted with Ernst & Young LLP on matters that involved (i) the application of accounting principles to a specified transaction, either completed or proposed, the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to us that Ernst & Young LLP concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing, or financial reporting issue, or (ii) any other matter that was either the subject of a disagreement as that term is used in Form 20-F or a reportable event.

We have provided KPMG LLP with a copy of the foregoing disclosure and requested that KPMG LLP furnish to us a letter addressed to the U.S. Securities and Exchange Commission stating whether KPMG LLP agrees with such disclosure, as specified by Item 16F(a)(3) of Form 20-F. We have included as Exhibit 15.1 to this Form 20-F a copy of such letter from KPMG LLP.

Item 16G. CORPORATE GOVERNANCE

We are a “foreign private issuer” under the securities laws of the United States and the rules of Nasdaq. Under Nasdaq’s rules, a foreign private issuer is subject to less stringent corporate governance requirements. Subject to certain exceptions, the rules of Nasdaq permit a foreign private issuer to follow its home country practice in lieu of the listing requirements of Nasdaq. We intend to follow home country practices in lieu of the listing requirements of Nasdaq with regard to the following:

- the requirement under Section 5605(e)(2) of Nasdaq listing rules that companies must adopt a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the U.S. federal securities laws;
- the requirement under Section 5605(d) of Nasdaq listing rules that a compensation committee comprised solely of independent directors governed by a compensation committee charter oversee executive compensation;
- the requirement under Section 5605(b)(2) of Nasdaq listing rules that the independent directors have regularly scheduled meetings with only the independent directors present;
- the requirement under Section 5605(c) of Nasdaq listing rules that a quorum must consist of at least 33 1/3 percent of the outstanding shares of a listed company’s common voting stock; and
- the requirement under Section 5610 of Nasdaq listing rules that a company must have adopted one or more codes of conduct applicable to all directors, officers and employees, and that such codes are publicly available.

Otherwise, we intend to follow the requirements of Nasdaq to the extent possible under Singapore law.

In addition, because we are a foreign private issuer, our directors and executive officers are not subject to short-swing profit liability and insider trading reporting obligations under Section 16 of the Exchange Act. They will, however, be subject to the obligations to report changes in share ownership under Section 13 of the Exchange Act and related SEC rules to the extent appropriate.

Item 16H. MINE SAFETY DISCLOSURE

Not applicable.

Item 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

Item 17. FINANCIAL STATEMENTS

Not applicable.

Item 18. FINANCIAL STATEMENTS

See the financial statements beginning on page F-1 of this annual report.

Item 19. EXHIBITS

List all exhibits filed as part of the registration statement or annual report, including exhibits incorporated by reference.

EXHIBIT INDEX

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibit	File Date
1.1#	Constitution of Karooooo Ltd.	Form F-1	333-253635	3.1	February 26, 2021
2.1#	Specimen Share Certificate	Form F-1/A	333-253635	4.1	March 22, 2021
2.2*	Description of Ordinary Shares				
4.1#	Revolving Credit Facility dated February 18, 2021 by and between Cartrack Proprietary Limited, The Standard Bank of South Africa Limited and the parties listed therein as the original guarantors	Form F-1	333-253635	10.1	February 26, 2021
4.2#	Loan Agreement dated July 4, 2019 by and between Isaias (Zak) Jose Calisto and Karoo Pte. Ltd.	Form F-1	333-253635	10.2	February 26, 2021
4.3#	Loan Capitalization Agreement dated November 18, 2020 by and between Isaias (Zak) Jose Calisto and Karooooo Ltd.	Form F-1	333-253635	10.3	February 26, 2021
4.4#	Loan Agreement dated December 22, 2020 by and between Orient Victoria Pte. Ltd. and Karooooo Ltd., as supplemented by the addendum dated February 15, 2021	Form F-1	333-253635	10.4	February 26, 2021
4.5#	Registration Rights Agreement	Form F-1/A	333-253635	10.5	March 22, 2021
4.6#	Form of Deed of Indemnity	Form F-1/A	333-253635	10.6	March 12, 2021
8.1#*	List of subsidiaries				June 09, 2022

12.1*	<u>Certification by the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	June 09, 2022
12.2*	<u>Certification by the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	June 09, 2022
13.1**	<u>Certification by the Principal Executive Officer and Principal Financial Office pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	June 09, 2022
15.1*	<u>Letter from KPMG LLP to the SEC, dated June 09, 2022 regarding the change in independent registered public accounting firm</u>	June 09, 2022
101.INS*	Inline XBRL Instance Document.	
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.	
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.	
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.	
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	

* Filed herewith.

Portions of this exhibit (indicated by asterisks) have been excluded from the exhibit because it both (i) is not material and (ii) would likely cause competitive harm to the registrant if disclosed.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this registration statement on Form 20-F on its behalf.

Karooooo Ltd.

By: /s/ Isaias (Zak) Jose Calisto
Name: Isaias (Zak) Jose Calisto
Title: Chief Executive Officer

By: /s/ Morné Grundlingh
Name: Morné Grundlingh
Title: Chief Financial Officer

Date: June 09, 2022

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

**Audited Consolidated Financial Statements
for the Years Ended February 28, 2022, February 28, 2021 and February 29, 2020— Karooooo Ltd.**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Karooooo Ltd.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Karooooo Ltd. and subsidiaries (the Company) as of February 28, 2022 and 2021, the related consolidated statements of profit and loss, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2021.

Singapore
June 09, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Karooooo Ltd

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows, for the year ended February 29, 2020 and the related notes (the “financial statements”) of Karooooo Ltd and its subsidiaries (the “Company”). In our opinion, the financial statements present fairly, in all material respects, the results of the Company’s operations and its cash flows for the year ended February 29, 2020 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Deloitte & Touche
Johannesburg, South Africa
January 29, 2021

We began serving as the Company’s auditor in 2019. In 2021 we became the predecessor auditor.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in Rand thousands	Notes	As of February, 28	
		2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,390,659	1,137,192
Capitalized commission assets	6	231,537	201,075
Intangible assets	7	77,031	59,339
Goodwill	8	186,384	124,152
Loans to related parties	12	19,400	19,400
Long-term prepayments		9,722	–
Non-current financial asset	14	1,359	–
Deferred tax assets	9	58,383	47,046
Total non-current assets		1,974,475	1,588,204
Current assets			
Inventories	10	25,369	–
Trade and other receivables and prepayments	11	333,886	324,170
Income tax receivables		8,818	15,412
Other financial asset	14	15,305	882,420
Cash and cash equivalents	13	731,748	104,937
Total current assets		1,115,126	1,326,939
Total assets		3,089,601	2,915,143
EQUITY AND LIABILITIES			
Equity			
Share capital	15	7,142,853	2,739,629
Capital reserve		(3,587,640)	–
Common control reserve	1	(2,709,236)	(2,709,236)
Foreign currency translation reserve		28,776	9,705
Retained earnings		1,276,523	815,215
Equity attributable to equity holders of parent		2,151,276	855,313
Non-controlling interest		22,905	427,133
Total equity		2,174,181	1,282,446
Liabilities			
Non-current liabilities			
Term loans	16	71,194	10,468
Lease liabilities	17	64,784	60,283
Deferred revenue	18	108,256	85,655
Deferred tax liabilities	9	47,063	42,024
Total non-current liabilities		291,297	198,430
Current liabilities			
Term loans	16	18,156	5,462
Trade and other payables	19	281,866	281,882
Loans from related parties	12	2,134	891,977
Lease liabilities	17	47,294	38,401
Deferred revenue	18	218,148	161,110
Bank overdraft	13	13,722	28,839
Income tax payables		40,918	25,615
Provision for warranties		1,885	981
Total current liabilities		624,123	1,434,267
Total liabilities		915,420	1,632,697
Total equity and liabilities		3,089,601	2,915,143

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Figures in Rand thousands	Notes	Year ended February 28/29		
		2022	2021	2020
Revenue	20	2,746,151	2,290,543	1,941,893
Cost of sales		(922,561)	(670,523)	(574,770)
Gross profit		1,823,590	1,620,020	1,367,123
Other income		1,841	2,166	1,867
Operating expenses		(1,126,306)	(895,624)	(738,068)
Sales and marketing		(333,259)	(238,110)	(177,870)
General and Administration		(555,327)	(476,534)	(460,402)
Research and development		(149,238)	(100,138)	(44,924)
Expected credit losses on financial assets		(88,482)	(80,842)	(54,872)
Operating profit	21	699,125	726,562	630,922
Initial public offering costs ("IPO")	1	(10,288)	(25,570)	–
Finance income	22	6,083	4,358	2,592
Finance costs	23	(12,331)	(9,302)	(16,831)
Fair value changes to derivative assets		(506)	–	–
Profit before taxation		682,083	696,048	616,683
Taxation	24	(205,476)	(198,628)	(173,157)
Profit for the year		476,607	497,420	443,526
Profit attributable to:				
Owners of the parent		449,953	318,183	289,882
Non-controlling interest		26,654	179,237	153,644
		476,607	497,420	443,526
Earnings per share				
Basic and diluted earnings per share (ZAR)	34.1	15.24	15.65	14.26

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in Rand thousands	Notes	Year ended February 28/29		
		2022	2021	2020
Profit for the year		476,607	497,420	443,526
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified to profit or loss in future periods:				
Exchange differences on translating foreign operations		17,955	(10,240)	35,989
Other comprehensive income for the year		17,955	(10,240)	35,989
Total comprehensive income for the year net of income tax		494,562	487,180	479,515
Total comprehensive income attributable to:				
Owners of the parent		469,024	316,037	312,317
Non-controlling interest		25,538	171,143	167,198
		494,562	487,180	479,515

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in Rand thousands	Notes	Share capital	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, 2019		10	–	(10,584)	30,383	598,598	618,407	219,221	837,628
Profit for the year		–	–	–	–	289,882	289,882	153,644	443,526
Other comprehensive income		–	–	22,435	–	–	22,435	13,554	35,989
Total comprehensive income for the year		–	–	22,435	–	289,882	312,317	167,198	479,515
Transactions with owner, recognized directly in equity Contributions by and distributions to owner									
Dividends	26	–	–	–	–	(52,502)	(52,502)	(39,506)	(92,008)
Total transactions with owner		–	–	–	–	(52,502)	(52,502)	(39,506)	(92,008)
Balance at February 29, 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		<u>2,739,629</u>	<u>(2,709,236)</u>	<u>9,705</u>	<u>–</u>	<u>815,215</u>	<u>855,313</u>	<u>427,133</u>	<u>1,282,446</u>

Figures in Rand thousands	Notes	Share capital	Capital reserve	Common control reserve	Foreign currency translation	Retained earnings	Total attributable to owner of the parent	Non-controlling interest	Total equity
Balance at March 1, 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		<u>4,403,224</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,305</u>	<u>4,418,529</u>	<u>(6,726)</u>	<u>4,411,803</u>
Reclassification ²		–	–	–	–	(3,950)	(3,950)	3,950	–
Total transactions with owner		<u>4,403,224</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>11,355</u>	<u>4,414,579</u>	<u>(2,776)</u>	<u>4,411,803</u>
Changes in ownership interest in subsidiaries									
Acquiring interest in subsidiaries without change in control ³		–	(3,587,640)	–	–	–	(3,587,640)	(426,990)	(4,014,630)
Total changes in ownership interest in subsidiaries		<u>–</u>	<u>(3,587,640)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,587,640)</u>	<u>(426,990)</u>	<u>(4,014,630)</u>
Balance at February 28, 2022		<u>7,142,853</u>	<u>(3,587,640)</u>	<u>(2,709,236)</u>	<u>28,776</u>	<u>1,276,523</u>	<u>2,151,276</u>	<u>22,905</u>	<u>2,174,181</u>

¹ Karooooo acquired control of 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.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in Rand thousands	Notes	Year ended February 28/29		
		2022	2021	2020
Cash flows from operating activities				
Profit before taxation		682,083	696,048	616,683
Adjustments		583,734	448,804	339,630
Depreciation on property, plant and equipment	5	458,281	372,936	282,976
Amortization of capitalized commission assets	6	64,566	46,957	31,262
Amortization of intangible assets	7	39,078	25,856	12,786
Capitalized commission assets written off	6	15,301	–	–
Profit on disposal of property, plant and equipment		(1,150)	(1,191)	(748)
Finance income	22	(6,083)	(4,358)	(2,592)
Finance costs	23	12,331	9,302	16,831
Provision for warranties charge		904	(698)	(885)
Fair value changes to derivative assets		506	–	–
Working capital adjustments				
Inventories		(25,369)	–	55,380
Trade and other receivables and prepayments		(52,053)	(78,625)	(36,778)
Trade and other payables		(11,677)	115,179	15,671
Deferred revenue		78,130	43,227	128,405
Capitalized commission assets		(112,639)	(95,999)	(64,437)
Cash generated from operating activities		1,142,209	1,128,634	1,054,554
Interest received		6,083	4,358	2,592
Interest paid		(14,061)	(7,254)	(9,323)
Income tax paid	25	(202,525)	(187,887)	(146,599)
Net cash generated from operating activities		931,706	937,851	901,224
Cash flows from investing activities				
Purchase of property, plant and equipment	5	(552,634)	(478,036)	(388,723)
Purchase of property, plant and equipment – Telematics devices		(457,241)	(375,609)	(369,156)
Purchase of property, plant and equipment – Equipment on hand ¹		(42,962)	(69,768)	–
Purchase of property, plant and equipment - Other		(52,431)	(32,659)	(19,567)
Proceeds on disposal of property, plant and equipment		4,840	14,362	6,532
Investment in intangible assets	7	(43,816)	(45,630)	(34,245)
Acquisition of subsidiary, net of cash acquired	28	(66,607)	–	–
Advances of loans to related party		–	(8,400)	(11,000)
Repayment of loans from related party		–	13	–
Net cash utilized by investing activities		(658,217)	(517,691)	(427,436)
Cash flows from financing activities				
Proceeds from related parties loans	16	–	857,367	–
Repayment of related parties loans	16	(845,003)	(1,512)	–
Cash transferred from/(to) restricted cash ²		834,543	(857,216)	–
Acquiring interest in subsidiaries without change in control		(66,386)	(11,559)	–
Net proceeds from issuance of share capital ³		450,727	–	10
Proceeds from term loans obtained	16	110,000	–	–
Repayment of term loans	16	(101,708)	(8,247)	(217,815)
Payments of lease liabilities	16	(47,201)	(46,751)	(58,417)
Dividends paid	26	–	(418,094)	(92,008)
Net cash generated from/(utilized by) financing activities		334,972	(486,012)	(368,230)
Net increase/(decrease) in cash and cash equivalents		608,461	(65,852)	105,558
Cash and cash equivalents at the beginning of the year		76,098	146,591	38,144
Effect of exchange rate changes on cash and cash equivalents		33,467	(4,641)	2,889
Cash and cash equivalents at the end of the year	13	718,026	76,098	146,591

¹ The Group has capitalized telematics devices designated for installation in customer vehicles which were historically accounted for as inventory. During the financial year ended February 28, 2021, the Group revised the classification of the telematic devices to property, plant and equipment (in the categories Capitalized telematic devices – uninstalled and Capitalized telematic devices – work-in-progress), since they represent tangible items that are held for use in the supply of services, and are expected to be used for more than one period. The reclassification was corrected prospectively as the impact to comparative amounts is not material.

² On December 29, 2020, the Group received ZAR 882.4 million (USD58.5 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.

³ On April 21, 2021 Karoosoo 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 Karoosoo ordinary share for every 10 Cartrack ordinary shares owned on the JSE prior to the finalization of the reinvestment offer. Karoosoo 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 Karoosoo. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Reporting entity

Karoo000 Ltd. (“Karoo000” 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. Karoo000 acquired an approximate 68 per cent interest in Cartrack effective July 17, 2019.

Through a flow of funds arrangement, Karoo000’s acquisition of control of Cartrack was facilitated by Zak capitalizing Karoo000, 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, Karoo000 was the legal and beneficial owner of the Cartrack shares. As a consequence of the call option embedded within the loan, Karoo000 did not acquire control as defined by IFRS 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 Karoo000 share capital and as a consequence, Karoo000 acquired control of Cartrack. On this date, 20,331,894 shares were issued to Zak and Karoo000 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 Karoo000 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 have been retrospectively recast to reflect Karoo000’s controlling interest in Cartrack for all previous periods presented. For the period prior to the incorporation of Karoo000 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 International Financial Reporting Standards (“IFRS”) issued by the Accounting Standards Council. In the absence of specific guidance Karoo000 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.

Karoo000 listed on the NASDAQ on April 1, 2021 and raised USD 33.8 million gross cash for general corporate purposes including the growth and expansion of Cartrack, such as research and development. Karoo000 issued 1,207,500 shares at an offer price of USD 28 per share which is equivalent to the offer price made to Cartrack shareholders to participate in the reinvestment offer, enabling Karoo000 to proceed with the IPO in order to meet the requirements to list on the NASDAQ.

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 Karo0000 through the issue of irrevocable undertakings. As the reinvestment offer is based on exchanging a fixed number of Karo0000 shares for a fixed number of Cartrack shares, this contract is classified as equity. Karo0000 had adopted the present-access method to account for the transaction 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 Karo0000. These shareholders received 1 Karo0000 share for every 10 Cartrack shares held.

Karo0000, 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 Karo0000.

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. 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 IFRS as issued by the International Accounting Standard Board.

The policies applied in these annual financial statements are based on IFRS effective for annual period beginning on March 1, 2021.

The annual financial statements were approved for issue by the Directors on June 09, 2022.

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 fair valued.

Functional and presentation currency

These consolidated annual financial statements are presented in South African Rand (ZAR), which is the Group’s presentation currency. The Company’s functional currency is in United States Dollars (USD).

All financial information presented has been rounded off to the nearest thousand ZAR, unless otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Significant judgements and estimates

The Group makes judgements, estimates and assumptions concerning the future when preparing the consolidated annual financial statements. Actual results may differ from these judgements, estimates and assumptions. There are not considered to be any significant judgements which need to be made in applying the Group's accounting policies or IFRS.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The accounting estimates that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are noted below:

Estimates

i. Useful life estimates of Capitalized telematics devices, Capitalized commission assets and revenue recognition from deferred revenue.

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.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

As part of an established control framework, significant unobservable inputs and valuation adjustments are regularly reviewed. If third party information is used to measure fair values, such information is assessed to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is 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 (with Level 3 being the lowest).

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting year during which the change has occurred.

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 annual financial statements reflect the financial results of the Group. All financial results are consolidated with similar items on a line-by-line basis. Inter-company transactions, balances and unrealized gains and losses between entities are eliminated on consolidation.

Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

- The fair value of the consideration transferred; plus
- The recognised amount of any Non-controlling interests ("NCI") in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

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.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated.

Non-controlling interest

NCI in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of financial position, respectively.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The Group accounted for such equity transactions as an adjustment against retained earnings. 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.

b) Foreign currency

i. Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated annual financial statements are presented in ZAR, which is the Group's presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the income statement.

Foreign exchange gains/(losses) are classified as net foreign exchange gains and losses in operating expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

iii. Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each income statement presented are translated at average yearly exchange rates;
- (iii) All resulting exchange differences are recognized in other comprehensive income; and
- (iv) Equity items are measured at historical cost at the time of recording, translated at the rate on the date of the recording and are not retranslated to closing rates at reporting dates.

On consolidation, exchange differences arising from the translation of net investments in foreign operations are recognized in other comprehensive income. When a foreign operation is fully disposed of or sold (i.e., control is lost), exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale. A repayment/ capitalization of a net investment loan therefore does not result in any exchange differences being transferred from equity to the income statement unless it is part of a transaction resulting in a loss of control.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences are recognized in other comprehensive income.

c) Financial instruments

i. Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”). Financial assets and financial liabilities are initially measured at fair value. Amortized cost and FVTPL are relevant to the Group.

The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Non-derivative financial assets– Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Non-derivative financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets – Subsequent measurement and gains and losses

Financial assets at amortized cost. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Impairment of non-derivative financial assets

The Group recognizes allowance for expected credit losses (“ECL”) for all debt instruments not held at FVTPL.

The Group applies the simplified approach to trade receivables which requires ECLs to be recognized from initial recognition. The provision rates are based on days since invoicing for grouping that have similar loss patterns. The provision matrix is initially based on the Group’s historical observed default rates and adjusted with forward- looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

(i) Credit-impaired financial assets

At each reporting date, the Group assesses whether the financial assets not held at FVTPL are ‘credit-impaired’. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or another financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Impairment losses are recognized on an ECL basis and are disclosed separately in the consolidated statement of profit or loss.

(ii) Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-derivative financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified as measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) a shorter period, to the amortized cost of a financial liability.

ii. Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

ii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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) Property, plant and equipment

i. Recognition and measurement

Property, plant and equipment are measured at historical 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 calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss.

The useful lives applied to the various categories of property, plant and equipment including right of use assets are 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

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 applicable to each asset category are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The carrying amount of property, plant and equipment will be derecognized on disposal or when no future economic benefits are expected from its use. Gains and losses on disposal of any items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized in profit and loss.

f) Capitalized commission assets

i. Recognition and measurement

Incremental sales commission 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

g) Goodwill

Goodwill is measured at cost less any accumulated impairment losses. Impairment losses recognized as an expense in relation to goodwill are not subsequently reversed.

Goodwill is tested annually for impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination giving rise to goodwill. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

On disposal of the relevant cash-generating unit or subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

h) Intangible assets

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.

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 are 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.

i) Impairment of non-financial assets

The Group's non-financial assets, other than deferred tax 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized 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 if there has been a change in estimates used to determine the recoverable amount. 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, net of depreciation or amortization, if no impairment loss had been recognized.

j) Taxation

i. Tax expense

Current and deferred taxes are recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognized, in the same or a different period, to other comprehensive income, or as equity; or
- a business combination.

In such cases, current and deferred taxes are charged or credited to other comprehensive income.

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.

ii. Income tax assets and liabilities

Income tax for current and prior periods is, to the extent unpaid, recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

Income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty relating to income taxes.

iii. Deferred tax assets and liabilities

Deferred tax is provided by using the liability method, on all temporary differences between the carrying amount of assets and liabilities for accounting purposes and the amounts used for tax purposes.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The provision for deferred tax is calculated using enacted or substantively enacted tax rates at the reporting date that are expected to apply when the asset is realized or liability settled. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be realized.

The provision of deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when the related income taxes are levied by the same tax authority, there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that becomes probable that future taxable profits will be available against which they can be used.

k) Leases

At inception of a contract the Group assesses whether contracts contain a lease. A contract contains a lease if control of the use of an asset is obtained in exchange for a consideration.

Should control of the asset be obtained, the Group recognizes a right-of-use-asset and a lease liability at the commencement date of the contract. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date. The right-of-use asset is subsequently depreciated over the lease term.

The lease liability is measured at the present value of lease payments discounted using an incremental borrowing rate.

The Group has elected not to recognize right of use assets and liabilities for short-term leases less than twelve months or low value assets which is in accordance with the accounting standard.

The customer does not control the telematics hardware as the use of the device is predetermined to meet the data collection requirements for the software services provided by the Group and the customer does not have the right to operate the asset nor have, they designed the asset. Accordingly, the subscription contract arrangement with the customer is not considered to meet the definition of a lease.

l) Inventories

Inventories are measured 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.

Prior to financial year ended February 28, 2021, the Group has capitalized telematics devices designated for installation in customer vehicles which were accounted for as inventory. During the financial year ended February 28, 2021, the Group revised the classification of the telematic devices to property, plant and equipment (in the categories Capitalized telematic devices – uninstalled and Capitalized telematic devices – work-in-progress), since they represent tangible items that are held for use in the supply of services, and are expected to be used for more than one period. The reclassification was corrected prospectively as the impact to comparative amounts is not material.

m) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables do not include any significant financing element and as a result are measured initially at the transaction price and are subsequently measured at amortized cost less expected credit losses.

n) 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.

o) Other financial asset

Other financial asset includes restricted cash and derivative financial assets. Restricted cash is initially recognized at fair value and subsequently measured at amortized cost. The accounting policy that applies to derivative financial assets is detailed in Note 2.2(d).

p) Employee benefits

Short-term employee benefits

Remuneration of employees is charged to profit or loss. Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short-term employee benefit obligations are measured on an undiscounted basis and are charged to profit or loss as the related service is provided. An accrual is recognized for accumulated leave, incentive bonuses and other employee benefits when the Group has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

q) Provisions and contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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.

r) 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.

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.

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.

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.

Prior to a change in its standard subscription contract in May 2019, control of the telematics device was transferred to the customer pursuant to certain contracts hereinafter referred to as the “standard option” (previously the “cash option”). For standard option contracts the Group identified three performance obligations: hardware sales; installation thereof and SaaS services. Revenue was allocated to each performance obligation based upon the relative standalone selling price. Prior to May 2019, the Group also provided a minimum term option (previously “rental option”) where control of the telematics device was not transferred to the customer.

For minimum term option (previously “rental option”) contracts entered into prior to May 2019, and for all contracts entered into following the change in the standard option contract in May 2019 control of the telematics device is not transferred to the customer. The Group considers such arrangements to contain a single performance obligation. Contracts are typically for a 36-month term and then renewable on a monthly basis thereafter on the same pricing terms. The contracts are cancellable upon the payment of a cancellation fee and in the event of cancellation the Group retrieves the telematics device for use on another contract. Any non-refundable amounts received at the inception of the contract are recognized over the expected term of the customer relationship.

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.

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.

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. In prior years, such devices were recognized as inventory under the category of “in-vehicle inventory” in anticipation of a future subscription contract. During the financial year ended February 28, 2021, such “in-vehicle inventory” is classified as capitalized telematics devices - uninstalled” (see Note 5). 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 IFRS 15: B16. Accordingly, as permitted by IFRS 15:121, the quantitative disclosures about the group’s remaining performance obligations (future subscription services) are not provided.

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.

Vehicle sales

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

Delivery service fees

Delivery service fee is recognized when the service are rendered.

s) Interest income

Interest is recognized, in profit or loss, using the effective interest rate method.

t) Interest expense

Interest is recognized in profit or loss when incurred, using the effective interest rate method.

u) Earnings per share

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.

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.

v) Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the share issuance of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of equity transactions are accounted for in accordance with IAS 12 *Income Taxes*.

Treasury shares

Treasury shares held by the Group are recognized at cost and included as a deduction from equity. These shares are treated as a deduction from the weighted average number of shares. Distributions received on treasury shares are eliminated on consolidation.

w) Government Grants

Government grant relates to Research and Development (“R&D”) incentives and various COVID-19 relief government initiatives. Grants that compensate the Group for expenses incurred are recognized in profit or loss as ‘contra expenses’ on a systematic basis in the periods in which the expenses are recognized, unless the conditions for receiving the grant are met after the related expenses have been recognized. In this case, the grant is recognized when it becomes receivable.

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after March 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amended standards below do not have a significant impact on the Group's consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest benchmark rate with an alternative benchmark rate. The key amendments relate to:

- Practical expedient for modifications: If a change in determination of contractual cashflows from financial asset or liability results directly from interest rate benchmark reform and occurs on an 'economically equivalent' basis, changes will be accounted for by updating the effective interest rate instead of recognizing significant gain or loss in the income statement. A similar practical expedient will apply under IFRS 16 Leases for lessees when accounting for lease modifications required by interest rate benchmark reform.
- Specific relief from discontinuing hedging relationships: The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting. For example, the entity will not need to discontinue existing hedging relationships because of changes to hedge documentation required solely by interest rate benchmark reform. Therefore, when a hedged risk changes due to benchmark reform, the entity may update the hedge documentation to reflect the new benchmark rate and the hedge may be able to continue without interruption.
- Disclosure requirements: The entity will need to provide additional information about the nature and extent of risks to which it is exposed arising from financial instruments subject to interest rate benchmark reform, its progress in completing the transition to alternative benchmark rates and how it is managing its transition.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)

In response to the COVID-19 coronavirus pandemic, the IASB has issued the amendment to IFRS 16 *Leases* to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. The practical expedient will only apply if:

- The revised consideration is substantially the same or less than the original consideration;
- The reduction in lease payments relates to payments due on or before June 30, 2021; and
- No other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- If they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- The amount recognized in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

3.2 Standard issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements which could be relevant to the Group are disclosed below. The Group intends to adopt these new and amended standards and interpretations, when they become effective.

At the date of authorization of the financial statements, the Group continues to assess and evaluate the impact to its financials on the initial adoption of these new accounting standards and interpretations and its related applicable period.

Details of amendment	Annual periods beginning on/after
Amendments to IFRS 16: COVID-19 Related Rent Concessions beyond June 30, 2021	April 1, 2021
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 3: Reference to the Conceptual Framework	January 1, 2022
Annual improvements to IFRS standards 2018 – 2020	January 1, 2022
Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use	January 1, 2022
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	January 1, 2023
Amendments to IAS 8: Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	January 1, 2023
Amendments to IAS 1, IFRS 26, IFRS 34, IFRS 7 and IFRS Practice Statement 2: Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 28 and IFRS 10: Amendments relating to 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 current 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.
- 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 subscription revenue, total revenue and operating profit or loss.

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

Figures in Rand thousands	Cartrack	Carzuka	Karoo Logistics	Total
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	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 and February 29, 2020, the Group only has one business segment, the Cartrack business segment and hence, it is not separately presented in this note.

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

Figures in Rand thousands	Year ended February 28/29		
	2022	2021	2020
Total segment operating profits	699,125	726,562	630,922
IPO costs	(10,288)	(25,570)	–
Finance income	6,083	4,358	2,592
Finance cost	(12,331)	(9,302)	(16,831)
Fair value changes to derivative assets	(506)	–	–
Consolidated profit before taxation	682,083	696,048	616,683

Information about geographical areas:

	As of February 28	
	2022	2021
Non-current operating assets¹		
South Africa	1,295,683	946,551
Africa-Other	92,517	81,561
Europe	192,712	252,425
Asia-Pacific ² , Middle East & USA	314,421	241,221
	1,895,333	1,521,758

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 113.0 million (2021: ZAR 80.2 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, 2022, February 28, 2021 and February 29, 2020.

5. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousands	Land and Property	Plant, equipment and vehicles	IT equipment	Capitalized telematics devices – Work-in-Progress¹	Capitalized telematics devices – Uninstalled¹	Capitalized telematics devices - Installed	Construction in progress	Total
At February 28, 2022								
<i>Owned assets</i>								
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	<u>120,015</u>	<u>31,444</u>	<u>49,367</u>	<u>138,405</u>	<u>173,871</u>	<u>771,124</u>	<u>4,166</u>	<u>1,288,392</u>
<i>Right-of-use-assets</i>								
Cost	112,516	43,435	20,586	-	-	-	-	176,537
Accumulated depreciation	(48,128)	(10,927)	(15,215)	-	-	-	-	(74,270)
Carrying value	<u>64,388</u>	<u>32,508</u>	<u>5,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,267</u>
Total	<u>184,403</u>	<u>63,952</u>	<u>54,738</u>	<u>138,405</u>	<u>173,871</u>	<u>771,124</u>	<u>4,166</u>	<u>1,390,659</u>
At February 28, 2021								
<i>Owned assets</i>								
Cost	35,824	92,314	58,450	104,475	116,422	1,842,405	-	2,249,890
Accumulated depreciation	(18,082)	(72,163)	(33,180)	-	-	(1,080,972)	-	(1,204,397)
Carrying value	<u>17,742</u>	<u>20,151</u>	<u>25,270</u>	<u>104,475</u>	<u>116,422</u>	<u>761,433</u>	<u>-</u>	<u>1,045,493</u>
<i>Right-of-use-assets</i>								
Cost	89,840	54,396	19,109	-	-	-	-	163,345
Accumulated depreciation	(37,207)	(20,403)	(14,036)	-	-	-	-	(71,646)
Carrying value	<u>52,633</u>	<u>33,993</u>	<u>5,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,699</u>
Total	<u>70,375</u>	<u>54,144</u>	<u>30,343</u>	<u>104,475</u>	<u>116,422</u>	<u>761,433</u>	<u>-</u>	<u>1,137,192</u>

Reconciliation of the carrying value of property, plant and equipment

Figures in Rand thousands	Land and Property	Plant, equipment and vehicles	IT equipment	Capitalized telematics devices – Work-in-Progress¹	Capitalized telematics devices – Uninstalled¹	Capitalized telematics devices - Installed	Construction in progress	Total
At February 28, 2022								
<i>Owned assets</i>								
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 ³	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 ²	-	-	-	-	50,355	(50,355)	-	-
Translation adjustments	37	(262)	414	-	(1,938)	(10,746)	-	(12,495)
Ending balance	<u>120,015</u>	<u>31,444</u>	<u>49,367</u>	<u>138,405</u>	<u>173,871</u>	<u>771,124</u>	<u>4,166</u>	<u>1,288,392</u>
<i>Right-of-use assets</i>								
Beginning balance	52,633	33,993	5,073	-	-	-	-	91,699
Additions	38,859	25,183	132	-	-	-	-	64,174
Transfer	(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	<u>64,388</u>	<u>32,508</u>	<u>5,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,267</u>
Total	<u><u>184,403</u></u>	<u><u>63,952</u></u>	<u><u>54,738</u></u>	<u><u>138,405</u></u>	<u><u>173,871</u></u>	<u><u>771,124</u></u>	<u><u>4,166</u></u>	<u><u>1,390,659</u></u>

Figures in Rand thousands	Land and Property	Plant, equipment and vehicles	IT equipment	Capitalized telematics devices – Work-in-Progress¹	Capitalized telematics devices – Uninstalled¹	Capitalized telematics devices - Installed	Construction in progress	Total
At February 28, 2021								
<i>Owned assets</i>								
Beginning balance	7,471	6,931	-	-	-	708,881	-	723,283
Reclassification from inventory ¹	-	-	-	91,483	60,133	-	-	151,616
Additions	14,841	2,437	15,381	242,116	18,382	184,879	-	478,036
Transfer	-	-	-	(229,124)	38,394	190,730	-	-
Disposals	-	(5,548)	(364)	-	-	(7,259)	-	(13,171)
Depreciation	(3,984)	(2,389)	(4,043)	-	-	(312,549)	-	(322,965)
Reclassification from right-of-use assets	-	17,304	14,296	-	-	-	-	31,600
Translation adjustments	(586)	1,416	-	-	(487)	(3,249)	-	(2,906)
Ending balance	<u>17,742</u>	<u>20,151</u>	<u>25,270</u>	<u>104,475</u>	<u>116,422</u>	<u>761,433</u>	<u>-</u>	<u>1,045,493</u>
<i>Right-of-use assets</i>								
Beginning balance	43,333	59,838	28,052	-	-	-	-	131,223
Additions	33,149	12,923	-	-	-	-	-	46,072
Disposals	(1,521)	-	-	-	-	-	-	(1,521)
Depreciation	(22,373)	(19,400)	(8,198)	-	-	-	-	(49,971)
Reclassification to owned assets	-	(17,304)	(14,296)	-	-	-	-	(31,600)
Translation adjustments	45	(2,064)	(485)	-	-	-	-	(2,504)
Ending balance	<u>52,633</u>	<u>33,993</u>	<u>5,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,699</u>
Total	<u>70,375</u>	<u>54,144</u>	<u>30,343</u>	<u>104,475</u>	<u>116,422</u>	<u>761,433</u>	<u>-</u>	<u>1,137,192</u>

¹ The Group has capitalized telematics devices designated for installation in customer vehicles which were historically accounted for as inventory. During the financial year ended February 28, 2021, the Group revised the classification of the telematic devices to property, plant and equipment (in the categories Capitalized telematic devices – uninstalled and Capitalized telematic devices – work-in-progress), since they represent tangible items that are held for use in the supply of services, and are expected to be used for more than one period. The reclassification was corrected prospectively as the impact to comparative amounts is not material.

² 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.

³ Amount is net of the provision for unconverted motor dealership units amounting to ZAR 13.3 million.

6. CAPITALIZED COMMISSION ASSETS

Figures in Rand thousands	As of February 28	
	2022	2021
Cost	413,240	346,861
Accumulated amortization	(181,703)	(145,786)
Carrying value	<u>231,537</u>	<u>201,075</u>

Reconciliation of the carrying value of capitalized sales commissions

Figures in Rand thousands	As of February 28	
	2022	2021
At March 1	201,075	144,549
Additions	112,639	95,999
Amortization	(64,566)	(46,957)
Write off	(15,301)	–
Translation adjustments	(2,310)	7,484
At February 28	<u>231,537</u>	<u>201,075</u>

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

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 (2021: Nil) 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.

7. INTANGIBLE ASSETS

Figures in Rand thousands	Product development costs	Computer software	Trade name	Customer relationship	Total
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	<u>59,737</u>	<u>11,321</u>	<u>652</u>	<u>5,321</u>	<u>77,031</u>
At February 28, 2021					
Cost	83,566	15,546	–	–	99,112
Accumulated amortization	(29,922)	(9,851)	–	–	(39,773)
Carrying value	<u>53,644</u>	<u>5,695</u>	<u>–</u>	<u>–</u>	<u>59,339</u>

Staff costs of ZAR 40.8 million (2021: ZAR 41.0 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	Note	Product development costs	Computer software	Trade name	Customer relationship	Total
At February 28, 2022						
Beginning balance		53,644	5,695	–	–	59,339
Acquisition of subsidiary	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		<u>59,737</u>	<u>11,321</u>	<u>652</u>	<u>5,321</u>	<u>77,031</u>
At February 28, 2021						
Beginning balance		37,067	3,672	–	–	40,739
Additions		40,977	4,653	–	–	45,630
Amortization		(22,986)	(2,870)	–	–	(25,856)
Translation adjustments		(1,414)	240	–	–	(1,174)
Ending balance		<u>53,644</u>	<u>5,695</u>	<u>–</u>	<u>–</u>	<u>59,339</u>

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	Note	Cartrack				Karooooo	Total
		Mozambique	Portugal	Spain	Other	Logistics	
At March 1, 2020		67,984	30,377	21,532	11,610	–	131,503
Translation adjustments		(10,752)	1,815	1,286	300	–	(7,351)
At February 28, 2021		<u>57,232</u>	<u>32,192</u>	<u>22,818</u>	<u>11,910</u>	<u>–</u>	<u>124,152</u>
Acquisition of subsidiary	28	–	–	–	–	58,314	58,314
Translation adjustments		<u>7,849</u>	<u>(2,028)</u>	<u>(1,437)</u>	<u>(466)</u>	<u>–</u>	<u>3,918</u>
At February 28, 2022		<u>65,081</u>	<u>30,164</u>	<u>21,381</u>	<u>11,444</u>	<u>58,314</u>	<u>186,384</u>

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 2021.

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, 2022, the market capitalization of the Group exceeded the value of equity by ZAR 12.6 billion (2021: ZAR 17.0 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.

In ascertaining the recoverable amount for the Karooooo Logistics segment, the Group was of the view that the total consideration paid was representative of Picup Technologies Proprietary Limited's ("Picup") fair value less costs of disposal, as the acquisition of Picup 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 Picup was not impaired.

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

Key estimates	CGU	As of February 28	
		2022	2021
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	17%	11%
	Portugal	10%	10%
	Spain	16%	16%
<p>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.</p>			
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%	9%
	Portugal	1%	1%
	Spain	1%	1%
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	30%	31%
	Portugal	16%	17%
	Spain	17%	20%

Sensitivity analysis

The Group has applied a 50 basis point (2021: 50 basis point) increase and decrease to the revenue growth rates, terminal growth rates and discount rates used in the impairment testing. For Spain and Portugal, it does not result in impairment. However, for Mozambique, an increase of the discount rate or decrease of revenue growth rate by 50 basis point would result in an immaterial impairment.

9. DEFERRED TAX

Figures in Rand thousands	Note	As of February 28	
		2022	2021
Deferred tax liability		(47,063)	(42,024)
Deferred revenue		58,137	44,790
Property, plant and equipment and capitalized commission assets		(144,782)	(117,686)
Lease obligations		4,690	12,119
ECL provision on trade receivables		21,887	11,302
Other		13,005	7,451
Deferred tax asset		58,383	47,046
Deferred revenue		540	6
Property, plant and equipment and capitalized commission assets		27,059	37,479
Tax losses		19,710	6,115
Lease obligations		1,303	297
ECL provision on trade receivables		3,953	928
Other		5,818	2,221
Total net deferred tax asset		<u>11,320</u>	<u>5,022</u>
Reconciliation of deferred tax asset/(liability)			
At March 1		5,022	21,090
Acquisition of subsidiaries		(13,386)	–
Increase in deferred revenue temporary differences		13,912	19,320
Decrease in property, plant and equipment and capitalized commission assets temporary differences		(23,479)	(4,176)
Increase/(decrease) in inventory temporary differences		–	(26,018)
Increase/(decrease) in tax losses temporary differences		8,887	(10,241)
Decrease in lease obligation temporary differences		(6,365)	(3,935)
Increase in ECL provision on trade receivables temporary differences		13,855	6,294
Increase/(decrease) in research and development temporary differences		–	(1,071)
Increase in other temporary differences		12,954	3,759
Translation adjustments		(80)	–
At February 28		<u>11,320</u>	<u>5,022</u>
Reconciliation of deferred tax balances			
At March 1		5,022	21,090
Acquisition of subsidiaries		(13,386)	–
Disposal of subsidiary		–	(550)
Charge to income statement	24	19,764	(16,996)
Translation adjustments		(80)	1,478
At February 28		<u>11,320</u>	<u>5,022</u>
<i>Unrecognized deferred tax assets</i>			

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 6.2 million (2021: ZAR 15.3 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 1,484.7 million (2021: ZAR 1,208.2 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	As of February 28	
	2022	2021
Vehicles	25,369	–
Inventories recognized as an expense in cost of sales	59 213	–

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Figures in Rand thousands	As of February 28	
	2022	2021
Amounts due from related parties	2,515	917
Trade receivables	448,212	353,290
Expected credit loss provision	(161,683)	(101,066)
	289,044	253,141
Other receivables		
Deposits	6,386	7,853
Sundry debtors	9,131	8,599
Subtotal	304,561	269,593
Prepayments	19,242	49,058
Other taxes	10,083	5,519
Total trade and other receivables and prepayments	333,886	324,170

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% (2021: 100%) against all receivables over 360 days (with the exception of Singapore, Portugal and Africa) based on historical experience that these receivables are generally not recoverable. In Africa, Singapore and Portugal, certain customers take longer to pay based on historical experience and these longer dated receivables are generally recovered thus not requiring a similar level of loss allowance. The method in providing for expected credit losses is consistent with prior years or pre-pandemic conditions. 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 average credit period extended to customers is 30 days (2021: 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).

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

Figures in Rand thousands	As of February 28	
	2022	2021
At March 1	(101,066)	(51,657)
Allowance for expected credit losses, net	(88,482)	(80,842)
Amounts utilized	26,896	30,363
Translation adjustments	969	1,070
At February 28	(161,683)	(101,066)

12. LOANS TO/(FROM) RELATED PARTIES

Figures in Rand thousands	As of February 28	
	2022	2021
Non-current assets		
Loans to related party	19,400	19,400
Current liabilities		
Loans from related parties	(2,134)	(891,977)

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. 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.

Other 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	As of February 28	
	2022	2021
Cash on hand	2,175	212
Bank balances	717,935	94,990
Short-term deposits	11,638	9,735
Cash and cash equivalents in the consolidated statement of financial position	731,748	104,937
Bank overdrafts	(13,722)	(28,839)
Cash and cash equivalents in the consolidated statement of cash flows	718,026	76,098
Current assets	731,748	104,937
Current liabilities	(13,722)	(28,839)
	718,026	76,098

Information on cash flow management is included in Note 31.2 (b). Refer to Note 35 for information on the various facilities available to the Group.

14. OTHER FINANCIAL ASSETS

Figures in Rand thousands	As of February 28	
	2022	2021
Non-current assets		
Derivative – call option ¹	1,359	–
Current assets		
Derivative – put option ²	15,305	–
Restricted cash ³	–	882,420
	<u>16,664</u>	<u>882,420</u>

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.

³ On December 29, 2020, the Group received ZAR 882.4 million (USD 58.5 million) from a related party 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.

15. SHARE CAPITAL

Figures in Rand thousands	As of February 28	
	2022	2021
Issued and fully paid 30,951,106 (2021: 20,332,894) ordinary shares of no par value	<u>7,142,853</u>	<u>2,739,629</u>

As discussed in Note 1, Karoo000 acquired control of Cartrack when the loan from Zak to Karoo000 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.

Karoo000 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, Karoo000 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 Karoo000 ordinary share for every 10 Cartrack ordinary shares owned on the JSE prior to the finalisation of reinvestment offer. Karoo000 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 rate	Maturity	As of February 28	
					2022	2021
Non-current liabilities						
Interest-bearing loans		ZAR	JIBAR + 2.05%	February 2024	20,003	–
Interest-bearing loans		EUR	3%	December 2023	5,024	10,468
Mortgaged bonds	28	ZAR	Prime rate -1.15%	December 2025	46,167	–
					<u>71,194</u>	<u>10,468</u>
Current liabilities						
Interest-bearing loans		EUR	3%	December 2023	5,235	5,462
Mortgaged bonds	28	ZAR	Prime rate -1.15%	December 2025	12,921	–
					<u>18,156</u>	<u>5,462</u>
Total term loans					<u>89,350</u>	<u>15,930</u>

The ZAR interest-bearing loans were fully repaid on May 11, 2022.

As at February 28, 2022 and February 28, 2021, 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, 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	<u>2,134</u>	<u>89,350</u>	<u>112,078</u>	<u>203,562</u>
Balance at March 1, 2020	8,362	22,969	98,997	130,328
Changes from financing cash flows	855,855	(8,247)	(46,751)	800,857
Proceeds from borrowings	857,367	–	–	857,367
Repayment of borrowings	(1,512)	(8,247)	–	(9,759)
Payment of lease liabilities	–	–	(46,751)	(46,751)
The effect of changes in foreign exchange rates	25,712	1,208	448	27,368
Other changes	2,048	–	45,990	48,038
Interest paid	–	(1,666)	(5,588)	(7,254)
New leases	–	–	45,990	45,990
Interest expense	2,048	1,666	5,588	9,302
Balance at February 28, 2021	<u>891,977</u>	<u>15,930</u>	<u>98,684</u>	<u>1,006,591</u>

17. LEASE LIABILITIES

Figures in Rand thousands	As of February 28	
	2022	2021
Maturities analysis		
– within one year	47,294	38,401
– within two to four years	56,868	46,576
– over four years	7,916	13,707
Present value of lease payments	112,078	98,684
Non-current liabilities	64,784	60,283
Current liabilities	47,294	38,401
	112,078	98,684

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 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, 2022, the Group recognized lease payments of 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	As of February 28	
	2022	2021
Beginning balance	246,765	208,782
Acquisition of subsidiary	2,678	–
Amounts deferred in current financial year	681,135	251,141
Amounts released to revenue in the current financial year	(603,201)	(211,484)
Translation adjustments	(973)	(1,674)
Ending balance	326,404	246,765
Non-current liabilities	108,256	85,655
Current liabilities	218,148	161,110
	326,404	246,765

Subscription revenues are billed monthly in advance and then recognized in revenue as the service is provided. Ownership of all telematics devices remain with the Group. Certain customers have paid for the service upfront and revenue is deferred and recognized over the expected term of the customer relationship, which is estimated to be 60 months.

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	As of February 28	
	2022	2021
Maturities analysis		
– within one year	218,148	161,110
– within two to four years	103,026	81,055
– over four years	5,230	4,600
Present value of amounts received in advance	326,404	246,765

19. TRADE AND OTHER PAYABLES

Figures in Rand thousands	As of February 28	
	2022	2021
Trade payables		
Amounts due to related parties	8,963	2,816
Trade payables	90,387	88,599
Accrued expenses	115,198	122,435
	<u>214,548</u>	<u>213,850</u>
Other payables		
Sundry creditors	14,754	14,233
Other taxes	30,896	46,372
Dividend payable to NCI	21,668	7,427
	<u>281,866</u>	<u>281,882</u>

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

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	Year ended February 28/29		
	2022	2021	2020
Revenue from contracts with customers			
Subscription revenue - Cartrack	2,565,745	2,209,017	1,887,717
Subscription revenue - Karoo Logistics	2,420	-	-
Other revenue - Cartrack			
Hardware sales	37,435	45,280	36,852
Installation revenue	21,321	20,511	752
Miscellaneous contract fees	12,299	15,735	16,572
Vehicle sales	67,310	-	-
Delivery service fees	39,621	-	-
Total revenue	<u>2,746,151</u>	<u>2,290,543</u>	<u>1,941,893</u>
Primary geographical markets			
South Africa	2,123,153	1,681,928	1,417,465
Africa-Other	101,019	105,895	115,974
Europe	229,671	219,866	173,266
Asia-Pacific*, Middle East and USA	292,308	282,854	235,188
	<u>2,746,151</u>	<u>2,290,543</u>	<u>1,941,893</u>
Timing of revenue recognition			
Products and services transferred at a point in time	177,986	81,526	54,176
Services transferred over time	2,568,165	2,209,017	1,887,717
Total revenue	<u>2,746,151</u>	<u>2,290,543</u>	<u>1,941,893</u>

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

21. OPERATING PROFIT

Figures in Rand thousands	Notes	Year ended February 28/29		
		2022	2021	2020
Operating profit is stated after accounting for the following charges:				
Depreciation of property, plant and equipment	5	458,281	372,936	282,976
Amortization of capitalized commission assets	6	64,566	46,957	31,262
Amortization of intangible assets	7	39,078	25,856	12,786
Write down of inventory to net realizable value		–	–	7,623
Employee benefits expense ¹		720,606	396,369	325,686
Defined contribution plan		26,534	21,742	17,731

¹ After offsetting government grant received ZAR 6.7 million (2021: ZAR 16.7 million, 2020: Nil).

During the financial year ended February 28, 2021, direct costs for provision of motor vehicles to sales staff of ZAR 11.9 million (2020: ZAR 13.1 million) are disclosed as sales and marketing expense, previously this was disclosed as general and administration costs, to better reflect the underlying nature. The error was corrected prospectively as the impact to financial year ended February 29, 2020 is not material.

During the financial year ended February 28, 2021, the amortization of capitalized research and development costs of ZAR 23.0 million (2020: ZAR 9.2 million) is disclosed as research and development, previously this was disclosed as general and administration costs, to better reflect the underlying nature. The error was corrected prospectively as the impact to financial year ended February 29, 2020 is not material.

22. FINANCE INCOME

Figures in Rand thousands	Year ended February 28/29		
	2022	2021	2020
Interest income from bank balances	6,083	4,358	2,592

23. FINANCE COSTS

Figures in Rand thousands	Year ended February 28/29		
	2022	2021	2020
Lease liabilities	6,249	5,588	7,508
Term loans	4,317	2,711	8,727
Overdraft	794	870	595
Others	971	133	1
	<u>12,331</u>	<u>9,302</u>	<u>16,831</u>

24. TAXATION

Figures in Rand thousands	Note	Year ended February 28/29		
		2022	2021	2020
Major components of the tax expense:				
Current tax				
Current year		208,141	160,751	137,392
Prior year		8,573	5,725	(12,017)
Other – Securities Transfer tax		–	200	–
		<u>216,714</u>	<u>166,676</u>	<u>125,375</u>
Deferred tax				
Current year		(16,370)	36,184	33,217
Prior year		(3,394)	(19,188)	11,961
	9	<u>(19,764)</u>	<u>16,996</u>	<u>45,178</u>
Withholding tax				
		8,526	14,956	2,604
Total tax expense		<u>205,476</u>	<u>198,628</u>	<u>173,157</u>
Reconciliation between accounting profit and tax expense:				
Profit before taxation		682,083	696,048	616,683
Tax at the applicable tax rate of 17% ¹ (2021: 17% ¹ , 2020: 28%)		115,954	118,328	172,671
Effect of different tax rates in foreign jurisdictions		66,257	71,122	(7,119)
Taxation effect of adjustments on taxable income:				
Utilization of previously unrecognized tax losses		(982)	(1,332)	(1,349)
Tax incentive		(2,709)	(5,827)	(5,766)
Income not subject to tax		(270)	(219)	–
Non-deductible expenses		12,556	12,072	9,325
Recognition of tax effect previously unrecognized tax losses		(2,060)	–	–
Current year losses for which no deferred tax asset is recognized		1,040	2,791	2,847
Withholding tax		8,526	14,956	2,604
Securities transfer tax		–	200	–
Prior year tax under/(over) provision		5,179	(13,463)	(56)
Others		1,985	–	–
Total tax expense		<u>205,476</u>	<u>198,628</u>	<u>173,157</u>

¹ This is the corporate tax rate in Singapore.

25. TAXATION PAID

Figures in Rand thousands	Year ended February 28/29		
	2022	2021	2020
Balance payable at beginning of the year	(10,203)	(16,458)	(35,078)
Acquisition of subsidiary	477	-	-
Current tax for the year recognized in profit or loss	(225,240)	(181,632)	(127,979)
Translation adjustments	341	-	-
Balance payable at end of the year	32,100	10,203	16,458
	<u>(202,525)</u>	<u>(187,887)</u>	<u>(146,599)</u>

26. DIVIDEND PAID

During the financial year ended February 28, 2022, no dividends were paid.

Figures in Rand thousands	Year ended February 28/29	
	2021	2020
Dividend paid by the Company to owner of the Company	(272,235)	(52,502)
Dividend paid by subsidiaries to NCI	(145,859)	(39,506)
Total dividend paid	<u>(418,094)</u>	<u>(92,008)</u>

Dividend per share

Dividend paid by the Company to owner of the Company

Figures in Rand thousands	Year ended February 28/29			
	2021		2020	
	Per share	Amount	Per share	Amount
Interim dividend	104,385.00	104,385	24,545.00	24,545
Final dividend	8.26	167,850	27,957.00	27,957
		<u>272,235</u>		<u>52,502</u>

Dividend paid by subsidiaries to NCI

Subsidiary	Year ended February 28/29			
	2021		2020	
	Per share	Amount	Per share	Amount
Cartrack Holdings Proprietary Limited	0.54	51,536	0.12	11,307
Cartrack Holdings Proprietary Limited	0.87	83,030	0.20	19,087
Cartrack Limitada	5.68	9,090	4.90	7,852
Found Proprietary Limited	20,000.00	1,020	-	-
Cartrack Polska.Sp.zo.o	119,019.27	1,183	-	-
Cartrack Tanzania Limited	-	-	3,168.00	1,260
		<u>145,859</u>		<u>39,506</u>

27. INTEREST IN SUBSIDIARIES

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

Company Name	Held by	Country of incorporation	% holding 2022	% holding 2021
Cartrack Holdings Proprietary Limited ⁴	Karoo000 Ltd	South Africa	100.0	68.1
Carzuka.com Pte Ltd	Karoo000 Ltd	Singapore	100.0	100.0
Karoo000 Management Company Pte. Ltd.	Karoo000 Ltd	Singapore	100.0	–
Karoo000 Software Pte. Ltd.	Karoo000 Ltd	Singapore	100.0	–
Karoo000 Proprietary Ltd	Karoo000 Ltd	South Africa	100.0	–
Carzuka Pte Ltd	Carzuka.com Pte Ltd	Singapore	100.0	100.0
Karoo000 Technologies Proprietary Limited ²	Karoo000 Proprietary Ltd	South Africa	100.0	100.0
Cartrack Management Services Proprietary Limited	Cartrack Holdings Proprietary Limited	South Africa	100.0	100.0
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	–
Picup Technologies Proprietary Limited	Cartrack Holdings Proprietary Limited	South Africa	70.1	–
Cartrack Telematics Proprietary Limited	Cartrack Proprietary Limited	South Africa	49.0	49.0
Veraspan Proprietary Limited	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	Cartrack Proprietary Limited	South Africa	49.0	49.0
Zonke Bonke Telecoms Proprietary Limited ¹	Cartrack Proprietary Limited	South Africa	100.0	100.0
Cartrack Tanzania Limited	Cartrack Technologies Pte. Limited	Tanzania	100.0	100.0
Retriever Limited	Cartrack Technologies Pte. Limited	Kenya	100.0	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

Company Name	Held by	Country of incorporation	% holding 2022	% holding 2021
Cartrack Investments UK Limited	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	51.0
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
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	Cartrack Portugal S.A.	France	100.0	–
Cartrack Limitada	Cartrack Technologies LLC	Mozambique	50.0	50.0
Auto Club LDA	Cartrack Technologies LLC	Mozambique	80.0	80.0

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

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

On February 28, 2021, Cartrack Technologies Pte. Limited acquired 40% of the shares and voting interest in Cartrack Tanzania Limited, for a cash consideration of USD 538,507. As a result, the equity interest in Cartrack Tanzania Limited increased from 60% to 100%.

On February 28, 2021, Cartrack Technologies Pte. Limited acquired 15% of the shares and voting interest in Retriever Limited, for a cash consideration of USD 158,303. As a result, the equity interest in Retriever Limited increased from 85% to 100%.

On September 13, 2021, Cartrack 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 PHP9.2 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).

28. ACQUISITION OF SUBSIDIARY

(i) 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.

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

Figures in Rand thousands	Notes	As of February 28, 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 valued 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.

(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 investment 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	As of February 28, 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 Karoo000 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, 2022.

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	Year ended February 28/29		
	2022	2021	2020
Sales to related parties	(28 915)	(24 901)	(407)
Purchases from related parties	98 032	54 470	7 937
Rent paid to related parties	13 697	18 260	19 887
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 analyze 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 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.

31.2 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	Year ended February 28/29		
	2022	2021	2020
Expected credit loss provision on trade receivables arising from contracts with customers	88,482	80,842	54,872

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.

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, 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
Total	36%	450,727	161,683

Figures in Rand thousands	Expected credit loss rate	Gross carrying amount	Impairment loss allowance
At February 28, 2021			
Since invoicing	7%	152,635	10,190
1 month since invoicing date	14%	33,622	4,646
2 months since invoicing date	20%	21,949	4,416
3 months since invoicing date	56%	146,001	81,814
Total	29%	354,207	101,066

Cash and cash equivalents

The Group held cash and cash equivalents of ZAR 731.7 million as at February 28, 2022 (2021: ZAR 104.9 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.

Other financial assets – restricted cash

The Group held restricted cash at bank of ZAR 882.4 million as at February 28, 2021. The cash is held with a major bank. Impairment on other financial assets has been measured at 12-month expected loss and reflect short-term maturity of the exposures. The Group considers that its other financial assets have low credit risk and amount of allowance to be insignificant.

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, 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
At February 28, 2021						
Term loans	5,626	5,626	5,157	–	–	16,409
Lease obligations	40,275	28,426	16,168	5,749	12,751	103,369
Trade and other payables	235,510	–	–	–	–	235,510
Loans from related parties	893,338	–	–	–	–	893,338
Bank overdraft	28,839	–	–	–	–	28,839

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.

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, 2022			
Trade and other receivables	62,247	228	–
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)
	<u>126,636</u>	<u>76,554</u>	<u>24,439</u>
At February 28, 2021			
Trade and other receivables	38,421	1,244	760
Loan from related parties	120,133	81,045	–
Loan to related parties	(120,005)	(426)	(7,972)
Cash and cash equivalents	5,724	104	77
Trade and other payables	(27,242)	(3,939)	(26,021)
	<u>17,031</u>	<u>78,028</u>	<u>(33,156)</u>

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
February 28, 2022		
USD	(12,664)	12,664
EUR	(7,655)	7,655
SGD	(2,444)	2,444
	<u>(22,763)</u>	<u>22,763</u>
February 28, 2021		
USD	(1,703)	1,703
EUR	(7,803)	7,803
SGD	3,316	(3,316)
	<u>(6,190)</u>	<u>6,190</u>

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.

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

February 28, 2022

Effect on profit before tax (1% increase)	(893)
Effect on profit before tax (1% decrease)	893

February 28, 2021

Effect on profit before tax (1% increase)	(159)
Effect on profit before tax (1% decrease)	159

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	Notes	As of February 28	
		2022	2021
Financial assets (at amortized cost)			
Loans to related party	12	19,400	19,400
Trade and other receivables (excludes prepayments and other taxes)	11	304,561	269,593
Cash and cash equivalents	13	731,748	104,937
Other financial asset		–	882,420
		<u>1,055,709</u>	<u>1,276,350</u>
Financial assets (at fair value)			
Other financial assets	14	<u>16,664</u>	<u>–</u>
Financial liabilities (other financial liabilities)			
Loans from related parties	12	2,134	891,977
Trade and other payables (excludes other taxes)	19	250,970	235,510
Term loans	16	89,350	15,930
Deferred revenue	18	326,404	246,765
Bank overdraft	13	<u>13,722</u>	<u>28,839</u>
		<u>682,580</u>	<u>1,419,021</u>

33. DIRECTORS AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

Key management personnel compensation comprised the following:

Figures in Rand thousands	Year ended February 28/29		
	2022	2021	2020
Short-term employee benefits	13,109	27,775	24,364
Post-employment benefits	276	590	623
	<u>13,385</u>	<u>28,365</u>	<u>24,987</u>

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

34. BASIC AND DILUTED EARNINGS PER SHARE INFORMATION

34.1 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.

Figures in Rand	Year ended February 28/29		
	2022	2021	2020
Basic earnings			
Profit attributable to ordinary shareholder of Karoo000 (ZAR '000)	449,953	318,183	289,882
Weighted average number of ordinary shares issued	29,528,020	20,332,894	20,332,894
Basic and diluted earnings per share (ZAR)	15.24	15.65	14.26

34.2 Diluted earnings per share

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

35. 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, 2022, ZAR 20 million (2021: Nil) 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 7% per annum. No security is provided on this facility. At February 28, 2022, ZAR 13.7 million (2021: ZAR 28.8 million) was utilized.

36. COMMITMENTS

Other than the lease commitments disclosed in Note 17, the Group has commitments for capital expenditure of ZAR 13.8 million as at February 28, 2022, relating to the redevelopment of its head office suite for South Africa. The total estimated redevelopment cost is ZAR 236.9 million.

37. COVID-19

With many countries easing its community and border measures as a significant step to return to normalcy, the Covid-19 pandemic is transitioning to endemic.

The Group continues to actively monitor and minimize any ongoing and potential impacts relating to the business and will take further action as necessary in response to the situation.

38. SUBSEQUENT EVENTS

On April 27, 2022, the Board of Directors declared an interim dividend of 60 U.S. cents per ordinary shares which shall be payable entirely out of the Karooooo Ltd.’s retained earnings.

Description of Rights of Ordinary Shares Registered under Section 12 of the Securities Exchange Act of 1934 (the “Exchange Act”)

This Exhibit contains a description of the rights of the holders of our ordinary shares. This description also summarizes relevant provisions of Singapore law. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of Singapore law and our constitution, a copy of which is incorporated by reference as Exhibit 1.1 to the Annual Report on Form 20-F, of which this Exhibit 2.2 is a part. We encourage you to read our constitution and the applicable provisions of Singapore law for additional information.

General

Our issued and outstanding share capital consists of ordinary shares. We have 30,951,106 ordinary shares issued and outstanding as of May 6, 2021. We currently only have one class of issued ordinary shares, which have identical rights in all respects and rank equally with one another.

For the purposes of this section, references to “shareholders” mean those shareholders whose names and number of shares are entered in our register of members. Only persons who are registered in our register of members are recognized under Singapore law as our shareholders. As a result, only registered shareholders have legal standing under Singapore law to institute shareholder actions against us or otherwise seek to enforce their rights as shareholders.

Ordinary Shares

Our ordinary shares have no par value as there is no concept of authorized share capital under Singapore law. All shares presently issued are fully paid and existing shareholders are not subject to any calls on shares. Although Singapore law does not recognize the concept of “non-assessability” with respect to newly-issued shares, we note that any subscriber of our ordinary shares who has fully paid up all amounts due with respect to such ordinary shares will not be subject under Singapore law to any personal liability to contribute to our assets or liabilities in such subscriber’s capacity solely as a holder of such ordinary shares. We believe this interpretation is substantively consistent with the concept of “non-assessability” under most, if not all, U.S. state corporations laws. We cannot, except in the circumstances permitted by the Companies Act (Chapter 50) of Singapore (the “Singapore Companies Act”), grant any financial assistance for the acquisition or proposed acquisition of our own ordinary shares. Except as described in “—Singapore Code on Take-Overs and Mergers”, there are no limitations in our constitution or Singapore law on the rights of shareholders not resident in Singapore to hold or vote in respect of our ordinary shares.

Voting Rights

Each ordinary share is entitled to one vote per share. Voting at any meeting of shareholders is by show of hands unless a poll has been demanded prior to or on the declaration of the result of the show of hands by, among others, at least one shareholder present in person or by proxy or by attorney or other duly authorized representative and representing not less than 5% of the total voting rights of all shareholders having the right to vote at the meeting. On a poll, each holder of ordinary shares who is present in person or by proxy or by attorney or other duly authorized representative, has one vote for each ordinary share which he holds or represents. Proxies need not be shareholders.

Subject to the Singapore Companies Act and our constitution, only those shareholders who are registered in our register of members will be entitled to vote at any meeting of shareholders in person or by proxy or by attorney or other duly authorized representative. Therefore, since some of our ordinary shares are held through The Depository Trust Company (“DTC”) or its nominee, DTC or its nominee will grant an omnibus proxy to DTC participants holding our ordinary shares in book-entry form. Persons holding through a broker, bank, nominee or other institution that is a direct or indirect participant of DTC will have the right to instruct their broker, bank, nominee or other institution holding these ordinary shares on how to vote such ordinary shares by completing the voting instruction form provided by the applicable broker, bank, nominee, or other institution. Whether voting is by a show of hands or by a poll, the vote of DTC or its nominee will be voted by the chairman of the meeting according to the results of the votes of the DTC participants (which results will reflect the instructions received from persons that own our ordinary shares electronically in book-entry form through DTC). In the case of a tie vote, the chairman of the meeting shall be entitled to a casting vote.

Dividends

We may, by ordinary resolution, declare dividends at a general meeting of our shareholders, but no dividend shall be payable except out of our profits, and the amount of any such dividend shall not exceed the amount recommended by our board of directors. Subject to our constitution and in accordance with the Singapore Companies Act, our board of directors may, without the approval of our shareholders, declare and pay interim dividends, but any final dividends the board declares must be approved by an ordinary resolution at a general meeting of our shareholders.

Capitalization and Other Rights

Our board of directors may, with the approval of our shareholders at a general meeting, capitalize any reserves or profits and distribute them as shares, credited as paid-up, to our shareholders in proportion to their shareholdings in accordance with our constitution.

Variation of Rights

Subject to the Singapore Companies Act and every other Singapore statute for the time being in force affecting us, under our constitution, whenever our share capital is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either while the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting, the necessary quorum shall be two persons (unless all the shares of the class are held by one person whereupon the necessary quorum shall be one person) at least holding or representing by proxy or by attorney or other duly authorized representative at least one-third of issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney or other duly authorized representative may demand a poll, and on a poll, shall have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting.

Issuance of New Shares

Under the “Singapore Companies Act”), new shares may be issued only with the prior approval of our shareholders in a general meeting. General approval may be sought from our shareholders in a general meeting for the issuance of shares. Such approval, if granted, will lapse at the earlier of:

- the conclusion of the next annual general meeting; or
- the expiration of the period within which the next annual general meeting is required by law to be held (i.e., within six months after the end of each fiscal year);

however, any approval may be revoked or varied by the company in a general meeting.

Our shareholders have provided such general authority to issue new ordinary shares until the conclusion of our annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

Subject to this and the provisions of the Singapore Companies Act and our constitution, our board of directors may allot, issue or grant options over or otherwise dispose of new ordinary shares to such persons on such terms and conditions and with the rights and restrictions as they may think fit to impose. Such rights are subject to any condition attached to such issue and the regulations of any stock exchange on which our ordinary shares are listed, as well as U.S. federal and blue sky securities laws applicable to such issue.

Preference Shares

Our constitution provides that, subject to the Singapore Companies Act and our constitution, we may issue shares of a different class with preferential, deferred, qualified or special rights, privileges, conditions or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, or which do not confer voting rights, as our board of directors may think fit. The Singapore Companies Act allows public companies such as us to issue shares with different voting rights (including special, limited or conditional voting rights, or no voting rights), subject to, among others, our shareholders having adopted a special resolution approving such issuance.

We may, subject to the Singapore Companies Act and the prior approval in a general meeting of our shareholders, issue preference shares that are, or at our option are to be, subject to redemption provided that such preference shares may not be redeemed out of the capital of the Company unless:

- all the directors have made a solvency statement in relation to such redemption; and
- we have lodged a copy of the statement with the Accounting and Corporate Regulatory Authority of Singapore.

Further, the preference shares must be fully paid-up before they are redeemed.

The issuance of preference shares could have the effect of decreasing the trading price of our ordinary shares, restricting dividends on our ordinary shares, diluting the voting power of our ordinary shares, impairing the liquidation rights of our ordinary shares, or delaying or preventing a change in control of the Company.

Register of Members

Only persons who are registered in our register of members are recognized under Singapore law as our shareholders with legal standing under Singapore law to institute shareholder actions against us or otherwise seek to enforce their rights as shareholders. We will not, except as required by applicable law, recognize any equitable, contingent, future or partial interest in any ordinary share, or any interest in any fractional part of an ordinary share, or other rights for any ordinary share other than the absolute right thereto of the registered holder of that ordinary share. We may close our register of members for any time or times, provided that our register of members may not be closed for more than 30 days in the aggregate in any calendar year. We typically will close our register of members to determine shareholders' entitlement to receive dividends and other distributions.

Our ordinary shares, which are expected to be listed and traded on NASDAQ, are expected to be held through The Depository Trust Company ("DTC"). Accordingly, DTC or its nominee, Cede & Co., will be the shareholder on record registered in our register of members.

A holder of our ordinary shares held in book-entry interests through DTC or its nominee may become a registered shareholder by exchanging its interest in such shares for certificated ordinary shares and being registered in our register of members in respect of such shares. The procedures by which a holder of book-entry interests held through the facilities of the DTC may exchange such interests for certificated ordinary shares are determined by DTC (including the broker, bank, nominee or other institution that holds the shares within DTC) and Computershare Trust Company, N.A. ("Computershare"), which will act as our transfer agent, in accordance with their internal policies and guidelines regulating the withdrawal and exchange of book-entry interests for certificated ordinary shares.

Under the Singapore Companies Act, if (a) the name of any person is without sufficient cause entered in or omitted from the register of members; or (b) default is made or unnecessary delay takes place in entering in the register of members the fact of any person having ceased to be a member, the person aggrieved or any member or the public company itself, may apply to the Singapore courts for rectification of the register of members. The Singapore courts may refuse the application or may order rectification of the register of members and payment by the public company of any damages sustained by any party to the application. The Singapore courts will not entertain any application for the rectification of a register of members in respect of an entry which was made in the register of members more than 30 years before the date of the application.

Singapore Code on Take-Overs and Mergers

The Singapore Code on Take-Overs and Mergers, or “Singapore Take-over Code,” regulates, among other things, the acquisition of voting shares of Singapore-incorporated public companies. In this regard, the Singapore Take-over Code applies to, among others, corporations with a primary listing of their equity securities in Singapore. While the Singapore Take-over Code is drafted with, among others, listed public companies in mind, unlisted public companies with more than 50 shareholders and net tangible assets of S\$5.0 million or more, must also observe the letter and spirit of the general principles and rules of the Singapore Take-over Code, wherever this is possible and appropriate. Public companies with a primary listing overseas may apply to SIC to waive the application of the Singapore Take-over Code. As at the date of this prospectus, no application has been made to SIC to waive the application of the Singapore Take-over Code in relation to us. We may submit an application to SIC for a waiver from the Singapore Take-over Code so that the Singapore Take-over Code will not apply to us for so long as we are not listed on a securities exchange in Singapore. We will make an appropriate announcement if we submit the application and when the result of the application is known.

Any person acquiring an interest, whether by a series of transactions over a period of time or not, either on his or her own or together with parties acting in concert with such person, in 30% or more of the voting rights in the Company or any person holding, either on his or her own or together with parties acting in concert with such person, between 30% and 50% (both amounts inclusive) of the voting rights in the Company, and if such person (or parties acting in concert with such person) acquires additional voting shares representing more than 1% of the voting rights in the Company in any six-month period, must, except with the consent of SIC, extend a mandatory take-over offer for all the remaining voting shares in accordance with the provisions of the Singapore Take-over Code. Responsibility for ensuring compliance with the Singapore Take-over Code rests with parties (including company directors) to a take-over or merger and their advisors.

Under the Singapore Take-over Code, “parties acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They are as follows:

- a company, its parent company, subsidiaries and fellow subsidiaries (together, the related companies), the associated companies of any of the company and its related companies, companies whose associated companies include any of these foregoing companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- a company with any of its directors (together with their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- a company with any of its pension funds and employee share schemes;
- a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis but only in respect of the investment account which such person manages;
- a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser;
- directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- partners; and
- an individual and (i) such person’s close relatives, (ii) such person’s related trusts, (iii) any person who is accustomed to act in accordance with such person’s instructions, (iv) companies controlled by the individual, such person’s close relatives, such person’s related trusts or any person who is accustomed to act in accordance with such person’s instructions and (v) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

Subject to certain exceptions, a mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror during the offer period and within the six months prior to its commencement.

Under the Singapore Take-over Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the take-over offer must be given sufficient information, advice and time to enable them to reach an informed decision on the offer. These legal requirements may impede or delay a takeover of our company by a third-party.

Election and Re-election of Directors

We may, by ordinary resolution, remove any director before the expiration of his or her period of office, notwithstanding anything in our constitution or in any agreement between us and such director but where any director so removed was appointed to represent the interests of any particular class of shareholders or debenture holders the resolution to remove him shall not take effect until his successor has been appointed. We may also, by an ordinary resolution, appoint another person in place of a director removed from office pursuant to the foregoing.

Under our constitution, our directors shall be divided into three (3) classes as nearly equal in size as is practicable, hereby designated Class I, Class II and Class III.

The board of directors may assign members of the board of directors already in office to such classes at the time such classification becomes effective. The term of office of the initial Class I directors shall expire at the first annual general meeting following the adoption of our constitution, the term of office of the initial Class II directors shall expire at the second annual general meeting following the adoption of this constitution and the term of office of the initial Class III directors shall expire at the third annual general meeting following the adoption of our constitution. At each annual general meeting, commencing with the first annual general meeting following the adoption of our constitution, each of the successors elected to replace the directors of a class whose term shall have expired at such annual general meeting shall be elected to hold office until the third annual general meeting next succeeding his or her election and until his or her respective successor shall have been duly elected and qualified. A retiring director shall be eligible for re-election.

Our constitution provides that our board of directors shall have the power, at any time, to appoint any person to be a director either to fill a casual vacancy or as an additional director but any person so appointed by the directors shall hold office only until the next annual general meeting and shall then be eligible for re-election.

General Meetings of Shareholders

Subject to the Singapore Companies Act, we are required to hold an annual general meeting of shareholders within six months from the end of our fiscal year. The directors may convene an extraordinary general meeting whenever they think fit and they must do so upon the requisition of shareholders holding not less than 10% of the total number of paid-up shares as of the date of deposit of the requisition carrying the right to vote at a general meeting (disregarding paid-up shares held as treasury shares). In addition, two or more shareholders holding not less than 10% of our total number of issued shares (excluding treasury shares) may call a meeting of our shareholders.

The Singapore Companies Act provides that a shareholder is entitled to attend any general meeting and speak on any resolution put before the general meeting. Unless otherwise required by law or by our constitution, voting on resolutions put forth at general meetings is by ordinary resolution, requiring the affirmative vote of a simple majority of the voting rights of the shareholders present in person or represented by proxy at the meeting and entitled to vote on the resolution. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of not less than three-fourths of the voting rights of the shareholders present in person or represented by proxy at the meeting and entitled to vote on the resolution, is necessary for certain matters under Singapore law, including voluntary winding-up, amendments to our constitution, a change of our corporate name and a reduction in the share capital.

We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. General meetings convened for the purpose of passing ordinary resolutions generally require at least 14 days' notice in writing.

Minority Rights

The rights of minority shareholders of Singapore companies are protected under Section 216 of the Singapore Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of a company, as they think fit to remedy any of the following situations:

- the affairs of a company are being conducted or the powers of the board of directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders, including the applicant; or
- a company takes an action, or threatens to take an action, or the shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the shareholders, including the applicant.

Singapore courts have a wide discretion as to the remedies they may grant and the remedies listed in the Singapore Companies Act itself are not exclusive. In general, the Singapore courts may:

- direct or prohibit any act or cancel or modify any transaction or resolution;
- regulate the conduct of the affairs of the company in the future;
- authorize civil proceedings to be brought in the name of, or on behalf of, the company by a person or persons and on such terms as the court may direct;
- provide for the purchase of a minority shareholder's shares by the other shareholders or by the company and, in the case of a purchase of shares by the company, a corresponding reduction of its share capital; or
- provide that the company be wound up.

In addition, Section 216A of the Singapore Companies Act allows a complainant (including a minority shareholder) to apply to the Singapore courts for leave to bring an action in a court proceeding or arbitration to which a company is a party or intervene in an action in a court proceeding or arbitration to which a company is a party for the purpose of prosecuting, defending or discontinuing the action or arbitration on behalf of a company.

Liquidation or Other Return of Capital

On a winding-up or other return of capital, subject to any special rights attaching to any other class of shares, holders of ordinary shares will be entitled to participate in any surplus assets in proportion to their shareholdings.

Limitation of Liability of Directors and Officers

Under Section 172 of the Singapore Companies Act, any provision exempting or indemnifying the officers of a company (including directors) against any liability that would otherwise attach to them in connection with any negligence, default, breach of duty or breach of trust in relation to the company is void. However, a company is not prohibited from: (a) as provided in Section 172A of the Singapore Companies Act, purchasing and maintaining for any such individual insurance against liability incurred by him or her in connection with any negligence, default, breach of duty or breach of trust in relation to the company; or (b) as provided in Section 172B of the Singapore Companies Act, indemnifying the individual against liability incurred by him or her to a person other than the company except when the indemnity is against any liability (i) of the individual to pay a fine in criminal proceedings, (ii) of the individual to pay a penalty to a regulatory authority in respect of non-compliance with any requirements of a regulatory nature (howsoever arising), (iii) incurred by the individual in defending criminal proceedings in which he or she is convicted, (iv) incurred by the individual in defending civil proceedings brought by the company or a related company in which judgment is given against him or her, or (v) incurred by the individual in connection with an application for relief under Section 76A(13) or Section 391 of the Singapore Companies Act in which the court refuses to grant him or her relief.

Our constitution provides that, subject to the provisions of the Singapore Companies Act and every other Singapore statute for the time being in force and affecting our company, every director, secretary or other officer of the Company shall be entitled to be indemnified by us against all costs, charges, losses, expenses and liabilities incurred or to be incurred by them in the execution and discharge of their duties or in relation thereto.

In addition, and without prejudice to the generality of the foregoing, no director, secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other director or officer, or for joining in any receipt or other act for conformity, or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the directors for or on behalf of us or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatsoever which shall happen in the execution of duties of his or her office or in relation thereto unless the same shall happen through his or her own negligence, willful default, breach of duty or breach of trust.

We have entered into indemnification agreements with each of our directors and officers. These agreements will require us to indemnify these individuals to the fullest extent permitted under Singapore law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified (on terms that the full amount of such advances is to be repaid if the individual is convicted in the relevant proceeding (with such conviction being final), final judgment is given against the individual in the relevant proceeding or, as the case may be, the court refuses to grant the individual relief on the application (with such refusal of relief being final)), save that the Company shall not provide any indemnity (to any extent) to a director or an officer against any liability attaching to him in connection with any negligence, default, breach of duty or breach of trust in relation to the Company save for the circumstances as permitted pursuant to Section 172A and Section 172B of the Singapore Companies Act. These indemnification rights shall not be exclusive of any other right which an indemnified person may have or hereafter acquire under any statute, provision of our constitution, agreement, vote of shareholders or disinterested directors or otherwise.

Transfer Agent and Registrar

The transfer agent and branch registrar for our ordinary shares, which maintains our branch register located in the United States, is Computershare. Its address is 150 Royall Street, Canton, Massachusetts 02021. In South Africa, Computershare Investor Services Proprietary Limited maintains an administrative depository share register to facilitate trading on the JSE.

Comparison of Shareholder Rights

We are incorporated under the laws of Singapore. The following discussion summarizes material differences between the rights of holders of our ordinary shares and the rights of holders of the common stock of a typical corporation incorporated under the laws of the state of Delaware which result from differences in governing documents and the laws of Singapore and Delaware.

This discussion does not purport to be a complete or comprehensive statement of the rights of holders of our ordinary shares under applicable law in Singapore and our constitution or the rights of holders of the common stock of a typical corporation under applicable Delaware law and a typical certificate of incorporation and bylaws.

Board of Directors

A typical certificate of incorporation and bylaws would provide that the number of directors on the board of directors will be fixed from time to time by a vote of the majority of the authorized directors. Under Delaware law, a board of directors can be divided into classes and cumulative voting in the election of directors is only permitted if expressly authorized in a corporation's certificate of incorporation.

The constitution of companies will typically state the minimum number of directors as well as provide that directors may be appointed or removed by shareholders via ordinary resolution passed at a general meeting, provided that the number of directors following such appointment or removal is within the minimum (and maximum, if any) number of directors provided in the constitution. Our constitution provides that subject to the Singapore Companies Act, there shall be at least one director who is ordinarily resident in Singapore.

Limitation on Personal Liability of Directors

A typical certificate of incorporation provides for the elimination of personal monetary liability of directors for breach of fiduciary duties as directors to the fullest extent permissible under the laws of Delaware, except for liability (i) for any breach of a director's loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law (relating to the liability of directors for unlawful payment of a dividend or an unlawful stock purchase or redemption) or (iv) for any transaction from which the director derived an improper personal benefit. A typical certificate of incorporation would also provide that if the Delaware General Corporation Law is amended so as to allow further elimination of, or limitations on, director liability, then the liability of directors will be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended.

Under Section 172 of the Singapore Companies Act, any provision exempting or indemnifying a director against any liability for negligence, default, breach of duty or breach of trust in relation to a company will be void. However, a company is not prohibited from: (a) as provided in Section 172A of the Singapore Companies Act, purchasing and maintaining for any director insurance against any such liability incurred by him or her in connection with any negligence, default, breach of duty or breach of trust in relation to the company; or (b) as provided in Section 172B of the Singapore Companies Act, indemnifying a director against liability incurred by him or her to a person other than the company except when the indemnity is against any liability (i) of the director to pay a fine in criminal proceedings, (ii) of the director to pay a penalty to a regulatory authority in respect of non-compliance with any requirements of a regulatory nature (howsoever arising), (iii) incurred by the director in defending criminal proceedings in which he or she is convicted, (iv) incurred by the director in defending civil proceedings brought by the company or a related company in which judgment is given against him or her, or (v) incurred by the director in connection with an application for relief under Section 76A(13) or Section 391 of the Singapore Companies Act in which the court refuses to grant him or her relief.

Our constitution provides that, subject to the provisions of the Singapore Companies Act and every other Singapore statute for the time being in force and affecting the Company, every director, secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred or to be incurred by them in the execution and discharge of their duties or in relation thereto. In particular, and without prejudice to the generality of the foregoing, no director, secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other director or officer, or for joining in any receipt or other act for conformity, or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatsoever which shall happen in the execution of the duties of his or her office or in relation thereto unless the same shall happen through his or her own negligence, willful default, breach of duty or breach of trust.

Interested Shareholders

Section 203 of the Delaware General Corporation Law generally prohibits a Delaware corporation from engaging in specified corporate transactions (such as mergers, stock and asset sales, and loans) with an “interested stockholder” for three years following the time that the stockholder becomes an interested stockholder. Subject to specified exceptions, an “interested stockholder” is a person or group that owns 15% or more of the corporation’s outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of 15% or more of the voting stock at any time within the previous three years.

A Delaware corporation may elect to “opt out” of, and not be governed by, Section 203 through a provision in either its original certificate of incorporation, or an amendment to its original certificate or bylaws that was approved by majority stockholder vote. With a limited exception, this amendment would not become effective until 12 months following its adoption.

There are no comparable provisions in Singapore with respect to public companies which are not listed on the Singapore Exchange Securities Trading Limited.

Removal of Directors

A typical certificate of incorporation and bylaws provide that, subject to the rights of holders of any preferred stock, directors may be removed at any time by the affirmative vote of the holders of at least a majority, or in some instances a supermajority, of the voting power of all of the then outstanding shares entitled to vote generally in the election of directors, voting together as a single class. A certificate of incorporation could also provide that such a right is only exercisable when a director is being removed for cause (removal of a director only for cause is the default rule in the case of a classified board).

According to the Singapore Companies Act, directors of a public company may be removed before expiration of their term of office with or without cause by ordinary resolution (i.e., a resolution requiring the affirmative vote of a simple majority of those shareholders present and voting in person or by proxy). Notice of the intention to move such a resolution has to be given to the company not less than 28 days before the meeting at which it is moved. The company shall then give notice of such resolution to its shareholders not less than 14 days before the meeting. Where any director removed in this manner was appointed to represent the interests of any particular class of shareholders or debenture holders, the resolution to remove such director will not take effect until such director’s successor has been appointed.

Filling Vacancies on the Board of Directors

A typical certificate of incorporation and bylaws provide that, subject to the rights of the holders of any preferred stock, any vacancy, whether arising through death, resignation, retirement, disqualification, removal, an increase in the number of directors or any other reason, may be filled by a majority vote of the remaining directors, even if such directors remaining in office constitute less than a quorum, or by the sole remaining director. Any newly elected director usually holds office for the remainder of the full term expiring at the annual meeting of stockholders at which the term of the class of directors to which the newly elected director has been elected expires.

Our constitution provides that our board of directors shall have the power, at any time, to appoint any person to be a director either to fill a casual vacancy or as an additional director but any person so appointed by the directors shall hold office only until the next annual general meeting and shall then be eligible for re-election.

Amendment of Governing Documents

Amendment of Certification of Incorporation and Bylaws Under the Delaware General Corporation Law, amendments to a corporation's certificate of incorporation require the approval of stockholders holding a majority of the outstanding shares entitled to vote on the amendment.

If a class vote on the amendment is required by the Delaware General Corporation Law, a majority of the outstanding stock of the class is required, unless a greater proportion is specified in the certificate of incorporation or by other provisions of the Delaware General Corporation Law. Under the Delaware General Corporation Law, the board of directors may amend bylaws if so authorized in the certificate of incorporation. The stockholders of a Delaware corporation also have the power to amend bylaws.

Alteration to Constitution

Our constitution may be altered by special resolution (i.e., a resolution requiring the affirmative vote of not less than three-fourths majority of the shareholders present in person or represented by proxy at the meeting and entitled to vote on the resolution for which not less than 21 days written notice is given). Our board of directors has no power to amend our constitution.

Meetings of Shareholders

Annual and Special Meetings

Typical bylaws provide that annual meetings of stockholders are to be held on a date and at a time fixed by the board of directors.

Under the Delaware General Corporation Law, a special meeting of stockholders may be called by the board of directors or by any other person authorized to do so in the certificate of incorporation or the bylaws.

Annual General Meetings

Subject to the Singapore Companies Act, we are required to hold an annual general meeting of shareholders within six months from the end of our fiscal year.

Extraordinary General Meetings

Any general meeting other than the annual general meeting is called an "extraordinary general meeting." Two or more shareholders holding not less than 10% of the total number of issued shares (excluding treasury shares) may call an extraordinary general meeting. In addition, the constitution usually also provides that general meetings may be convened in accordance with the Singapore Companies Act by the directors.

Notwithstanding anything in the constitution, the directors are required to convene a general meeting if required to do so by requisition (i.e., written notice to directors requiring that a meeting be called) by shareholders holding not less than 10% of the total number of paid-up shares as at the date of the deposit of the requisition carrying the right of voting at general meetings of the company. In addition, our constitution provides that the directors may, whenever they think fit, convene an extraordinary general meeting.

Quorum Requirements

Under the Delaware General Corporation Law, a corporation's certificate of incorporation or bylaws can specify the number of shares which constitute the quorum required to conduct business at a meeting, provided that in no event shall a quorum consist of less than one-third of the shares entitled to vote at a meeting.

Quorum Requirements

Our constitution provides that the quorum at any general meeting shall be two or more members present in person or by proxy or by attorney or other duly authorized representative save in certain circumstances.

Indemnification of Officers, Directors and Employees

Under the Delaware General Corporation Law, subject to specified limitations in the case of derivative suits brought by a corporation's stockholders in its name, a corporation may indemnify any person who is made a party to any third-party action, suit or proceeding on account of being a director, officer, employee or agent of the corporation (or was serving at the request of the corporation in such capacity for another corporation, partnership, joint venture, trust or other enterprise) against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding through, among other things, a majority vote of a quorum consisting of directors who were not parties to the suit or proceeding, if the person:

- acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation or, in some circumstances, at least not opposed to its best interests; and
- in a criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Delaware corporate law permits indemnification by a corporation under similar circumstances for expenses (including attorneys' fees) actually and reasonably incurred by such persons in connection with the defense or settlement of a derivative action or suit, except that no indemnification may be made in respect of any claim, issue or matter as to which the person is adjudged to be liable to the corporation unless the Delaware Court of Chancery or the court in which the action or suit was brought determines upon application that the person is fairly and reasonably entitled to indemnity for the expenses which the court deems to be proper.

To the extent a director, officer, employee or agent is successful in the defense of such an action, suit or proceeding, the corporation is required by Delaware corporate law to indemnify such person for reasonable expenses incurred thereby. Expenses (including attorneys' fees) incurred by such persons in defending any action, suit or proceeding may be paid in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of that person to repay the amount if it is ultimately determined that person is not entitled to be so indemnified.

Under Section 172 of the Singapore Companies Act, any provision exempting or indemnifying a director against any liability for negligence, default, breach of duty or breach of trust in relation to a company will be void. However, a company is not prohibited from: (a) as provided in Section 172A of the Singapore Companies Act, purchasing and maintaining for any director insurance against any such liability incurred by him or her in connection with any negligence, default, breach of duty or breach of trust in relation to the company; or (b) as provided in Section 172B of the Singapore Companies Act, indemnifying a director against liability incurred by him or her to a person other than the company except when the indemnity is against any liability (i) of the director to pay a fine in criminal proceedings, (ii) of the director to pay a penalty to a regulatory authority in respect of non-compliance with any requirements of a regulatory nature (howsoever arising), (iii) incurred by the director in defending criminal proceedings in which he or she is convicted, (iv) incurred by the director in defending civil proceedings brought by the company or a related company in which judgment is given against him or her or (v) incurred by the director in connection with an application for relief under Section 76A(13) or Section 391 of the Singapore Companies Act in which the court refuses to grant him or her relief.

In cases where a director is sued by the company, the Singapore Companies Act gives the court the power to relieve directors either wholly or partially from the consequences of their negligence, default, breach of duty or breach of trust. In order for relief to be obtained, it must be shown that (i) the director acted reasonably and honestly; and (ii) it is fair, having regard to all the circumstances of the case including those connected with such director's appointment, to excuse the director.

However, Singapore case law has indicated that such relief will not be granted to a director who has benefited as a result of his or her breach of trust.

Our constitution provides that, subject to the provisions of the Singapore Companies Act and every other Singapore statute for the time being in force and affecting the Company, every director, secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred or to be incurred by them in the execution and discharge of their duties or in relation thereto. In particular, and without prejudice to the generality of the foregoing, no director, secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other director or officer, or for joining in any receipt or other act for conformity, or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatsoever which shall happen in the execution of the duties of his or her office or in relation thereto unless the same shall happen through his or her own negligence, willful default, breach of duty or breach of trust.

Shareholder Approval of Issuance of Shares

Under Delaware law, the board of directors has the authority to issue, from time to time, capital stock in its sole discretion, as long as the number of shares to be issued, together with those shares that are already issued and outstanding and those shares reserved to be issued, do not exceed the authorized capital for the corporation as previously approved by the stockholders and set forth in the corporation's certificate of incorporation. Under the foregoing circumstances, no additional stockholder approval is required for the issuance of capital stock. Under Delaware law, stockholder approval is required for (i) any amendment to the corporation's certificate of incorporation to increase the authorized capital and (ii) the issuance of stock in a direct merger transaction where the number of shares exceeds 20% of the corporation's shares outstanding prior to the transaction, regardless of whether there is sufficient authorized capital.

In addition, a corporation may issue one or more classes of stock or one or more series of stock within any class as shall be stated and expressed in the certificate of incorporation or of any amendment thereto, or in the resolution or resolutions providing for the issue of such stock adopted by the board of directors pursuant to authority expressly vested in it by the provisions of its certificate of incorporation.

Any stock of any class or of any series thereof may be made convertible into, or exchangeable for, at the option of either the holder or the corporation or upon the happening of a specified event, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation, at such price or prices or at such rate or rates of exchange and with such adjustments as shall be stated in the certificate of incorporation or in the resolution or resolutions providing for the issue of such stock adopted by the board of directors.

Shareholder Approval of Business Combinations

Generally, under the Delaware General Corporation Law, completion of a merger, consolidation, or the sale, lease or exchange of substantially all of a corporation's assets or dissolution requires approval by the board of directors and by a majority (unless the certificate of incorporation requires a higher percentage) of outstanding stock of the corporation entitled to vote.

The Delaware General Corporation Law also requires a special vote of stockholders in connection with a business combination with an "interested stockholder" as defined in section 203 of the Delaware General Corporation Law. See "—Interested Shareholders" above.

Section 161 of the Singapore Companies Act provides that notwithstanding anything in the company's constitution, the directors shall not exercise any power to issue shares without prior approval of the shareholders in a general meeting. Such authorization may be obtained by ordinary resolution (i.e., a resolution requiring the affirmative vote of a simple majority of the voting rights of those shareholders present and voting in person or by proxy). Once this shareholders' approval is obtained, unless previously revoked or varied by the company in a general meeting, it continues in force until the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting after that date is required by law to be held, whichever is earlier; but any approval may be revoked or varied by the company in a general meeting.

The Singapore Companies Act mandates that specified corporate actions require approval by the shareholders in a general meeting, notably:

- notwithstanding anything in the company's constitution, directors are not permitted to carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property unless those proposals have been approved by shareholders in a general meeting;
- subject to the constitution of each amalgamating company, an amalgamation proposal in accordance with the full amalgamation procedures under the Singapore Companies Act that do not require a court order must be approved by the shareholders of each amalgamating company via special resolution at a general meeting; and
- notwithstanding anything in the company's constitution, the directors may not, without the prior approval of shareholders, issue shares, including shares being issued in connection with corporate actions.

Shareholder Action Without A Meeting

Under the Delaware General Corporation Law, unless otherwise provided in a corporation's certificate of incorporation, any action that may be taken at a meeting of stockholders may be taken without a meeting, without prior notice and without a vote if the holders of outstanding stock, having not less than the minimum number of votes that would be necessary to authorize such action, consent in writing. It is not uncommon for a corporation's certificate of incorporation to prohibit such action.

Shareholder action by written consent is not permitted for a listed public company.

Shareholder Suits

Under the Delaware General Corporation Law, a stockholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation. An individual also may commence a class action suit on behalf of himself or herself and other similarly situated stockholders where the requirements for maintaining a class action under the Delaware General Corporation Law have been met. A person may institute and maintain such a suit only if such person was a stockholder at the time of the transaction which is the subject of the suit or his or her shares thereafter devolved upon him or her by operation of law. Additionally, under Delaware case law, the plaintiff generally must be a stockholder not only at the time of the transaction which is the subject of the suit, but also through the duration of the derivative suit. The Delaware General Corporation Law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff, unless such demand would be futile.

Derivative Actions

The Singapore Companies Act has a provision which provides a mechanism enabling shareholders to apply to the court for leave to bring a derivative action or commence an arbitration on behalf of the company.

Applications are generally made by shareholders of the company, but courts are given the discretion to allow such persons as they deem proper to apply (e.g., beneficial owner of shares).

It should be noted that this provision of the Singapore Companies Act is primarily used by minority shareholders to bring an action or arbitration in the name and on behalf of the company or intervene in an action or arbitration to which the company is a party for the purpose of prosecuting, defending or discontinuing the action on behalf of the company.

Class Actions

The concept of class action suits, which allows individual shareholders to bring an action seeking to represent a class or classes of shareholders, does not exist in Singapore. However, it is possible as a matter of procedure for a number of shareholders to lead an action and establish liability on behalf of themselves and other shareholders who join in or who are made parties to the action. These shareholders are commonly known as "lead plaintiffs."

Distributions and Dividends; Repurchases and Redemptions

The Delaware General Corporation Law permits a corporation to declare and pay dividends out of statutory surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or for the preceding fiscal year as long as the amount of capital of the corporation following the declaration and payment of the dividend is not less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets.

The Singapore Companies Act provides that no dividends can be paid to shareholders except out of profits.

The Singapore Companies Act does not provide a definition on when profits are deemed to be available for the purpose of paying dividends and this is accordingly governed by case law.

Our constitution provides that no dividend can be paid otherwise than out of profits.

Under the Delaware General Corporation Law, any corporation may purchase or redeem its own shares, except that generally it may not purchase or redeem these shares if the capital of the corporation is impaired at the time or would become impaired as a result of the redemption. A corporation may, however, purchase or redeem out of capital shares that are entitled upon any distribution of its assets to a preference over another class or series of its shares if the shares are to be retired and the capital reduced.

Acquisition of a Company's Own Shares

The Singapore Companies Act generally prohibits a company from acquiring its own shares subject to certain exceptions. Any contract or transaction made or entered into in contravention of the aforementioned prohibition by which a company acquires its own shares is void. However, provided that it is expressly permitted to do so by its constitution, as the case may be, and subject to the special conditions of each permitted acquisition contained in the Singapore Companies Act, a company may:

- redeem redeemable preference shares. Preference shares may be redeemed out of capital if all the directors make a solvency statement in relation to such redemption in accordance with the Singapore Companies Act, and the company lodges a copy of the statement with the Accounting and Corporate Regulatory Authority of Singapore;
- whether or not it is listed on an approved exchange in Singapore or any securities exchange outside Singapore, make an off-market purchase of its own shares in accordance with an equal access scheme authorized in advance at a general meeting;
- make a selective off-market purchase of its own shares in accordance with an agreement authorized in advance at a general meeting by a special resolution where persons whose shares are to be acquired and their associated persons have abstained from voting;
- whether or not it is listed on an approved exchange in Singapore or any securities exchange outside Singapore, make an acquisition of its own shares under a contingent purchase contract which has been authorized in advance at a general meeting by a special resolution; and
- where it is listed on a securities exchange, make an acquisition of its own shares on the securities exchange, in accordance with terms and limits authorized in advance at a general meeting.

A company may also purchase its own shares by an order of a Singapore court.

The total number of ordinary shares that may be acquired by a company during a relevant period may not exceed 20% (or such other prescribed percentage) of the total number of ordinary shares as of the date of the resolution passed to authorize the acquisition of the shares. Where, however, a company has reduced its share capital by a special resolution or a Singapore court has made an order confirming the reduction of share capital of the company, the total number of ordinary shares shall be taken to be the total number of ordinary shares as altered by the special resolution or the order of the court. Payment, including any expenses (including brokerage or commission) incurred directly in the acquisition by the company of its own shares, may be made out of the company's distributable profits or capital, provided that the company is solvent.

Our constitution provides that subject to the provisions of the Singapore Companies Act, we may purchase or otherwise acquire our issued shares on such terms and in such manner as we may think fit. These shares may be held as treasury shares or cancelled as provided in the Singapore Companies Act or dealt with in such manner as may be permitted by the Singapore Companies Act. On cancellation of the shares, the rights and privileges attached to those shares will expire.

Financial Assistance for the Acquisition of Shares

A public company or a company whose holding company or ultimate holding company is a public company shall not give financial assistance to any person whether directly or indirectly for the purpose of or in connection with:

- the acquisition or proposed acquisition of shares in the company or units of such shares; or
- the acquisition or proposed acquisition of shares in its holding company or ultimate holding company, or units of such shares.

Financial assistance may take the form of a loan, the giving of a guarantee, the provision of security, the release of an obligation, the release of a debt or otherwise.

However, it should be noted that a company may provide financial assistance for the acquisition of its shares or shares in its holding company if it complies with the requirements (including approval by special resolution) set out in the Singapore Companies Act.

Transactions with Officers or Directors

Under the Delaware General Corporation Law, some contracts or transactions in which one or more of a corporation's directors has an interest are not void or voidable because of such interest provided that some conditions, such as obtaining the required approval and fulfilling the requirements of good faith and full disclosure, are met. Under the Delaware General Corporation Law, either (a) the stockholders or the board of directors must approve in good faith any such contract or transaction after full disclosure of the material facts or (b) the contract or transaction must have been "fair" as to the corporation at the time it was approved. If board approval is sought, the contract or transaction must be approved in good faith by a majority of disinterested directors after full disclosure of material facts, even though less than a majority of a quorum.

Under the Singapore Companies Act, directors and chief executive officers are not prohibited from dealing with the company, but where they have an interest in a transaction with the company, that interest must be disclosed to the board of directors. In particular, every director or chief executive officer who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with the company must, as soon as is practicable after the relevant facts have come to such director's or chief executive officer's knowledge, declare the nature of such director's or chief executive officer's interest at a board of directors' meeting or send a written notice to the company containing details on the nature, character and extent of his or her interest in the transaction or proposed transaction with the company.

There is, however, no requirement for disclosure where the interest of the director or chief executive officer (as the case may be) consists only of being a member or creditor of a corporation which is interested in the transaction or proposed transaction with the company if the interest may properly be regarded as immaterial. Where the transaction or the proposed transaction relates to any loan to the company, a director or chief executive officer shall not be deemed to be interested or to have been at any time interested in the transaction or proposed transaction where the director or chief executive officer has only guaranteed or joined in guaranteeing the repayment of such loan, unless the constitution provides otherwise.

Further, where the transaction or the proposed transaction has been or will be made with or for the benefit of a related corporation (i.e. the holding company, subsidiary or subsidiary of a common holding company), a director or chief executive officer shall not be deemed to be interested or to have been at any time interested in the transaction or proposed transaction where he is a director or chief executive officer (as the case may be) of that corporation, unless the constitution provides otherwise.

In addition, a director or chief executive officer who holds any office or possesses any property which directly or indirectly might create duties or interests in conflict with such director's or chief executive officer's duties or interests as director or chief executive officer (as the case may be) is required to declare the fact and the nature, character and extent of the conflict at a meeting of directors or send a written notice to the company setting out the fact and the nature, character and extent of the conflict.

The Singapore Companies Act extends the scope of this statutory duty of a director and chief executive officer to disclose any interests by pronouncing that an interest of a member of a director's or chief executive officer's (as the case may be) family (including spouse, son, adopted son, step-son, daughter, adopted daughter and step-daughter) will be treated as an interest of the director or chief executive officer (as the case may be).

Subject to specified exceptions, the Singapore Companies Act prohibits a company from making a loan or quasi-loan to its directors or to directors of a related corporation, or giving a guarantee or security in connection with such a loan or quasi-loan.

Companies are also prohibited from making loans or quasi-loans to its directors' spouse or children (whether adopted or natural or step-children), or giving a guarantee or security in connection with such a loan or quasi-loan.

Dissenters' Rights

Under the Delaware General Corporation Law, a stockholder of a corporation participating in some types of major corporate transactions may, under varying circumstances, be entitled to appraisal rights pursuant to which the stockholder may receive cash in the amount of the fair market value of his or her shares in lieu of the consideration he or she would otherwise receive in the transaction.

There are no equivalent provisions in Singapore under the Singapore Companies Act.

Cumulative Voting

Under the Delaware General Corporation Law, a corporation may adopt in its bylaws that its directors shall be elected by cumulative voting. When directors are elected by cumulative voting, a stockholder has the number of votes equal to the number of shares held by such stockholder times the number of directors nominated for election. The stockholder may cast all of such votes for one director or among the directors in any proportion.

There is no equivalent provision under the Singapore Companies Act in respect of companies incorporated in Singapore.

Anti-Takeover Measures

Under the Delaware General Corporation Law, the certificate of incorporation of a corporation may give the board the right to issue new classes of preferred stock with voting, conversion, dividend distribution, and other rights to be determined by the board at the time of issuance, which could prevent a takeover attempt and thereby preclude shareholders from realizing a potential premium over the market value of their shares.

In addition, Delaware law does not prohibit a corporation from adopting a stockholder rights plan, or "poison pill," which could prevent a takeover attempt and also preclude shareholders from realizing a potential premium over the market value of their shares.

The constitution of a Singapore company typically provide that the company may allot and issue new shares of a different class with preferential, deferred, qualified or other special rights as its board of directors may determine with the prior approval of the company's shareholders in a general meeting.

Under the Singapore Take-over Code, if, in the course of an offer, or even before the date of the announcement of the offer, the board of the offeree company has reason to believe that a bona fide offer is imminent, the board must not, except pursuant to a contract entered into earlier, take any action, without the approval of shareholders at a general meeting, on the affairs of the offeree company that could effectively result in any bona fide offer being frustrated or the shareholders being denied an opportunity to decide on its merits.

Subsidiary	Jurisdiction of Incorporation
Cartrack Holdings Proprietary Limited (previously Cartrack Holdings Limited, now a private company)	South Africa
Cartrack Proprietary Limited	South Africa
Cartrack Manufacturing Proprietary Limited	South Africa
Cartrack Technologies Pte. Ltd.	Singapore
Cartrack Technologies South East Asia Pte. Ltd.	Singapore
Cartrack Technologies (Thailand) Company Limited	Thailand
Cartrack Polska.SP.ZO.O	Poland
Cartrack Portugal S.A.	Portugal
Cartrack Limitada	Mozambique

CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Isaias (Zak) Jose Calisto, certify that:

1. I have reviewed this annual report on Form 20-F of Karooooo Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 09, 2022

By: /s/ Isaias (Zak) Jose Calisto

Isaias (Zak) Jose Calisto
Chief Executive Officer

CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Morné Grundlingh, certify that:

1. I have reviewed this annual report on Form 20-F of Karooooo Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 09, 2022

By: /s/ Morné Grundlingh
Morné Grundlingh
Chief Financial Officer

CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F for the year ended February 28, 2022 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Isaias (Zak) Jose Calisto, the Chief Executive Officer and Morné Grundlingh, the Chief Financial Officer of Karooooo Ltd., each certifies that, to the best of his or her knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Karooooo Ltd.

Date: June 09, 2022

By: /s/ Isaias (Zak) Jose Calisto

Isaias (Zak) Jose Calisto
Chief Executive Officer

By: /s/ Morné Grundlingh

Morné Grundlingh
Chief Financial Officer



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Internet kpmg.com.sg

June 9, 2022

Securities and Exchange Commission
Washington, D.C. 20549

Ladies and Gentlemen:

We are the principal accountants for Karooooo Ltd. and, on June 9, 2022, we reported on the consolidated financial statements of Karooooo Ltd. and its subsidiaries as of and for the fiscal years ended February 28, 2022 and 2021. On March 15, 2022, we declined to stand for re-election. On May 10, 2022, we were notified that Karooooo Ltd. will be appointing Ernst & Young LLP as its principal accountant for the fiscal year ending February 28, 2023 and that the auditor-client relationship with KPMG LLP will cease upon the conclusion of our term of appointment. We have read Karooooo Ltd.'s statements included under Item 16F of its Form 20-F dated June 9, 2022, and we agree with such statements, except that we are not in a position to agree or disagree with Karooooo Ltd.'s statement that the change was approved and recommended by the audit and risk committee, we are not in a position to agree or disagree with Karooooo Ltd.'s statement that the change was approved by the board of directors, and we are not in a position to agree or disagree with Karooooo Ltd.'s statement that Ernst & Young LLP were not engaged regarding the application of accounting principles to a specified transaction or the type of audit opinion that might be rendered on Karooooo Ltd.'s consolidated financial statements.

Very truly yours,

/s/ KPMG LLP

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act 2005 and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English Company limited by guarantee.