DAIMLER TRUCKS & BUSES SOUTHERN AFRICA (PTY) LTD

Registration number 2018/300147/07
Consolidated Financial Statements
For the year ended 31 December 2021

Contents

General Information

Directors	Initial and surname	Designation	Appointments/resignations
	M Dietz	Executive	
	P Kendzorra	Executive	
	AM Kgotle	Non-executive	Resigned 30 November 2021
	NS Trimmel	Non-executive	Resigned 30 November 2021
	JP Burghardt	Non-executive	
	A Puchert	Non-executive	Resigned 01 January 2022
	H Schick	Non-executive	Appointed 15 March 2022

Registered office
123 Wierda Road
R576/M10 West
Zwartkop
Pretoria
0002

Holding company Daimler Truck AG incorporated in Germany

Ultimate holding company Daimler Truck Holding AG incorporated in Germany

Abbreviations used in the consolidated financial statements

CIPC	Companies and Intellectual Property Commission
Consolidated Financial Statements	Consolidated Financial Statements of DTBSA and its subsidiary
DTAG	Daimler Truck AG
DTBSA	Daimler Trucks and Buses Southern Africa Proprietary Limited
DTFS	Daimler Truck Financial Services South Africa Proprietary Limited
DTHAG	Daimler Truck Holding AG
ECL	Expected Credit Loss
Group companies	Individual companies within the global Daimler group structure
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg Interbank Agreed Rate
MBFS	Mercedes-Benz Financial Services South Africa Proprietary Limited
MBSA	Mercedes-Benz South Africa Limited
OCI	Other Comprehensive Income
OEM	Original Equipment Manufacturer
PSI	Portfolio Specific Impairment
The Companies Act	Companies Act, No. 71 of 2008 (South Africa)

Preparation of Consolidated Financial Statements

The consolidated financial statements for the period ended 31 December 2021 have been prepared in accordance with the going concern, fair value and historical cost basis. The consolidated financial statements contained in this document have been prepared under the supervision of Mr P Kendzorra, Chief Financial Officer.

The consolidated financial statements have been audited in compliance with Section 30 of the Companies Act.

These consolidated financial statements were published on 12 May 2022.

Company Secretary's Certification

In terms of Section 88(2)(e) of the Companies Act of South Africa, as amended, I certify that, to the best of my knowledge and belief, Daimler Trucks and Buses Southern Africa Proprietary Limited has, in respect of the financial year ended 31 December 2021, lodged with the CIPC all returns and notices as are required of a private company in terms of the Companies Act and that all returns are true, correct and up to date.

S Bishop
Company Secretary
Thursday, 12 May 2022

Directors' Report

The directors are pleased to present their report, which forms part of the consolidated financial statements of the group for the year ended 31 December 2021.

1. Nature of business

The group holds a manufacturing and distribution agreement from DTAG for the importation, assembly and distribution of Mercedes-Benz, Freightliner, FUSO and Western Star commercial vehicles for South Africa, Botswana, Lesotho and Swaziland. The group has a general distribution agreement to sell commercial vehicles to Malawi, Mozambique, Zimbabwe and Zambia through approved general distributors in the respective countries.

DTBSA was incorporated on 17 May 2018.

The group's business can be best described as follows:

1.1 Financial services and fleet management operations

These operations provide financing and fleet management solutions to external customers and companies of the group.

1.2 Wholesale and retail vehicle operations

These operations market and sell vehicles in the product portfolio, primarily through the authorised dealer network.

1.3 Assembly and component export operations

These operations, situated in East London, assemble knocked-down kits for commercial vehicle products.

2. Financial results for year under review

Full details of the financial position, results of operations and cash flows of the group are set out in these consolidated financial statements.

	2021 R '000	2020 R '000	Difference year on year R '000	Change year on year %
Income measures				
Vehicles and related services	7 751 678	6 466 665	1 285 013	19.87
Financial services	73 813	-	73 813	
Profitability measures				
Gross profit	581 807	555 702	26 105	4.70
Operating profit	274 252	268 997	5 255	1.95
Profit for the year	182 509	183 143	(634)	(0.35)
Financial position measures				
Total assets	15 406 418	4 029 670	11 376 748	282.32
Total liabilities	12 498 601	2 230 529	10 268 072	460.34
Total equity	2 907 817	1 799 141	1 108 676	61.62

The comparative figures do not include the consolidation of DTFS as the company was only incorporated during the current financial year. DTFS has been actively trading for one month from 1 December 2021.

3. Corporate governance

The Board is satisfied that there is an appropriate mix of knowledge, skills, experience, diversity and independence.

Mr S Bishop is the company secretary of Daimler Trucks and Buses Southern Africa Proprietary Limited. The board is satisfied with the competence, qualifications and experience of the company secretary. The board has access to the company secretary and such arrangements are effective.

Directors' Report

4. Directorate

The following directors were in office at the date of this report:

Directors	Designation	Changes
M Dietz	Executive	
P Kendzorra	Executive	
AM Kgotle	Non-executive	Resigned 30 November 2021
NS Trimmel	Non-executive	Resigned 30 November 2021
JP Burghardt	Non-executive	
A Puchert	Non-executive	Resigned 01 January 2022
H Schick	Executive	Appointed 15 March 2022

5. Holding company

The group's holding company is Daimler Truck AG which holds 100% (2020: -%) of the issued share capital's equity. Daimler Truck AG is incorporated in Germany.

A change in ownership occurred on 01 January 2021. In line with the restructuring initially envisaged as part of Project Future, DTAG acquired 100% of the shareholding in DTBSA from MBSA.

6. Going concern

The consolidated financial statements for the year ended 31 December 2021 have been prepared on a going concern basis, which assumes that the group will be able to meet its obligations for the foreseeable future. The group has recognised a net profit after tax of R 182 million (2020: R 183 million) for the year ended 31 December 2021 and as at that date the group had a capital ratio of 18.87% (2020: 44.65%).

Management has performed forecasts for the ensuing twelve months and these forecasts reflect positive trading and positive financial performance. The expectation is that the entity will be profitable. Management anticipates that any additional borrowing cost repayments required will be met out of operating cash flows or from alternative forms of capital funding.

COVID-19 consideration

Management believes that the group will be able to meet all its obligations for the 2022 period. Management further believes that proceeds received during 2022 will be sufficient to meet the repayment requirements. Management has performed forecasts and based on these forecasts the expectation is that the entity will be profitable for the 2022 financial year. Management has taken necessary steps to ensure that it will continuously monitor the global situation, regarding the COVID-19 pandemic, and make any necessary adjustments to ensure business continuity.

Management acknowledges that uncertainty exists as a result of the current global situation. However, management has a reasonable expectation that the group has adequate resources to continue operating as a going concern for the foreseeable future.

7. Events after the reporting period

Tax rate change

In February 2022 the South African finance minister announced that the corporate income tax rate will be reduced from 28% to 27% for years of assessments commencing on or after 1 April 2022.

Change of name

Effective 12 April 2022, Daimler Trucks and Buses Southern Africa Proprietary Limited changed its name to Daimler Truck Southern Africa Limited and then registered as a public company.

At the date of finalisation of the consolidated financial statements, except for the matters noted above, there were no other material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the consolidated financial statements.

Approval of consolidated financial statements

These consolidated financial statements, which have been prepared on the going concern basis, were approved by the board on 12 May 2022, and are signed on its behalf by:

M Dietz
Chief Executive Officer

P Kendzorra
Chief Financial Officer

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Independent Auditor's Report

To the shareholder of Daimler Trucks and Buses Southern Africa Proprietary Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Daimler Trucks and Buses Southern Africa Proprietary Limited (the Group) set out on pages 9 to 55, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Daimler Trucks and Buses Southern Africa Proprietary Limited as at 31 December 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Daimler Trucks and Buses Southern Africa Proprietary Limited Annual Financial Statements for the year ended 31 December 2021", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG Inc.
Registered Auditors

Steve Robinson

per SG Robinson
Chartered Accountant (SA)
Registered Auditor
Associate Director
14 May 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2021 R '000	2020 R '000
Income from sale of vehicles and related services			
Revenue	4	7 751 678	6 466 665
Cost of goods sold	5	(7 169 871)	(5 910 963)
		581 807	**555 702**
Income from financial and other services			
Interest received	4	65 949	-
Reversal of impairment losses on loans and advances to customers	4	9	-
Non-interest revenue	4	58 872	-
Non-interest expenditure	4	(51 017)	-
		73 813	**-**
Net income before other income and expenses		**655 620**	**555 702**
Other income	6	27 264	60 522
Operating expenses		(191 270)	(131 230)
Selling expenses		(217 362)	(215 997)
Operating profit	7	**274 252**	**268 997**
Finance income	8	66 437	30 335
Finance costs	9	(75 262)	(43 957)
Profit before taxation		**265 427**	**255 375**
Taxation	10	(82 918)	(72 232)
Profit for the year		**182 509**	**183 143**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability/asset		(13 163)	20 481
Income tax relating to items that will not be reclassified		3 686	(5 735)
Total items that will not be reclassified to profit or loss		**(9 477)**	**14 746**
Other comprehensive income for the year, net of taxation		**(9 477)**	**14 746**
Total comprehensive income for the year		**173 032**	**197 889**

Consolidated Statement of Financial Position as at 31 December 2021

	Note	2021 R '000	2020 R '000
Assets			
Cash and cash equivalents	11	1 617 360	777 917
Trade and other receivables from third parties	12.1	423 586	294 843
Trade receivables from related parties	12.2	139 557	206 773
Inventories	13	1 680 187	2 102 867
Current tax receivable	10	37 985	9 886
Loans and advances to customers	14	9 916 839	-
Deferred initial direct costs	15	17 141	-
Assets leased under operating leases	16	955 609	157 407
Property, plant and equipment	16	45 846	28 804
Right-of-use assets	16	87 349	73 925
Intangible assets	17	28 106	-
Retirement benefit asset	18	3 929	13 093
Deferred tax	19	452 924	364 155
Total Assets		**15 406 418**	**4 029 670**
Liabilities			
Trade and other payables to third parties	20.1	295 442	139 691
Trade payables to related parties	20.2	718 264	906 588
Lease liabilities	21	92 182	80 461
Deferred income	22	55 464	83 955
Provisions	23	106 302	61 299
Contract liabilities	24	1 162 951	901 304
Borrowings	25	10 000 000	-
Post-retirement medical aid benefit obligation	18	67 996	57 231
Total Liabilities		**12 498 601**	**2 230 529**
Equity			
Share capital	26	2 001 891	1 528 091
Reserves	27	470 340	17 973
Retained income		435 586	253 077
Total Equity		**2 907 817**	**1 799 141**
Total Equity and Liabilities		**15 406 418**	**4 029 670**

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Consolidated Statement of Changes in Equity

	Share capital R '000	Actuarial reserve R '000	Common control reserve R '000	Other reserve R '000	Retained income R '000	Total equity R '000
Balance at 01 January 2020	**1 528 091**	**3 227**	**-**	**-**	**69 934**	**1 601 252**
Profit for the year	-	-	-	-	183 143	183 143
Other comprehensive income	-	14 746	-	-	-	14 746
Total comprehensive income for the year	**-**	**14 746**	**-**	**-**	**183 143**	**197 889**
Balance at 31 December 2020	**1 528 091**	**17 973**	**-**	**-**	**253 077**	**1 799 141**
Balance at 01 January 2021	**1 528 091**	**17 973**	**-**	**-**	**253 077**	**1 799 141**
Profit for the year	-	-	-	-	182 509	182 509
Other comprehensive income	-	(9 477)	-	-	-	(9 477)
Total comprehensive income for the year	**-**	**(9 477)**	**-**	**-**	**182 509**	**173 032**
Issue of shares	473 800	-	-	-	-	473 800
Common control reserve on portfolio and other assets acquired	-	-	588 366	-	-	588 366
Impairment of deferred tax asset on acquisition	-	-	(126 522)	-	-	(126 522)
Transfer between reserves	-	-	(461 844)	461 844	-	-
Balance at 31 December 2021	**2 001 891**	**8 496**	**-**	**461 844**	**435 586**	**2 907 817**
Note	26	27	27	27		

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Consolidated Statement of Cash Flows

	Note	2021 R '000	2020 R '000
Cash flows from operating activities			
Cash flows from trading activities	28	348 322	311 016
Working capital movements	28	(9 424 775)	629 421
Net cash (outflow)/inflow from operating activities		**(9 076 453)**	**940 437**
Other cash flows			
Interest received		38 938	5 093
Finance costs		(5 574)	(12 929)
Taxation paid	29	(196 100)	(115 443)
Contributions paid to retirement plan	18.1	(2 007)	(3 027)
Post-retirement medical aid benefits paid	18.2	652	(2 513)
Net cash (outflow)/inflow from operating activities		**(9 240 544)**	**811 618**
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(23 551)	(2 974)
Purchase of assets leased under operating leases		(786 149)	-
Purchase of intangible assets	17	(28 371)	-
Net cash outflow from investing activities		**(838 071)**	**(2 974)**
Cash flows from financing activities			
Proceeds on share issue	26	473 800	-
Acquisition transaction	26	461 844	-
Proceeds from borrowings	21	10 000 000	-
Repayment of borrowings		-	(130 000)
Payment of lease liability capital		(18 885)	(13 824)
Net cash (outflow)/inflow from financing activities		**10 916 759**	**(143 824)**
Increase in cash and cash equivalents for the year		**838 144**	**664 820**
Cash and cash equivalents at the beginning of the year		777 917	99 088
Unrealised forex gains on cash and cash equivalents		1 299	14 009
Total cash and cash equivalents at the end of the year	11	**1 617 360**	**777 917**

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Notes to the Consolidated Financial Statements

1. Corporate information

Reporting entity	Daimler Trucks and Buses Southern Africa Consolidated
Reporting period	Financial year ended 31 December 2021
Domicile	The Republic of South Africa
Authorised by the board of directors	Thursday, 12 May 2022

2. Preparation of the consolidated financial statements

These accounting policies, and those included in the notes, represent a summary of the significant accounting policy elections of the group.

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with:
- IFRS, SAICA Financial Reporting Guides and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") standards and interpretations;
- the Companies Act;
- the principle of going concern; and
- the historical cost and fair value basis of accounting, where applicable.

2.2 Basis of preparation

These consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards on a basis consistent with that of the previous year.

These consolidated financial statements can be obtained from the company secretary at the company's registered address. Separate financial statements for the company are also prepared and can be obtained at the company's registered address.

2.3 Functional and presentation currency

The functional currency of Daimler Trucks and Buses Southern Africa Consolidated and the presentation currency of the group is South African Rand ("Rand").

2.4 Rounding policy

All amounts in the consolidated financial statements are presented in Rand thousand ("R '000").

The group has a policy of rounding in increments of R 500. Amounts less than R 500 will therefore round to R nil and are presented as a dash.

2.5 Foreign currency translation

Procedures followed to translate to presentation currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

At the end of the reporting period:
- monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date;
- non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign exchange gains or losses are recognised in profit or loss.

3. Presentation of consolidated financial statements

These consolidated financial statements have been prepared in accordance with the requirements of IFRS.

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3. Presentation of consolidated financial statements (continued)

3.1 Group accounting

Group structure

Ultimate holding company: Daimler Truck Holding AG

Holding company: Daimler Truck AG

Subsidiary: Daimler Truck Financial Services Proprietary Limited 100% (2020: nil)

Consolidation

Subsidiaries are entities controlled by the group. Control is achieved when the group is exposed, 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 group also considers the following facts and circumstances in assessing whether it has power over an entity:
- rights arising from contractual arrangements; and
- the group's voting rights and potential voting rights.

The group reassesses whether or not it controls an entity if facts and circumstances indicate changes to the elements of control.

Subsidiaries - recognition and measurement

Business combinations are accounted for using the acquisition method. When the group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the group's accounting policies as well as the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Subsidiaries are consolidated from the date of acquisition, which is the date on which the group obtains control of the subsidiary and continue to be consolidated until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Intercompany transactions

All intergroup balances, transactions, income and expenses are eliminated in full in the consolidated financial statements.

3.2 Retained income

Retained earnings comprises of accumulated profits or losses less dividends to equity holders.

3.3 Accounting estimates, judgements and assumptions

In preparing these consolidated financial statements, management has made estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, income and expenses. These estimates, judgements and assumptions are guided by the application of IFRS while also taking into account the knowledge and experience of management.

Management believes that the estimates, judgements and assumptions made are appropriate considering the facts and circumstances available. However, the actual results may differ in line with subsequent changes to the underlying facts and circumstances.

Estimates, judgements and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. All estimates, judgements and assumptions are consistent with prior year, except where otherwise indicated.

3.3.1 Significant accounting estimates, judgements and assumptions

The following estimates, judgements and assumptions made in applying the accounting policies that have the most significant effect on the amounts recognised in these consolidated financial statements are:

Revenue from service plans and extended warranty contracts with customers

Refer to note 4.4.

Contract liabilities are not financial instruments as they are settled by the delivery or receipt of goods or services.

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3. Presentation of consolidated financial statements (continued)

Assumptions that affect the group's estimate for maintenance and service obligations include:
- distribution cost;
- discount rate;
- inflation rate;
- scrapping ratio;
- part sales;
- labour, parts and repair factors; and
- profit margin on parts.

Assets leased under operating leases

Lease classification

DTFS, in arrangement with DTBSA, leases trucks to external customers. The factors that have been taken into consideration in determining the classification as operating leases are:
- ownership of the underlying trucks is retained by the DTBSA during, and in most cases, at the end of the lease term;
- there is no bargain purchase option offered to the customer;
- the lease term is shorter than the majority of the economic life of the asset;
- at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the underlying motor vehicle; and
- the leased assets are not specialised in nature.

Until 30 November 2021 these arrangements were between DTBSA and MBFS, thereafter DTFS took over all the contracts with DTBSA.

Management has assessed that the significant risks and rewards incidental to ownership of the underlying trucks in these lease arrangements have not transferred to the customer. Additionally, the residual value of the trucks is guaranteed by DTBSA.

Residual values

The group regularly reviews the factors applied in determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of the trucks at the end of their leases, which constitutes a substantial part of the expected future cash flows from the trucks.

On a quarterly basis, management updates the residual values to be granted for future lease contracts. These values are based on calculations which use a combination of internal data and externally sourced market data. A Residual Value Steering Committee meets and approves the revised residual values each quarter. This committee has fixed terms of reference and its members comprise a group of persons with suitable qualifications and experience.

The residual values determined serve as a key input into the depreciation charge of the leased vehicles. Once a lease is entered into, the residual value is guaranteed. To account for changes in market conditions the vehicle is depreciated to the lower of its residual value guaranteed or net realisable value as determined by management.

Depreciation

Depreciation rates applied to manufactured lease assets are consistent with the lease terms and ranges from approximately 3 months to 5 years.

The lease term is understood to mean the period between the sale with residual value guarantee and the earliest date on which the residual value guarantee can be redeemed under the terms of the contract, being the non-cancellable period of the lease. If this period is less than 75% of the economic life of the asset, it is assumed that substantially all the risks and rewards incidental to ownership of the asset have remained with the group.

Present value of future minimum lease payments

The total minimum lease payments are considered to be the difference between the group’s sales proceeds and the guaranteed residual value; in other words, the present value of the residual value guarantee must be greater than 10% of the original selling price to cause the present value of minimum lease payments to be less than 90% of the fair value.

In this case, it is assumed that substantially all the risks and rewards incidental to ownership of the asset have remained with the group. The determination of present value is based on a market related interest rate for similar leases.

Refer to note 16.

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Notes to the Consolidated Financial Statements

3. Presentation of consolidated financial statements (continued)

3.3.2 Other estimates, judgements and assumptions

These judgements and estimates may not individually have a significant effect on the amounts recognised in the consolidated financial statements. However, the input factors considered are in certain instances complimentary in such a way that the estimates and judgements may, at times, result in an additive effect. This effect would thus become significant to amounts recognised across the statement of financial position or profit or loss as a whole. Furthermore the amounts recognised in the consolidated financial statements to which these judgements and estimates relate are considered material to management.

Property, plant and equipment

Useful lives

Land is not depreciated as it is deemed to have an indefinite useful life.

The useful life of an asset is the period in which the group expects to utilise the benefits embodied in the assets, and not necessarily the assets' economic life. Useful lives of assets are reviewed annually.

The group uses the following indicators to determine useful life:
- expected usage of assets;
- expected physical wear and tear; and
- technical and commercial obsolescence.

The estimated useful lives assigned to the categories of property, plant and equipment are as follows:

Item	Average useful life (years)
Buildings	25
Plant and equipment	4 – 12
Other factory equipment and furniture	3 – 10
Assets leased under operating leases	3 months – 5 years
Right-of-use assets	over the term of the lease

Residual values

An estimate is made of the amount the group would expect to receive currently for the asset if the asset were already of the age and condition expected at the end of its useful life, which is considered to be its residual value. Residual values are reviewed annually with the exception of assets leased under operating leases as addressed in 3.3.1.

Impairment

Management assesses changes in interest rates, currency exchange rates as well as the state of affairs in the motor manufacturing sector as indicators that impairment testing may need to be performed.

Provisions

Guaranteed residual value provision

The group is exposed to the risk that leased trucks are returned at a value less than the residual value guaranteed to customers under the terms of each respective lease agreement. Accordingly, a provision is raised to the extent that the carrying values of leased trucks are impaired through residual values not being fully recoverable.

Uncertainties that affect the provision amount include:
- return-rates of leased motor vehicles;
- penetration rates;
- lease duration; and
- market conditions.

Furthermore, the group periodically reviews its exposure to the underwritten portfolio to changes in market conditions since inception of the agreements and ensures satisfactory coverage of the trucks and buses' projected valuations to underwritten values. Where risks are identified the group develops strategies to manage the risk position of the particular assets and further ensures provision is made for such potential loss.

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3. Presentation of consolidated financial statements (continued)

Dealer incentive provision

The group pays incentives to each franchised dealer who sells franchised trucks and buses. The incentives are earned by the dealer based on their quarterly performance as well as for other incentive programmes that may be run.

The provision for dealer incentives represents the amount to be paid over for the final quarter of the financial year. Estimates are made of the amount to be paid based on forecasted achievement of the incentive targets.

The incentives are paid to the dealers in cash before the end of the following quarter.

Warranty provision

The provision is measured on the basis of past warranty expenses. The provision amount represents total warranty credits and costs required to investigate and settle warranty claims. The amount of the provision for warranty arrangements is determined based on the amount expected to be required to settle the warranty claims. Possible recall or buyback campaigns are excluded from this provision, as these are fully reimbursed by DTAG.

Employee benefits

Defined benefit schemes

The following actuarial assumptions are applied in determining the present value of the defined benefit obligation as well as the fair value of the plan assets:

	2021	2020
Discount rates used		
Pre-retirement discount rate	10.87 %	11.96 %
Post-retirement discount rate	5.26 %	6.14 %
Inflation rates used		
General inflation rate	6.67 %	6.85 %
Salary inflation rate	6.67 %	6.85 %
Average age of members in-service (in years)	53	56
Average age of pensioners in-service (in years)	N/A	69

Post-retirement medical aid benefit

The following actuarial assumptions are applied in determining the present value of the post-retirement medical aid benefit:

	2021	2020
Discount rate	11.54 %	12.87 %
Health care cost inflation	8.54 %	9.58 %
Real discount rate	2.76 %	3.00 %
Consumer price inflation	7.04 %	7.58 %
Mortality		
Pre-expected retirement age	SA 1985 - 90 light	
Post-retirement age	PA(90) - 2	

4. Revenue and income from financial services

4.1 Revenue allocation

	2021 R '000	2020 R '000
Income from sale and leasing of vehicles and related services		
Vehicles and spare parts	7 235 673	6 036 209
Rendering of services	516 005	430 456
	7 751 678	**6 466 665**

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Notes to the Consolidated Financial Statements

	2021 R '000	2020 R '000
4. Revenue and income from financial services (continued)		
Income from financial and other services		
Interest received		
Finance leases	25 663	
Instalment sales	34 244	
Wholesale finance income	6 042	
	65 949	
Items related to impairment of loans and advances to customers		
Legal loss recovery	9	
Non-interest revenue		
Remarketing revenue	28 764	
Operating lease income	25 843	
Acceptance and initiation fee	4 265	
	58 872	
Non-interest expenditure		
Remarketing cost of sales	(28 764)	
Depreciation of rental and operating assets	(20 638)	
Dealer commission	(118)	
Legal loss	(1 497)	
	(51 017)	

4.2 Disaggregation of revenue from contracts with customers

The group disaggregates revenue from customers as follows:

	2021 R '000	2020 R '000
Sale of goods		
Vehicles	5 658 260	4 745 540
Parts	1 472 591	1 218 248
Component exports	26 583	25 026
Vehicle lease deferred income	58 807	29 407
FleetBoard telematics hardware	19 432	17 988
	7 235 673	**6 036 209**
Rendering of services		
Financial services		
Interest received*	65 949	
Non-interest revenue*	58 881	
	124 830	

* These items include lease income.

	2021 R '000	2020 R '000
Other services		
Maintenance and service contracts	381 950	321 440
FleetBoard telematics: service and tracking fees	43 205	26 336
Extended warranty	33 439	20 623
Vehicle testing	29 034	33 868
Diagnostic equipment rental	21 280	22 663
Dealer training	5 120	2 153
Used vehicles on-the-road, delivery and surplus charges	1 977	3 373
	640 835	**430 456**
Total revenue from contracts with customers	**7 876 508**	**6 466 665**

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Notes to the Consolidated Financial Statements

	2021 R '000	2020 R '000

4. Revenue and income from financial services (continued)

4.3 Timing of revenue recognition

	2021 R '000	2020 R '000
At a point in time		
Vehicles	5 658 260	4 745 540
Parts	1 472 591	1 218 248
Component exports	26 583	25 026
Remarketing	28 764	-
FleetBoard telematics: hardware	19 432	17 988
Used vehicles on-the-road, delivery and surplus charges	1 977	3 373
Acceptance and initiation fee	4 265	-
	7 211 872	**6 010 175**
Over time		
Maintenance and service contracts	381 950	321 440
Interest received	65 949	-
Vehicle lease deferred income	58 807	29 407
FleetBoard telematics: service and tracking fees	43 205	26 336
Extended warranty	33 439	20 623
Vehicle testing	29 034	33 867
Operating lease instalments	25 852	-
Diagnostic equipment rental	21 280	22 664
Dealer training	5 120	2 153
	664 636	**456 490**
Total revenue from contracts with customers	**7 876 508**	**6 466 665**

4.4 Income from contracts with customers

4.4.1 Income from sale and leasing of vehicles and other related services

This income comprises revenue and leasehold income generated on the sale (new and used) or lease of vehicles and the sale of related spare parts, as well as vehicle services and other related income.

Recognition and measurement

Sale of vehicles, service parts and other related products:

Revenue from the sale of products is recognised when control of the goods are transferred to the customer. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and costs incurred or to be incurred in respect of the sale can be measured reliably.

DTBSA makes use of a number of sales promotion programs dependent on various market conditions during the year as well as the respective product life cycles and product-related factors (such as amounts of discounts offered by competitors, excess industry production capacity, the intensity of market competition and consumer demand for the products). These programs comprise special discounts to dealers and customers, as well as residual value enhancements.

DTBSA recognises sales minus an allowance for incentive and sales promotion programs, and a refund liability presented within contract liabilities in the statement of financial position. The allowance and liability are measured at the amount expected to be refunded or credited to dealers and customers, estimated based on the programs' terms, market conditions and historical experience.

Revenue is recognised as performance obligations are met, either over time or at a point in time.

Revenue is measured at the transaction price of the consideration received/receivable which the group is entitled in exchange for transferring promised goods or services to the customer (net of discounts, cash incentives, customer bonuses and rebates granted - which are payable to third parties).

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Notes to the Consolidated Financial Statements

4. Revenue and income from financial services (continued)

Rendering of services:

Rendering of services is recognised over time, most appropriate to the type of service:
- servicing fees included in the price of products sold are recognised by reference to the proportion of the cost to the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold;
- time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred; and
- the group offers extended, separately priced warranties for certain products. Revenue from these contracts are deferred and recognised over the contract period in proportion to the costs expected to be incurred based on historical information.

Lease of vehicles:

Lease income is recognised on a straight-line basis over the lease term.

Lease income is measured at the fair value of the operating lease instalments received adjusted for the effect of straight-lining and excluding any contingent rentals received. Revenue is generated from lease payments on the basis of the underlying leasing contracts and is significantly impacted by the residual value as determined in note 3.3.1, Assets leased under operating leases.

4.4.2 Income from financial services

Interest received

Interest received consists of interest earned on finance leases, installment sale agreements and wholesale funding provided to customers and dealers of DTBSA products.

Interest received is recognised on the time proportion basis, using the effective interest method.

Interest received is measured at the interest rate that exactly discounts the estimated future cash receipts through the expected life of the underlying financial instrument.

Where the financial instrument has been impaired interest income continues to be recognised on the impaired value based on the original effective interest rate.

Non-interest revenue

Revenue generated by the financial services business which is non-interest in nature and includes:
- income from the leasing business;
- sales revenue from the sale of vehicles at the end of lease contract (remarketing revenue); and
- fees and commissions earned from related financial services activities.

Non-interest revenue is recognised on:
- the straight-line basis over the period of the lease;
- vehicles sales as noted above; and
- fees and commissions on a time proportion basis over the contract term.

Non-interest revenue is measured:
- at the effective yield on the net investment outstanding;
- for vehicles sales as noted above; and
- at the fair value of the consideration received/receivable.

Non-interest expenditure

These expenses are related and incremental to the non-interest revenue generated and include, among others:
- fees paid to dealers;
- depreciation and impairment charges on the operating lease assets;
- expenses related to fleet management; and
- the residual value of the vehicle at the date of sale.

4.4.3 Other income

Other income is recognised when the right to receive reimbursement has been established.

Other income is measured at the fair value of the consideration received/receivable.

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Notes to the Consolidated Financial Statements

4. Revenue and income from financial services (continued)

4.4.4 Dealer incentive commission

The group pays motor dealerships trading in relevant group products commissions for engaging in financial services activities through the group's financing business. These commissions are initially capitalised within loans and advances to customers and subsequently expensed to profit or loss on a straight-line basis over the term of the related financial contract. Where contracts are terminated early any remaining balance is immediately expensed to profit or loss.

	2021 R '000	2020 R '000
5. Cost of goods sold		
Cost of sales	7 169 871	5 910 963

Cost of goods sold includes the following:

- carrying amount of inventories sold;
- costs incurred in relation to the rendering of services included in revenue;
- depreciation on plant, equipment and manufacturing facilities and operating leased assets;
- overheads incurred as part of the production activities;
- raw materials utilised in production;
- inventories utilised in the manufacture and sale of vehicles, parts and components; and
- write down of inventories to net realisable value and any loss of inventory or reversals of previous write-downs or losses in the period the write-down, loss or reversal occurs.

6. Other income

	2021 R '000	2020 R '000
Foreign exchange (losses)/gains - unrealised	(10 537)	20 919
Foreign exchange gains - realised	10 972	17 440
Income from cost recoveries	16 190	13 894
Warranty administration fees	8 365	5 511
Rental income	2 274	2 518
Dissolution of deferred income	-	240
	27 264	**60 522**

7. Operating profit

Operating profit for the year includes:

	2021 R '000	2020 R '000
Staff costs		
Cost of goods sold	203 479	176 906
Operating expenses	20 842	3 920
Selling expenses	135 266	135 576
Total staff costs	**359 587**	**316 402**

Employee benefits

Short-term employee benefits

Short-term employee benefits includes salaries, wages and costs of temporary employees, paid vacation leave, sick leave, bonuses and non-monetary benefits such as medical care. It is recognised as an expense and included in staff costs as services are rendered.

A liability is recognised for the amount expected to be paid as a result of past service provided.

Long–term service benefits

The group’s net obligation in respect of long–term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit method, is discounted to its present value and the fair value of any related assets is deducted. The discount rate used is based upon the rate for high quality corporate bonds at the valuation date. Remeasurements are recognised in profit or loss in the period when they arise.

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Notes to the Consolidated Financial Statements

	2021 R '000	2020 R '000

7. Operating profit (continued)

Refer to note 23 for details of staff related provisions.

	2021 R '000	2020 R '000
Depreciation recognised through		
Cost of goods sold	65 890	40 603
Operating expenses	3 211	3 065
Selling expenses	3 276	2 941
Total depreciation	**72 377**	**46 609**

	2021 R '000	2020 R '000
Expenses/(income)		
Foreign exchange movements - realised	1 666	(11)
Foreign exchange movements - unrealised	3 156	(7 535)
Audit fees	4 322	2 380
Royalty expenses	80 650	94 310
Loss on sale of property, plant and equipment and assets leased under operating leases	-	19
Impairment on trade receivables	118 819	14 153
Write-down of stock	45 037	54 719
Reversal of write-down of stock	-	(4 523)
Defined contribution plan (included in staff costs)	15 041	13 998
Consulting and professional fees	186	-

8. Finance income

	2021 R '000	2020 R '000
Interest earned on		
Retirement benefit assets	24 894	22 472
Group companies	1 416	6 568
Bank and other cash	40 017	1 295
Tax authorities	110	-
Total interest income	**66 437**	**30 335**

Finance income consists of interest earned on deposits with group companies, bank deposits and on defined benefit plan assets.

Interest received is accrued on a time basis, by reference to the principal amount outstanding using the effective interest method.

The effective interest method is applied, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

9. Finance costs

	2021 R '000	2020 R '000
Interest expense on/to		
Retirement benefit obligations	28 434	32 180
Group companies	205	5 551
Banks	43 220	130
Group lease liabilities	3 146	5 940
Non-group lease liabilities	257	156
Total finance costs	**75 262**	**43 957**

Finance costs comprise the interest expense incurred on borrowings from group companies and financial institutions, on defined benefit liabilities, group lease liabilities and non-group lease liabilities.

Interest expense is accrued on a time basis, by reference to the principal amount outstanding using the effective interest method.

The effective interest method is applied, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to that liability’s net carrying amount.

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Notes to the Consolidated Financial Statements

	2021 R '000	2020 R '000
10. Taxation		
Major components of the tax expense		
Current		
Charge for the current year	164 362	78 882
Under provision from the previous year	3 639	36 843
	168 001	**115 725**
Deferred		
Originating and reversing temporary differences	(83 814)	(7 377)
Over provision from the previous year	(1 269)	(36 116)
	(85 083)	**(43 493)**
	82 918	**72 232**

Reconciliation of the tax rate

A taxation receivable of R 38.0 million (2020: R 9.9 million) is recognised at the end of the reporting period based on the group's assessment of taxable income, the taxation payable and the provisional tax payments made towards the tax authorities during the financial year.

	2021	2020
Applicable tax rate	28.00 %	28.00 %
Adjusted for:		
Capital gains	(0.44)%	- %
Non-deductible expenses	2.80 %	- %
Prior year adjustments		
Current taxation	1.36 %	14.43 %
Deferred taxation	(0.48)%	(14.14)%
Effective taxation rate	**31.24 %**	**28.29 %**

Taxes

The taxation expense consists of current taxation and deferred taxation.

Current taxation

The current taxation charge is calculated as the expected tax payable on the taxable income for the reporting period using the tax rates and tax laws that are enacted or substantively enacted at the reporting date.

Taxation is recorded in profit or loss, unless the underlying transaction was accounted for in other comprehensive income or equity in which case it is recorded in other comprehensive income or equity.

Deferred taxation

Deferred taxation is provided for temporary differences at the reporting date between the carrying amounts of assets or liabilities and their respective tax bases. The measurement of deferred taxation reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of the group’s assets and liabilities.

Deferred taxation is calculated at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

The group recognises deferred tax assets only when it is probable that, in the foreseeable future, taxable income will be available against which the deferred tax asset can be utilised. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow part or all of the deferred tax asset to be utilised.

The group offsets deferred tax assets and deferred tax liabilities if it has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxation relates to income taxes levied by the same taxation authority on the same taxable entity.

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10. Taxation (continued)

Deferred taxation is recorded in profit or loss, unless the underlying transaction was accounted for in other comprehensive income or equity in which case it is recorded in other comprehensive income or equity.

11. Cash and cash equivalents

Cash and cash equivalents comprise coins and bank notes, money at call and short notice and balances with commercial banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at short notice constitutes amounts withdrawable in 24 hours or less.

These instruments are considered financial assets carried at amortised cost.

Cash and cash equivalents consist of:

	2021 R '000	2020 R '000
Held locally	1 468 457	760 740
Held with Daimler Truck AG*	148 903	17 177
	1 617 360	**777 917**

* Funds held with Daimler Truck AG can be remitted to South Africa upon request. The settlement terms are T+2 (transaction date plus two business days).

12. Trade and other receivables

12.1 Trade and other receivables from third parties

	2021 R '000	2020 R '000
Financial instruments		
Trade receivables, net of allowance for impairment	385 249	201 014
Other receivables	5 451	2 351
Trade receivables at amortised cost	**390 700**	**203 365**
Non-financial instruments		
VAT	28 739	86 618
Other non-financial assets	4 147	4 860
Total trade and other receivables from third parties	**423 586**	**294 843**

Categorisation of trade and other receivables from third parties

	2021 R '000	2020 R '000
At amortised cost	390 700	203 365
Non-financial instruments	32 886	91 478
	423 586	**294 843**

12.2 Trade receivables from related parties

	2021 R '000	2020 R '000
Sandown Motor Holdings Proprietary Limited*	97 835	139 848
Mitsubishi Fuso Truck and Bus Corporation	17 855	3 017
Mercedes-Benz South Africa Limited*	7 345	2 942
Daimler Truck AG	6 724	2 557
Mercedes-Benz Financial Services South Africa Proprietary Limited*	-	51 660
Daimler India Commercial Vehicles	-	1 152
Daimler Trucks North America LLC	-	176
Warranty recoveries	9 798	5 421
Total trade receivables from related parties	**139 557**	**206 773**

* Up until 30 November 2021, DAG was the ultimate holding company of DTBSA. DTHAG listed independently on the Frankfurt Stock Exchange in Germany in December 2021, thereby establishing an independent group of companies referred to as the DTHAG group.

DAG holds a minority shareholding in the DTHAG group. Therefore, all subsidiaries of the DAG group have been included in this related party disclosure.

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Notes to the Consolidated Financial Statements

	2021 R '000	2020 R '000

12. Trade and other receivables (continued)

Movement in allowance for impairment of doubtful receivables

The following table shows the movement in the loss allowance for trade receivables from third parties:

	2021 R '000	2020 R '000
Opening balance	26 019	7 571
Additional allowance raised	11 252	14 153
Unused amounts reversed	-	(1 443)
Amounts utilised	-	(3 349)
Reclassification from Provisions: Other	-	9 087
Closing balance	**37 271**	**26 019**

Financial assets at amortised cost

Financial instruments recognised in the statement of financial position include cash and cash equivalents and trade and other receivables, which comprise short-term receivables from customers and group companies arising from the day to day trading activities

All financial assets are initially measured at fair value including transaction costs, except for those classified fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of other operating expenses. Any upfront income earned on financial instruments is recognised as deferred income, depending on the underlying nature of the income.

Financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets - Business model management

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. This information 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 portfolio, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the group's management;
- the risk that affects 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 reason for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for the derecognition are not considered for this purpose, consistent with the group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit and loss.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, the "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 cost), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal, 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 is would not meet the 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;
- prepayments and extension features; and
- terms that limit the company's claim to cash flows from specified assets.

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Notes to the Consolidated Financial Statements

12. Trade and other receivables (continued)

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 compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Transfers and derecognition

Financial instruments are derecognised when the contractual rights or obligations expire or are extinguished, are discharged or cancelled for example an outright sale or settlement. For financial assets this includes assets transferred that meet the derecognition criteria.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts. This is due to the short-term nature of the instruments.

	2021 R '000	2020 R '000
13. Inventories		
Raw materials	39 902	7 847
Work in progress	220 272	677 301
Finished goods	1 555 648	1 530 378
	1 815 822	**2 215 526**
Inventories (write-downs)	(135 635)	(112 659)
	1 680 187	**2 102 867**

Inventories are measured at the lower of cost or net realisable value on a first in first out basis. Capitalised manufacturing costs include an allocated portion of production overheads which are directly attributable to the cost of manufacturing such inventory. The allocation is determined based on the normal production capacity.

Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

14. Loans and advances to customers

	2021 R '000	2020 R '000
Instalment sale receivables	5 139 797	-
Finance lease receivables	3 598 062	-
Wholesale vehicle financing receivables	1 003 229	-
Retail portfolio	70 868	-
Other receivables	481 170	-
Gross loans and advances to customers	**10 293 126**	**-**
Impairment losses	(376 287)	-
	9 916 839	**-**

The above loan portfolio has not been pledged as security for any liabilities or contingent liabilities.

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Notes to the Consolidated Financial Statements

14. Loans and advances to customers (continued)

Maturity profile for instalment sale and finance lease receivables

	2021 Gross investment R mil	2021 Unearned finance income R mil	2021 Net advances R mil
Less than one year	3 483 810	(585 834)	2 897 976
Between one and five years	6 537 499	(697 616)	5 839 883
	10 021 309	**(1 283 450)**	**8 737 859**

Summary of loss allowance

At 31 December 2020, loans and advances to customers of R 376 million were impaired and provided for.

Classification **2021**	Stage 1 12-month ECL R mil	Stage 2 Lifetime ECL not credit impaired R mil	Stage 3 Lifetime ECL credit impaired R mil	Total R mil
Loan retail	24 422	7 905	156 722	189 049
Finance leases	17 142	4 845	86 486	108 473
	41 564	**12 750**	**243 208**	**297 522**
Finance leases - expected stage growth				28 914
Loan retail - expected stage growth				49 622
Wholesale vehicle financing - expected growth rate				229
				376 287

Loss allowance per category **2021**	Finance lease R mil	Loan retail R mil	Non-specific provision Finance lease R mil	Non-specific provision Loan retail R mil	Wholesale R mil	Total R mil
Corporate financing	94 877	157 181	-	-	-	252 058
Retail small business	13 468	30 121	-	-	-	43 589
Retail portfolio financing	128	1 747	-	-	-	1 875
Expected stage growth	-	-	28 914	49 622	229	78 765
	108 473	**189 049**	**28 914**	**49 622**	**229**	**376 287**

	2021 R '000
Movement in allowance for impairment losses on loans and advances to customers	
Transfer from MBFS	372 215
Additional allowance raised	6 694
Amounts written off as uncollectable	(2 622)
Closing balance	**376 287**
Ageing of loss allowance for retail receivables	
Past due 30 - 365 days	112 220
Past due 365+ days	264 067
	376 287

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14. Loans and advances to customers (continued)

Impairment of loans and advances to customers

The adequacy of impairments of advances is assessed through the ongoing review of the quality of credit exposures. For amortised cost advances, impairments are recognised through the use of the allowance account method and an impairment charge in the consolidated statement of profit or loss and other comprehensive income.

Specific impairments

Created for non-performing loans where there is objective evidence that an incurred loss event will have an adverse impact on the estimated future cash flows from the advance.

Potential recoveries from guarantees and collateral are incorporated into the calculation of impairment figures.

Portfolio impairments

Created with reference to performing advances. The impairment provision on the performing portfolio is split into two parts:
- an IBNR provision i.e. the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified; and
- the PSI which reflects the decrease in estimated future cash flows for the sub-segment of the performing portfolio where there is objective evidence of impairment.

Write-offs

When an advance is uncollectable, it is written off against the related allowance account. Such advances are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the “impairment losses” in profit or loss.

The following table sets out the group policy on the ageing of advances (i.e. when an advance is considered past due or non-performing):

<table>
<tr><th>Description</th><th>Type of advance</th><th>Group policy on past due/impaired</th></tr>
<tr><td rowspan="3">Past due advances</td><td colspan="2">The past due analysis is only performed for advances with specific expiry or installment repayment dates or demand loans for which payment has been demanded. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is assessed with reference to the counterparty ratings of the exposures and reported as such.

The full outstanding amount is reported as past due even if part of the balance is not yet due.</td></tr>
<tr><td>Loans with a specific expiry date (term loans etc.) and consumer loans repayable by regular instalments (personal loans)</td><td>Treated as overdue where one full installment is in arrears for one day or more and remains unpaid as at the reporting date. Advances on which partial payments have been made are included in neither past due nor impaired until such time as the sum of the unpaid amounts equal a full installment, at which point it is reflected as past due.</td></tr>
<tr><td>Loans payable on demand (bank overdrafts and overnight facilities)</td><td>Treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction.</td></tr>
<tr><td rowspan="2">Non-performing loans</td><td>Retail loans</td><td>Individually impaired if three or more instalments are due or unpaid or if there is evidence before this event that the customer is unlikely to repay the obligations fully.</td></tr>
<tr><td>Wholesale advances to motor vehicle dealerships</td><td>Analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.</td></tr>
</table>

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14. Loans and advances to customers (continued)

Description	Type of advance	Group policy on past due/impaired
Renegotiated advances	Past due advances which have been re-negotiated i.e. due to deterioration in the counterparty's financial condition, the group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance.	Separately classified as neither past due nor impaired assets and remain classified as such until the terms of the re-negotiated contract expire.
	Excludes advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original.	Non-performing advances cannot be reclassified as re-negotiated but current unless the arrears balance has been repaid. Re-negotiated advances are considered as part of the collective evaluation of impairment where advances are grouped on the basis of similar credit risk characteristics. The adherence to the new terms and conditions is closely monitored.

15. Deferred initial direct costs

	2021 R '000
Opening balance	-
Costs capitalised on contract activations	488
Disposals on contract terminations	(146)
Amortisation	(898)
Acquired portfolio	17 697
	17 141
Less: Current portion	(5 516)
Non-current portion	**11 625**

Deferred initial direct costs have been capitalised as a result of the activation of lease contracts as follows

	2021 R '000
Receivables from financial services	15 875
Rental and operating assets	1 266
	17 141

Initial direct costs include dealer commissions directly incurred in arranging financing transactions. These costs are capitalised and charged to income over the term of the instalment sale or lease contract.

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Notes to the Consolidated Financial Statements

16. Property, plant and equipment

	2021			2020		
	Cost R '000	Accumulated depreciation R '000	Carrying amount R '000	Cost R '000	Accumulated depreciation R '000	Carrying amount R '000
Land and buildings	12 849	(9 403)	3 446	12 849	(8 829)	4 020
Plant and machinery	32 573	(21 089)	11 484	48 611	(37 181)	11 430
Other equipment, factory and office equipment	31 914	(14 350)	17 564	34 021	(22 016)	12 005
Motor vehicles	900	(15)	885	-	-	-
Assets under construction	12 467	-	12 467	1 349	-	1 349
Property, plant and equipment	**90 703**	**(44 857)**	**45 846**	**96 830**	**(68 026)**	**28 804**
Assets leased under operating leases	**1 426 945**	**(471 336)**	**955 609**	**205 782**	**(48 375)**	**157 407**
Right-of-use assets (land and buildings)	**129 431**	**(42 082)**	**87 349**	**102 954**	**(29 029)**	**73 925**

Reconciliation of property, plant and equipment, assets leased under operating leases and right-of-use assets - 2021

	Opening balance R '000	Additions R '000	Additions through acquisition transaction R '000	Disposals or scrappings R '000	Transfers R '000	Depreciation R '000	Impairment loss R '000	Re-measurements R '000	Closing balance R '000
Land and buildings	4 020	-	-	-	-	(574)	-	-	3 446
Plant and machinery	11 430	3 450	-	-	-	(3 396)	-	-	11 484
Other equipment, factory and office equipment	12 005	6 514	860	-	709	(2 524)	-	-	17 564
Motor vehicles	-	-	900	-	-	(15)	-	-	885
Assets under construction	1 349	11 827	-	-	(709)	-	-	-	12 467
Property, plant and equipment	**28 804**	**21 791**	**1 760**	**-**	**-**	**(6 509)**	**-**	**-**	**45 846**
Assets leased under operating leases	**157 407**	**118 858**	**875 108**	**(139 225)**	**-**	**(11 670)**	**(44 869)**	**-**	**955 609**
Right-of-use assets (land and buildings)	**73 925**	**33 514**	**-**	**-**	**-**	**(17 181)**	**-**	**(2 909)**	**87 349**

Reconciliation of property, plant and equipment, assets leased under operating leases and right-of-use assets - 2020

	Opening balance R '000	Additions R '000	Disposals or scrappings R '000	Depreciation R '000	Remeasurements R '000	Closing balance R '000
Land and buildings	4 593	-	-	(573)	-	4 020
Plant and machinery	14 000	1 748	-	(4 318)	-	11 430
Other equipment, factory and office equipment	15 105	199	(19)	(3 280)	-	12 005
Assets under construction	322	1 027	-	-	-	1 349
Property, plant and equipment	**34 020**	**2 974**	**(19)**	**(8 171)**	**-**	**28 804**
Assets leased under operating leases	**117 606**	**79 347**	**(16 297)**	**(23 249)**	**-**	**157 407**
Right-of-use assets (land and buildings)	**110 016**	**2 930**	**-**	**(15 190)**	**(23 831)**	**73 925**

Land and buildings comprise Erf 455, Kirkney Extension 11, Pretoria, Gauteng.

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16. Property, plant and equipment (continued)

Property, plant and equipment categories and measurement

<table>
<tr><th>Categories</th><th>Initial measurement</th><th>Subsequent measurement</th><th>Depreciation method</th><th>Impairment</th></tr>
<tr><td>Land</td><td rowspan="6">Property, plant and equipment is initially recognised at cost.</td><td>Cost less accumulated impairment losses.</td><td>Not depreciated.</td><td rowspan="6">Assets are tested for impairment, when there is an indication that it may be impaired, by determining the recoverable amount of the assets either individually or at the cash generating unit level. Impairments are included within other operating expenses in profit or loss.</td></tr>
<tr><td>Buildings</td><td rowspan="4">Cost less accumulated depreciation and accumulated impairment losses.</td><td rowspan="4">Depreciation on straight-line method over the estimated useful life to the residual values.</td></tr>
<tr><td>Plant and equipment</td></tr>
<tr><td>Other factory equipment and furniture</td></tr>
<tr><td>Assets leased under operating leases</td></tr>
<tr><td>Assets under construction</td><td>Cost less accumulated impairment losses.</td><td>Not depreciated.</td></tr>
</table>

The assets’ depreciation method, residual value and useful life are reviewed annually at each reporting date and adjusted if appropriate.

Operating leases (DTFS as lessor)

Assets held under operating leases are recognised, at inception, as a separate category of property and equipment (assets leased under operating leases) and depreciated over their contract term to the lower of their residual value or net realisable value.

MBFS was the lessor of these operating leases until 30 November 2021, thereafter the operating lease agreements were transferred to DTFS.

Right-of-use assets

IFRS 16 applies a single lessee accounting model, requiring lessees to recognise assets for the right-to-use as well as leasing liabilities for the outstanding lease payments.

According to IFRS 16, a lessee may elect, for leases with a lease term of 12 months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognise a right-of-use asset and a lease liability. The group applies both recognition exemptions. The lease payments associated with those leases are recognised as an expense on either a straight-line basis over the lease term or another systematic basis.

Right-of-use assets are measured at cost less any accumulated depreciation and if necessary any accumulated impairment losses. The cost of a right-of-use asset comprises the present value of the outstanding lease payments, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and an estimate of costs to be incurred in dismantling or removing the underlying asset. In this context, the group also applies the practical expedient that the payments for non-lease components are generally recognised as lease payments. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the end of the lease term.

Depreciation of the right-of-use assets is recognised within functional costs.

DTBSA leases land and buildings from MBSA and Koppieview Properties Proprietary Limited, including space for its head office, plant and TruckStore premises. For the head office space the leases conclude on 31 May 2022 and the TruckStore premises will be acquired from Koppieview Properties Proprietary Limited in 2022.

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Notes to the Consolidated Financial Statements

17. Intangible assets

	2021			2020		
	Cost R '000	**Accumulated amortisation R '000**	**Carrying amount R '000**	**Cost R '000**	**Accumulated amortisation R '000**	**Carrying amount R '000**
Software	28 372	(266)	28 106	-	-	-

Reconciliation of intangible assets - 2021

	Opening balance R '000	**Additions R '000**	**Amortisation R '000**	**Closing balance R '000**
Software	-	28 371	(265)	28 106

Intangible assets are measured at cost less any accumulated amortisation and any impairment losses.

Computer software

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised. These costs are amortised on a straight-line basis over their estimated useful lives of 10 years from the date they are available for use. Amortisation is based on the cost of the asset less its residual value. The amortisation methods, residual values and estimated remaining useful lives are reviewed at least annually.

	Note	2021 R '000	2020 R '000
18. Retirement benefit plan assets and obligations			
Net retirement defined benefit plan asset	18.1	3 929	13 093
Post-retirement medical aid benefit obligation	18.2	(64 694)	(57 231)

18.1 Net retirement defined benefit plan asset

	2021 R '000	2020 R '000
Present value of obligation	(45 936)	(196 027)
Fair value of plan assets	51 714	215 677
Net defined benefit asset	**5 778**	**19 650**
Less: impact of application of asset ceiling*	(1 849)	(6 557)
Net defined benefit asset after application of asset ceiling	**3 929**	**13 093**

* The asset ceiling is taken to be equal to the employer surplus account value as measured at the last statutory valuation date, increased with fund returns for the applicable period.

The policy of the group is to provide retirement benefits for its employees. All employees were either members of the Mercedes-Benz Pension Fund or the Mercedes-Benz Retirement Fund, which are defined benefit schemes, or of the Mercedes-Benz Provident Fund which is a defined contribution scheme, and subsequently transferred to Momentum Pension Fund. These schemes are governed by the Pension Funds Act.

The post-retirement obligation and the annual cost of those benefits, were determined by independent actuaries.

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

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Notes to the Consolidated Financial Statements

18. Retirement benefit plan assets and obligations (continued)

The policy for determining the contribution to be paid by the entities is based on an actuarial calculation as per the legal requirements.

The actuarial reserve recognised comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling.

Reconciliation of movement in defined benefit schemes

The following table reconciles the movement for the plan assets and the present value of the obligation and its components:

	Movement in plan assets		Movement in present value of obligation	
	2021 R '000	**2020 R '000**	**2021 R '000**	**2020 R '000**
Opening balance	215 677	229 297	196 027	220 948
Included in profit or loss				
Current service cost	-	-	2 291	2 821
Interest	24 894	22 472	20 508	25 755
	24 894	**22 472**	**22 799**	**28 576**
Included in OCI				
Actuarial losses/(gains)				
Financial assumptions	-	-	1 971	(42 369)
Remeasurements	(16 003)	(27 991)	-	-
	(16 003)	**(27 991)**	**1 971**	**(42 369)**
Other				
Benefits paid	(17 888)	(11 977)	(17 888)	(11 977)
Contributions received	2 007	3 027	-	-
Employee contributions	734	849	734	849
Employee transfers between participating employees	(157 707)	-	(157 707)	-
	(172 854)	**(8 101)**	**(174 861)**	**(11 128)**
Closing balance	**51 714**	**215 677**	**45 936**	**196 027**

	2021 R '000	**2020 R '000**
Impact on future cash flows		
The expected contributions to the plan for the next annual reporting period (2022) are:		
Employer contribution	1 855	3 004
Employee contribution	702	843
Fair value of plan assets comprises		
Bonds	40 141	61 597
Equities	7 313	104 854
Property	1 514	10 308
Cash and cash equivalents	2 746	38 918
	51 714	**215 677**

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Notes to the Consolidated Financial Statements

18. Retirement benefit plan assets and obligations (continued)

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the obligation by the percentages shown below:

2021	Change applied	Resulting % change in defined benefit obligation	
		%	R '000
Discount rate	0.25 %	(3.70)%	(1 688)
	(0.25)%	3.90 %	1 787
General inflation rate	0.10 %	1.50 %	683
	(0.10)%	(1.50)%	(671)
Average age	+1 year	(1.50)%	(703)
	-1 year	1.50 %	682

2020	Change applied	Resulting change in defined benefit obligation	
		%	R '000
Discount rate	0.25 %	(2.30)%	(4 561)
	(0.25)%	2.40 %	4 751
General inflation rate	0.10 %	0.90 %	1 697
	(0.10)%	(0.90)%	(1 676)
Average age	+1 year	(1.80)%	(3 531)
	-1 year	1.80 %	3 434

Refer to note 3.3.2 for the actuarial assumptions applied in determining the present value of the fair value of planned assets.

	2021 R '000	2020 R '000
18.2 Post-retirement medical aid benefit obligation		
Present value of portfolio obligation	67 996	57 231

Portfolio

The group has funded its obligations to provide certain post-retirement medical aid benefits to its pensioners via the group's medical aid fund. The entitlement of these benefits is dependent upon the employee remaining in service until retirement age, completing a minimum service period and is subject to periodic review. The group funds the estimated liability over the working life of the eligible employees.

The post-retirement medical aid obligation and the annual cost of those benefits were determined by the independent actuaries of the fund. The assumptions used are consistent with those adopted by the actuaries in determining pension costs and in addition, include long-term estimates of the increase in medical costs and appropriate discount rates. The level of claims is based on the group's experiences.

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Notes to the Consolidated Financial Statements

	2021 R '000	2020 R '000

18. Retirement benefit plan assets and obligations (continued)

Reconciliation of movement in present value of obligation

The following table shows a reconciliation from the opening balance to the closing balance for the obligation and its components:

	2021 R '000	2020 R '000
Opening balance	57 231	63 761
Included in profit or loss		
Current service cost	2 064	2 218
Interest cost	7 212	6 425
	9 276	**8 643**
Included in OCI		
Financial assumptions	610	(12 660)
Other		
Benefits paid	(2 370)	(2 513)
Acquired liability	3 249	-
Closing balance	**67 996**	**57 231**

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the obligation by the percentages shown below:

2021	Change applied to assumption	Resulting change in past service contractual liability		Resulting change in service cost and interest cost	
		%	R '000	%	R '000
Health care cost inflation	1.00 %	13.52 %	7 873	14.91 %	1 202
	(1.00)%	(11.19)%	(6 498)	(12.22)%	(6 515)
Mortality	1.00 %	(10.58)%	(6 507)	(11.28)%	(907)
	(1.00)%	12.72 %	7 407	13.70 %	1 104
Resignation	1.00 %	(2.94)%	(1 732)	(3.81)%	(308)
	(1.00)%	3.31 %	1 931	4.32 %	350

2020	Change applied to assumption	Resulting change in past service contractual liability		Resulting change in service cost and interest cost	
		%	R '000	%	R '000
Health care cost inflation	1.00 %	13.60 %	6 898	15.40 %	1 238
	(1.00)%	(11.30)%	(5 701)	(12.50)%	(1 010)
Mortality	1.00 %	(10.50)%	(5 340)	(11.40)%	(918)
	(1.00)%	12.70 %	6 433	13.90 %	1 121
Resignation	1.00 %	(3.30)%	(1 695)	(4.50)%	(365)
	(1.00)%	3.80 %	1 926	5.20 %	419

Refer to note 3.3.2 for the actuarial assumptions applied in determining the present value of the defined benefit obligation.

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	2021 R '000	2020 R '000

18. Retirement benefit plan assets and obligations (continued)

Impact on future cash flows

	2021 R '000	2020 R '000
The expected benefit payments for the next annual reporting period are:		
Benefit payments	3 331	2 371

18.3 Post-employment benefits

Defined contribution plans

The defined contribution plan refers to the Mercedes-Benz Provident Fund. Obligations for contributions to defined contribution pension plans are recognised as an expense in staff costs in profit or loss as incurred in the periods during which services are rendered by employees.

Defined benefit plans

The defined benefit plans refer to the Mercedes-Benz Pension Fund, the Mercedes-Benz Retirement Fund and the Post Employment Medical Aid Benefit Fund Portfolio.

Defined benefit obligation

The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.

Plan assets

The plan assets are carried at fair value. Where the plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits under the plan, the fair value is deemed to be the present value of the related obligation. If the qualifying insurance policy has a limit of indemnity the fair value of the insurance policy is limited to that amount.

Profit or loss

Included as part of staff costs:
- current and past service costs calculated using the projected unit credit method;
- gains or losses on curtailments and settlements that took place in the current period; and
- realised actuarial gains or losses on long term employee benefits.

Finance income and expenses are calculated by applying the discount rate at the beginning of the period to the net asset or liability.

Other comprehensive income

Actuarial gains or losses excluding interest on long term employee benefits are recognised in OCI. All other re- measurements in respect of the obligation and plan assets are included in OCI and never reclassified to profit or loss.

Actuarial reserve

The actuarial reserve in respect of the obligation and plan assets represents the effect of the changes in the actuarial assumptions and incorporates the differences between the actual experience and the assumed experience. The re-measurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.

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Notes to the Consolidated Financial Statements

	2021 R '000	2020 R '000

19. Deferred tax

Reconciliation of movement in net deferred tax asset

	2021 R '000	2020 R '000
At beginning of year	364 155	326 397
Acquired portfolio	126 522	-
Current period charge through profit or loss	83 814	7 377
Current period charge through OCI		
Retirement benefit asset and liabilities	3 686	(5 735)
Prior period charge through profit or loss	1 269	36 116
Impairment of acquired portfolio	(126 522)	-
Closing balance	**452 924**	**364 155**

Deferred tax asset

	2021 R '000	2020 R '000
Deferred revenue	348 633	267 823
Provisions	78 224	76 375
Retirement benefit assets	21 082	19 163
Finance leases	4 773	2 967
Allowance for impairment on trade receivables	6 262	4 371
Net lease liability	1 353	1 230
Post retirement benefits - OCI	-	(4 689)
Vehicles and equipment	145	-
	460 472	**367 240**

Deferred tax liability

	2021 R '000	2020 R '000
Capital allowances	(3 449)	(970)
Retirement benefit obligation	(3 065)	(2 115)
Post retirement benefits - OCI	(1 003)	-
Accruals and provisions	(31)	-
	(7 548)	**(3 085)**
Total net deferred tax asset	**452 924**	**364 155**

20. Trade and other payables

20.1 Trade and other payables to third parties

	2021 R '000	2020 R '000
Financial instruments		
Trade payables	102 082	78 636
Accruals	165 669	45 966
	267 751	**124 602**
Non-financial instruments		
VAT	3 966	-
Other payables	712	718
Employee related liabilities	23 013	14 371
	295 442	**139 691**

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Notes to the Consolidated Financial Statements

	2021 R '000	2020 R '000

20. Trade and other payables (continued)

20.2 Trade payables to related parties

	2021 R '000	2020 R '000
Daimler Truck AG	526 670	639 288
Daimler Truck Financial Service GmbH	1 087	-
Mitsubishi Fuso Truck and Bus Corporation	144 048	19 332
Mercedes-Benz do Brasil Ltda.	18 386	18 290
Daimler Trucks North America	14 260	34 210
Mercedes-Benz South Africa Limited*	12 859	47 208
Daimler India Commercial Vehicles	623	4 472
Mercedes-Benz Group Services Philippines*	289	-
EvoBus GmbH	42	95
Mercedes-Benz Financial Services South Africa Proprietary Limited**	-	134 243
Sandown Motor Holdings Proprietary Limited*	-	7 804
Mercedes-Benz AG*	-	1 057
Koppieview Properties Proprietary Limited*	-	493
Daimler AG*	-	96
	718 264	**906 588**

* Up until 30 November 2021, Daimler AG was the ultimate holding company of DTBSA. DTHAG listed independently on the Frankfurt Stock Exchange in Germany in December 2021, thereby establishing an independent group of companies referred to as the DTHAG group.

DAG holds a minority shareholding in the DTHAG group. Therefore, all subsidiaries of the DAG group have been included in this related party disclosure.

** In 2020 the liability with MBFS Included a residual value guarantee of R 122.8 million for the buyback of vehicles on operating lease. The liability was transferred to DTFS as from 1 December 2021 and amounts to R 136.3 million on 31 December 2021. MBFS does not form part of the DTHAG group of companies.

Liabilities at amortised cost

Financial instruments recognised in the statement of financial position include trade and other payables to third parties and group companies, bank overdrafts and interest-bearing borrowings (refer to note 25):

- the group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Instruments which have been written down and conversion features are classified based on the nature of the instrument and the definitions of debt and equity;
- compound instruments are those financial instruments that have components of both financial liabilities and equity such as preference shares. At initial recognition the instrument and the related transaction costs are split into their separate components in terms of the definitions and criteria of IAS 32 and are subsequently accounted for as a financial liability or equity; and
- funding liabilities, bank overdrafts as well as trade and other payables are generally measured at amortised cost but may be measured at fair value through profit or loss if they are managed on a fair value basis or the fair value designation reduces or eliminates an accounting mismatch.

All financial liabilities are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss, in which case the transaction costs are expensed upfront in profit or loss, usually as part of other operating expenses. Any upfront income earned on financial instruments is recognised as deferred income, depending on the underlying nature of the income.

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Transfers and derecognition

Financial instruments are derecognised when the contractual rights or obligations expire or are extinguished, are discharged or cancelled for example an outright sale or settlement.

For financial liabilities this includes substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.Non-derivative financial liabilities including trade and other payables and interest-bearing borrowings are subsequently measured at amortised cost.

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Notes to the Consolidated Financial Statements

	2021 R '000	2020 R '000
21. Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	35 886	19 649
One to five years	63 673	70 094
More than five years	-	5 573
Total undiscounted lease liabilities at year-end	**99 559**	**95 316**
Lease liabilities included in the statement of financial position		
Non-current	59 995	61 515
Current	32 187	18 946
	92 182	**80 461**

At the end of the reporting period lease liabilities of:

- R 55.9 million (2020: R 60.4 million) are due to MBSA for the leasing of plant premises;
- R 2.9 million (2020: R 18 million) are due to Koppieview Properties for the leasing of the head office and TruckStore premises. The group will vacate the premises of the head offices by the end of May 2022 and will purchase the building leased for TruckStore premises. The leases are therefore short-term in nature;
- R 32.1 million (2020: R nil) is due to AVIS for long term company car rentals.

	2021 R '000	2020 R '000
Items recognised in profit or loss		
Interest on lease liability	3 403	6 096

Leasing

Lease liabilities which are assigned to financing liabilities are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

The group, as lessee, applied the practical expedients relating to short-term and low value leases at the date of initial application.

The lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at 1 January 2021. The weighted average incremental borrowing rate was 4.22% (2020: 5.76%). The respective right-of-use asset is generally recognised at an amount equal to the lease liability.

Lease liabilities which are assigned to financing liabilities are measured initially at the present value of the lease payments. Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing (while affecting other comprehensive income) the carrying amount to reflect the lease payments made.

The interest due on the lease liability is a component of interest expense. The lease expenses of short-term and low-value asset leases, classified as operating leases, have been fully recognised within functional costs.

	2021 R '000	2020 R '000
22. Deferred income		
Municipality bus tender	54 078	37 881
FleetBoard	859	859
Product testing	527	-
Assets leased under operating leases	-	45 215
	55 464	**83 955**
Non-current liabilities	41 008	39 176
Current liabilities	14 456	44 779
	55 464	**83 955**

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22. Deferred income (continued)

Assets leased under operating leases

The deferred income represents that portion of revenue, from the sale of a vehicle less the residual value guarantee, that has been reversed as a result of the sale being a related party sale and converted subsequently to an operating lease with a third party customer. The deferred income is recognised on a straight-line basis to profit or loss over the term of the operating lease contract.

Municipality bus tender

A tender contract was entered into with the George Municipality in June 2014 for the provision of vehicles, maintenance and training services. The municipality is regularly billed upfront for services to be provided at a later stage. Such income is deferred until the service is provided. Services include maintenance and management of the buses performed on behalf of DTBSA by a franchised dealer.

FleetBoard

Relates to a customer upfront payment for FleetBoard telematics services over 48 months.

Product testing

Relates to a customer upfront payment for product testing and endurance testing of pre-production parts, engines and trucks.

23. Provisions

Reconciliation of provisions - 2021

	Opening balance R '000	Additional provisions R '000	Amounts utilised R '000	Amounts reversed R '000	Amounts transferred R '000	Closing balance R '000
Staff related	37 173	51 497	(19 301)	(229)	-	69 140
Onerous service and maintenance contracts	10 551	14 852	(4 421)	-	-	20 982
Warranty claims	8 461	9 626	(6 294)	(29)	-	11 764
Residual value	4 959	2 010	-	(2 708)	-	4 261
Legal proceedings	155	-	-	-	-	155
	61 299	**77 985**	**(30 016)**	**(2 966)**	**-**	**106 302**

Reconciliation of provisions - 2020

	Opening balance R '000	Additional provisions R '000	Amounts utilised R '000	Amounts reversed R '000	Amounts transferred R '000	Closing balance R '000
Staff related	32 301	22 076	(16 483)	(721)	-	37 173
Onerous service and maintenance contracts	8 869	6 107	(4 425)	-	-	10 551
Warranty claims	6 972	6 681	(3 691)	(1 501)	-	8 461
Residual value	7 341	3 173	-	(2 411)	(3 144)	4 959
Legal proceedings	155	-	-	-	-	155
Other	9 437	-	-	-	(9 437)	-
	65 075	**38 037**	**(24 599)**	**(4 633)**	**(12 581)**	**61 299**

Onerous service and maintenance contracts

Where the group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. A service and maintenance contract is classified as onerous where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Staff related

The group raises provision for employee performance and anniversary bonuses, phantom share related compensation, as well as leave and severance pay.

Residual value

Management assumes that vehicle products classified as operating leases will be return to DTBSA at the end of the lease term. Similarly, there may be returns of vehicles products classified as finance leases.

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Notes to the Consolidated Financial Statements

23. Provisions (continued)

Provision is raised for those operating and finance leases (assessed as probable to be returned) for any difference where the calculated net realisable value of those vehicles is less than the residual value guarantee given.

Assurance warranty claims

Daimler vehicle products are sold with the standard OEM warranty in place. The customer has access to the full benefit of the OEM warranty coverage from purchase date. The coverage ranges from 12-36 months depending on the vehicle product.

For DTBSA there is a potential cost for old or slow-moving stock that has not yet or only recently been retailed. This arises as the OEM warranty automatically comes into effect after a specified period after production of the vehicle. This specified period ranges from 12-18 months depending on the vehicle product. For every month where a vehicle is not retailed after this specified period DTBSA will cover that lost OEM warranty at its own cost. This ensures that the customer is never negatively impacted when purchasing the vehicle.

A provision is raised for this exposure that cannot be recovered by DTBSA from the OEM and is measured on the basis of past warranty expense experience associated with the products, and is applied in the assessment of the future expected costs of vehicles under warranty.

Legal proceedings

Part of the transfer from MBSA relates to a pending VAT case within the TruckStore Division.

	2021 R '000	2020 R '000
24. Contract liabilities		
Maintenance, service and extended warranty contracts	751 287	611 469
Rebates and discounts	273 834	260 838
FleetBoard	113 742	-
Residual value enhancements	20 260	23 250
Prepayments received for clients' vehicles not yet delivered	3 828	5 747
	1 162 951	**901 304**

Reconciliation of contract liabilities

2021	Maintenance, service and extended warranty contracts R '000	FleetBoard R '000	Rebates and discounts R '000	Residual value enhancements R '000	Prepayments R '000	Total R '000
Opening balance	611 469	-	260 838	23 250	5 747	901 304
Additions	811 120	125 105	273 834	2 614	3 828	1 216 501
Utilisation	(671 302)	(11 363)	(260 838)	(5 407)	(5 747)	(954 657)
Transfers	-	-	-	(197)	-	(197)
	751 287	**113 742**	**273 834**	**20 260**	**3 828**	**1 162 951**
2020						
Opening balance	584 638	-	226 262	10 956	10 120	831 976
Additions	371 196	-	260 838	16 980	5 747	654 761
Utilisation	(344 365)	-	(226 262)	(10 638)	(10 120)	(591 385)
Transfers	-	-	-	5 952	-	5 952
	611 469	**-**	**260 838**	**23 250**	**5 747**	**901 304**

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Notes to the Consolidated Financial Statements

24. Contract liabilities (continued)

Split between current and non-current	Maintenance, service and extended warranty contracts R '000	FleetBoard R '000	Rebates and discounts R '000	Residual value enhancements R '000	Prepayments R '000	Total R '000
2021						
Non-current	381 956	79 347	-	7 761	-	469 064
Current	369 331	34 395	273 834	12 499	3 828	693 887
	751 287	**113 742**	**273 834**	**20 260**	**3 828**	**1 162 951**
2020						
Non-current	295 151	-	-	17 806	-	312 957
Current	316 318	-	260 838	5 444	5 747	588 347
	611 469	**-**	**260 838**	**23 250**	**5 747**	**901 304**

The revenue from maintenance and service contracts is initially recognised as a contract liability and subsequently released into revenue upon the performance of a maintenance and service obligation; similarly, the revenue from extended warranties is initially recognised as a contract liability and subsequently released into revenue upon the performance of the warranty obligation.

Each maintenance and service contract is a separate contract with the customer and not a component of the sales price of the vehicle. The obligations are fulfilled within the lesser of the contract term – which may range between one to seven years – or the agreed mileage as determined per the contract agreement.

Extended warranty is a distinct performance obligation. Depending on the vehicle, it is sold either as a separate product offering or together with the vehicle. The obligation is fulfilled within the lesser of 650 000 kilometres or five years in the great majority of contracts.

Contract liabilities are not financial instruments as they are settled by the delivery or receipt of goods and services.

	2021 R '000
25. Borrowings	
Held at amortised cost	
Bank loans	10 000 000

The rate of interest on each loan is the percentage rate per annum which is the aggregate of the applicable margin and JIBAR.

Interest on each loan is payable quarterly in arrears with capital repayable as a bullet payment at the end of the term of the loan. All loans are jointly guaranteed by Daimler Truck AG and Daimler Truck Holding AG.

DTBSA may, at any time upon prior written notice of at least 5 days to the banks, repay the outstanding loans in whole or in part.

	Extension available	Amount borrowed R '000	Initiation date	Settlement date	Reference rate	Applicable margin bps
Bank 1	Yes (2x 6 months)	1 500 000	30/11/2021	30/11/2023	3M JIBAR (3.867%)	95 bps
Bank 2	Yes (2x 6 months)	1 500 000	30/11/2021	30/11/2023	3M JIBAR (3.867%)	115 bps
Bank 3	Yes (2x 6 months)	4 000 000	30/11/2021	30/11/2023	3M JIBAR (3.867%)	103 bps
Bank 4	Yes (2x 6 months)	3 000 000	30/11/2021	30/11/2023	3M JIBAR (3.867%)	97 bps
Total bank loans		**10 000 000**				

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	2021 R '000	2020 R '000

26. Share capital

Authorised and issued
1 047 380 (2020: 1 000 000) Ordinary shares of no-par value

	2021 R '000	2020 R '000
Reconciliation of number of shares issued:		
Reported as at 01 January	1 000 000	1 000 000
Issue of shares – ordinary shares	47 380	-
	1 047 380	**1 000 000**
Composition of issued share capital		
Ordinary shares at no-par value	2 001 891	1 528 091

Stated capital issued by DTBSA is recorded at the proceeds received, net of issue costs.

27. Reserves

	2021 R '000	2020 R '000
Actuarial reserve	8 496	17 973
Common control reserve	-	-
Other reserve	461 844	-
	470 340	**17 973**

27.1 Other reserves

Acquisition of portfolio and other assets

On 1 December 2021, DTFS acquired the entire commercial vehicle portfolio from MBFS by way of an asset deal carve-out transaction. This is in line with DAG's global reorganisation and spin-off of its commercial truck and bus business from its personal car and van business. In this connection DTFS conducted a carve-out, full separation and majority listing of DTHAG at the beginning of December 2021.

	2021 R '000
The following assets formed part of the transaction	
Receivables from financial services	8 794 618
Wholesale and other receivables	996 281
Inventories	669
Deferred initial direct costs	17 697
Vehicles and equipment, manufacturer leases and intangible assets	1 099 078
Total gross assets	**10 908 343**
ECL provision (related to above receivables)	(451 865)
Deferred tax asset related to ECL provision	126 522
Total net book value of assets acquired	**10 583 000**
Consideration paid for the acquisition of the above net assets*	(9 994 634)
Profit on the acquisition recognised in equity as a common control reserve	**588 366**
Impairment of deferred tax asset related to ECL provision	(126 522)
Net common control reserve recognised	**461 844**

	2021 R '000
*** Consideration paid for the acquisition of the above net assets made up as follows:**	
Cash consideration paid in the period	10 473 244
Amount refunded after period one	(478 610)
	9 994 634

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Notes to the Consolidated Financial Statements

28. Cash (used in)/generated from operations

	Note	2021 R '000	2020 R '000
Profit before taxation		265 427	255 375
Adjustments for non-cash items			
Depreciation	16	35 624	46 610
Loss on disposal of equipment	16	-	19
Losses/(gains) on foreign exchange	7	3 155	(7 535)
Impairment allowance		28 213	12 710
Additions to operating lease assets	16	(97 493)	(79 347)
Disposal of operating lease assets	16	73 767	16 297
Retirement benefits: current service cost	18	4 581	5 039
Stock adjustments		(19 076)	52 000
Increase/(decrease) in provisions	23	45 002	(3 773)
Interest received			
Interest income	8	(41 205)	(7 864)
Retirement benefit obligations	8	(24 894)	(22 472)
Finance costs			
Interest expense	9	46 787	11 777
Retirement benefit obligations	9	28 434	32 180
		348 322	**311 016**
Changes in working capital			
Decrease in inventories		441 868	332 623
Increase in trade and other receivables		(86 651)	(39 605)
(Decrease)/increase in trade and other payables		(79 167)	246 314
Increase in contract liabilities		261 647	69 329
(Decrease)/increase in deferred income	22	(28 492)	20 760
Increase in loans and advance to customers		(9 916 839)	-
Increase in deferred initial direct cost		(17 141)	-
		(9 076 453)	**940 437**

29. Tax paid

	Note	2021 R '000	2020 R '000
Balance at beginning of the year		9 886	10 168
Current tax for the year recognised in profit or loss	10	(168 001)	(115 725)
Balance at end of the year		(37 985)	(9 886)
		(196 100)	**(115 443)**

30. Related parties

Relationships

Ultimate holding company	Daimler Truck Holding AG
Holding company	Daimler Truck AG

Various transactions are entered into between DTBSA and companies within the global DTHAG group. The transactions listed below are conducted between DTBSA, its holding company and ultimate holding company as well as fellow subsidiaries.

For further detail and related party balances refer to note 12.2 - trade receivables from related parties, note 20.2 - trade payables to related parties and note 21 - lease liabilities.

Amounts receivable from other related parties included in loans and advances to customers

	2021 R '000	2020 R '000
Mercedes-Benz Financial Services South Africa Proprietary Limited	482 599	
Sandown Motor Holdings Proprietary Limited	15 591	

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Notes to the Consolidated Financial Statements

30. Related parties (continued)

	Sales		Purchases	
	2021 R '000	**2020 R '000**	**2021 R '000**	**2020 R '000**
Sandown Motor Holdings Proprietary Limited	1 325 347	755 607	1 039 211	101 043
Daimler Truck AG	28 966	33 695	78 217	3 466 462
Mitsubishi Fuso Truck and Bus Corporation	22 723	25 360	(10 460)	214 527
Daimler India Commercial Vehicles Private Limited	1 587	-	2	1 342
Mercedes-Benz Financial Services South Africa Proprietary Limited	77	-	-	-
Mercedes-Benz South Africa Limited	8	-	133 240	-
Mercedes-Benz do Brasil Ltda.	(369)	-	53	57 500
Mercedes-Benz AG	-	-	16 587	-
Daimler Trucks North America	-	-	474	43 536
Daimler AG	-	-	14	-
Western Star	-	-	-	18 435
Detroit Diesel Corporation	-	-	-	189

	Income received		Expenses paid	
	2021 R '000	**2020 R '000**	**2021 R '000**	**2020 R '000**
Selling costs				
Daimler India Commercial Vehicles Private Limited	12	-	-	60
Mercedes-Benz South Africa	-	-	44 893	60 890
Koppieview Properties Proprietary Limited	-	-	2 980	1 177
Sandown Motor Holdings Proprietary Limited	-	-	2 606	2 448
Daimler Trucks AG	-	-	1 203	3 238
Mercedes-Benz AG	-	-	269	322
Daimler AG	-	-	181	207
EvoBus GmbH	-	-	43	246
Mitsubishi Fuso Truck and Bus Corporation	-	-	-	2 980
Mercedes-Benz Financial Services South Africa Proprietary Limited	-	-	-	683
Interest				
Daimler AG	1 061	1 291	10	3
Daimler Truck AG	17	-	153	-
Mercedes-Benz South Africa Limited	-	5 277	-	5 548
Administration and management fee				
Daimler Truck AG	8 774	8 925	-	-
Sandown Motor Holdings Proprietary Limited	-	349	-	-
Mercedes-Benz Group Services Philippines	-	-	2 979 171	3 266
Mercedes-Benz South Africa Limited	-	-	80 153	72 871
Koppieview Property Proprietary Limited	-	-	3 274	3 964
Daimler AG	-	-	1 020	661
Operating income/(expense)				
Mercedes-Benz South Africa Limited	5 554	1 526	-	-
Sandown Motor Holdings Proprietary Limited	2 359	3 440	-	-

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Notes to the Consolidated Financial Statements

	2021 R '000	2020 R '000
30. Related parties (continued)		
Compensation to directors and other key management		
Short-term employee benefits	24 169	20 523
Post-employment benefits	865	776
	25 034	**21 299**

31. Directors' and prescribed officers' emoluments

Executive directors

2021

	Short-term employee benefits			Other long-term benefits	
	Salaries R '000	Bonus related R '000	Other benefits R '000	Pension fund contributions R '000	Total R '000
M Dietz	3 689	839	3 967	252	8 747
P Kendzorra	2 881	260	2 506	239	5 886
	6 570	**1 099**	**6 473**	**491**	**14 633**

2020

	Salaries R '000	Bonus related R '000	Other benefits R '000	Pension fund contributions R '000	Total R '000
M Dietz	2 267	213	5 539	232	8 251
P Kendzorra	1 425	-	3 389	211	5 025
	3 692	**213**	**8 928**	**443**	**13 276**

Non-executive directors

2021

	Salaries R '000	Bonus related R '000	Other benefits R '000	Pension fund contributions R '000	Total R '000
AM Kgotle	2 951	2 080	1 947	200	7 178
NS Trimmel	1 446	635	968	174	3 223
JP Burghardt	-	-	-	-	-
A Puchert	-	-	-	-	-
	4 397	**2 715**	**2 915**	**374**	**10 401**

2020

	Salaries R '000	Bonus related R '000	Other benefits R '000	Pension fund contributions R '000	Total R '000
AM Kgotle	3 077	397	1 703	159	5 336
NS Trimmel	1 446	135	932	174	2 687
	4 523	**532**	**2 635**	**333**	**8 023**

The remuneration earned by non-executive directors were for services to the DTHAG group and were paid by the DTHAG group.

The emoluments disclosed include remuneration for services rendered to the DAG group until 30 November 2021 and were paid by the DAG group until this date.

32. Comparative figures

These are the first consolidated financial statements of the group. The comparative figures do not include the consolidation of DTFS as the company was only incorporated during the current financial year. DTFS has been actively trading for one month from 1 December 2021.

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Notes to the Consolidated Financial Statements

33. Financial instruments and risk management

33.1 Categories and analysis of assets and liabilities

Assets - 2021

	Note	Financial instruments				
		At amortised cost R '000	Other assets R '000	Carrying value R '000	Current R '000	Non-current R '000
Cash and cash equivalents	11	1 617 360	-	1 617 360	1 617 360	-
Trade and other receivables from third parties	12.1	390 700	32 886	423 586	423 586	-
Trade receivables from related parties	12.2	129 759	9 798	139 557	139 557	-
Inventories	13	-	1 680 187	1 680 187	1 680 187	-
Taxation receivable		-	37 985	37 985	37 985	-
Loans and advances to customers	14	9 916 839	-	9 916 839	2 785 985	7 130 854
Deferred initial direct costs	15	-	17 141	17 141	5 516	11 625
Assets leased under operating leases	16	-	955 609	955 609	-	955 609
Property, plant and equipment	16	-	45 846	45 846	-	45 846
Right-of-use assets	16	-	87 349	87 349	-	87 349
Intangible assets		-	28 106	28 106	-	28 106
Retirement benefit asset	18.1	-	3 929	3 929	-	3 929
Deferred taxation	19	-	452 924	452 924	-	452 924
		12 054 658	**3 351 760**	**15 406 418**	**6 690 176**	**8 716 242**

Assets - 2020

	Note	At amortised cost R '000	Other assets R '000	Carrying value R '000	Current R '000	Non-current R '000
Cash and cash equivalents	11	777 917	-	777 917	777 917	-
Trade and receivables from third parties	12.1	203 365	91 478	294 843	294 843	-
Trade receivables from related parties	12.2	201 352	5 421	206 773	206 773	-
Inventories	13	-	2 102 867	2 102 867	2 102 867	-
Taxation receivable		-	9 886	9 886	9 886	-
Assets leased under operating leases	16	-	157 407	157 407	-	157 407
Property, plant and equipment	16	-	28 804	28 804	-	28 804
Right-of-use assets	16	-	73 925	73 925	-	73 925
Retirement benefit asset	18.1	-	13 093	13 093	-	13 093
Deferred taxation	19	-	364 155	364 155	-	364 155
		1 182 634	**2 847 036**	**4 029 670**	**3 392 286**	**637 384**

The fair value of assets not carried at their fair value approximates their carrying value.

Liabilities - 2021

	Note	Financial instruments				
		At amortised cost R '000	Other liabilities R '000	Carrying value R '000	Current R '000	Non-current R '000
Trade and other payables to third parties	20.1	267 751	27 691	295 442	295 442	-
Trade payables to related parties	20.2	718 264	-	718 264	718 264	-
Lease liabilities	21	-	92 182	92 182	32 187	59 995
Deferred income	22	-	55 464	55 464	14 456	41 008
Provisions	23	-	106 302	106 302	80 079	26 223
Contract liabilities	24	-	1 162 951	1 162 951	693 885	469 066
Borrowings	25	10 000 000	-	10 000 000	-	10 000 000
Post-retirement medical aid benefit obligation	18.2	-	67 996	67 996	-	67 996
		10 986 015	**1 512 586**	**12 498 601**	**1 834 313**	**10 664 288**

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Notes to the Consolidated Financial Statements

33. Financial instruments and risk management (continued)

Liabilities 2020

	Note	Financial instruments				
		At amortised cost R '000	Other liabilities R '000	Carrying value R '000	Current R '000	Non-current R '000
Trade and other payables to third parties	20.1	124 602	15 089	139 691	139 691	-
Trade payables to related parties	20.2	906 588	-	906 588	906 588	-
Lease liabilities	21	-	80 461	80 461	18 946	61 515
Deferred income	22	-	83 955	83 955	44 779	39 176
Provisions	23	-	61 299	61 299	47 308	13 991
Contract liabilities	24	-	901 304	901 304	588 347	312 957
Retirement benefit obligation	18.2	-	57 231	57 231	-	57 231
		1 031 190	**1 199 339**	**2 230 529**	**1 745 659**	**484 870**

The fair value of liabilities not carried at their fair value approximates their carrying value.

33.2 Capital risk management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The capital management approach is driven by its strategic and organisational requirements taking into account the regulatory and commercial environment in which it operates.

The group manages its structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year.

The capital ratio of the group at the reporting date was as follows:

	2021 R '000	2020 R '000
Total assets	15 406 418	4 029 670
Total equity	2 907 817	1 799 141
Capital ratio	18.87 %	44.65 %

33.3 Financial risk management

33.3.1 Overview

The group is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework.

The group has established internal guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and the related controls. The guidelines are designed to identify and analyse financial risks throughout the group, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products.

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33. Financial instruments and risk management (continued)

33.3.2 Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

The maximum exposure to credit risk is presented in the table below:

	Note	2021			2020		
		Gross carrying amount R '000	Credit loss allowance R '000	Amortised cost R '000	Gross carrying amount R '000	Credit loss allowance R '000	Amortised cost R '000
Loans and advances to customers	14	10 293 126	(376 287)	9 916 839	-	-	-
Cash and cash equivalents	11	1 617 360	-	1 617 360	777 917	-	777 917
Trade and other receivables from third parties	12.1	427 971	(37 271)	390 700	229 384	(26 019)	203 365
Trade receivables from related parties	12.2	129 759	-	129 759	201 352	-	201 352
		12 468 216	**(413 558)**	**12 054 658**	**1 208 653**	**(26 019)**	**1 182 634**

	2021 R '000	2020 R '000
Net trade receivables from third parties is composed as follows		
Gross trade receivables from third parties	422 520	227 033
Impairment	(37 271)	(26 019)
	385 249	**201 014**

The ageing profile of gross trade receivables from third parties at the reporting date is as follows:

2021

	Gross maximum exposure R '000	Not past due R '000	0 - 30 days past due R '000	31 - 60 days past due R '000	61 - 90 days past due R '000	91 - 180 days past due R '000	More than 180 days past due R '000
Gross trade receivables from third parties	422 520	288 860	33 830	31 767	10 302	13 342	44 419
Allowance for impairment	(37 271)	(74)	(24)	(1 752)	(2 516)	(6 376)	(26 529)
	385 249	**288 786**	**33 806**	**30 015**	**7 786**	**6 966**	**17 890**

2020

	Gross maximum exposure R '000	Not past due R '000	0 - 30 days past due R '000	31 - 60 days past due R '000	61 - 90 days past due R '000	91 - 180 days past due R '000	More than 180 days past due R '000
Gross trade receivables from third parties	227 033	84 529	64 304	9 478	32 646	15 749	20 327
Allowance for impairment	(26 019)	(91)	-	(2 929)	(1 603)	(1 069)	(20 327)
	201 014	**84 438**	**64 304**	**6 549**	**31 043**	**14 680**	**-**

Cash and cash equivalents

The group limits its exposure to credit risk by investing in liquid investments in financial institutions with a high credit rating, therefore management does not expect any counter party to fail to meet its obligations. Cash balances are held with reputable financial institutions.

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33. Financial instruments and risk management (continued)

Trade and other receivables

Trade receivables are mostly receivables from sales activities of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, as well as other corporate and private customers. The group manages its credit risk from trade receivables using appropriate IT applications and databases on the basis of internal guidelines. In order to minimise credit risk, the group assesses the creditworthiness of the counterparties. The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

The maximum risk positions of financial assets which are generally subject to credit risk, are equal to their carrying amounts.

The credit quality of trade receivables that are neither past due nor impaired is monitored and managed by the group, and comprises primarily receivables of companies who have a trading history with the group, as well as low-risk rated companies.

Amounts receivable from group companies

The group’s exposure to credit risk on trade receivables from related parties is managed within the Daimler group and according to Daimler policy and credit terms. Given the nature of these receivables, management does not expect any counterparty to default on meeting its obligations.

Impairment of financial assets

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment and its carrying amount is greater than its estimated recoverable amount.

Objective evidence of impairment

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

The following factors are considered when determining whether there is objective evidence that the asset has been impaired:
- breaches of loan covenants and conditions;
- time period of overdue contractual payments; and
- probability of liquidation of the customer.

Where objective evidence of impairment exists, impairment testing is performed based on the loss given default, probability of default and exposure at default.

Assessment of objective evidence of impairment

An assessment of impairment is first performed individually for financial assets that are individually significant and then individually or collectively for financial assets that are not individually significant.

If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Collective assessment

For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics; i.e. on the basis of the group’s grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such financial assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the financial assets being evaluated.

Recognition of impairment loss

If there is objective evidence of impairment, an impairment loss is recognised in a separate line in profit or loss. The amount of the loss is measured as the difference between the financial asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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33. Financial instruments and risk management (continued)

Reversal of impairment loss

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account (where applicable) and the amount of the reversal is recognised as part of impairment losses in profit or loss.

33.3.3 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets and projected cash flows from operations.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings, trade payables and trade payables to related parties.

The maturity profile of contractual cash flows of non-derivative financial liabilities are presented in the following table. The cash flows are undiscounted contractual amounts.

2021

	Note	0 - 12 months R '000	1 - 5 years R '000	Greater than 5 years R '000	Total R '000	Carrying amount R '000
Trade and other payables to third parties	20.1	267 751	-	-	267 751	267 751
Trade payables to related parties	20.2	718 264	-	-	718 264	718 264
Borrowings	25	-	10 000 000	-	10 000 000	10 000 000
		986 015	**10 000 000**	**-**	**10 986 015**	**10 986 015**

2020

	Note	0 - 12 months R '000	1 - 5 years R '000	Greater than 5 years R '000	Total R '000	Carrying amount R '000
Trade and other payables to third parties	20.1	124 602	-	-	124 602	124 602
Trade payables to related parties	20.2	906 588	-	-	906 588	906 588
		1 031 190	**-**	**-**	**1 031 190**	**1 031 190**

33.3.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, residual values of vehicles and commodity prices will affect the group's income, cash flows or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The group manages market risks to minimise the impact of fluctuations in vehicle prices on its results.

Foreign currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate with changes in foreign exchange rates.

The nature of the group's business exposes cash flows and earnings to risks arising from fluctuations in exchange rates. These risks primarily relate to fluctuations between the Euro, the US Dollar ("USD") and the Japanese Yen ("JPY").

The group is exposed to foreign exchange rate risk between the date of order and the ultimate payment of the foreign invoices.

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Notes to the Consolidated Financial Statements

33. Financial instruments and risk management (continued)

Foreign currency exposure at the end of the reporting period

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

	2021			2020		
	Euro R '000	**USD R '000**	**JPY R '000**	**Euro R '000**	**USD R '000**	**JPY R '000**
Cash and cash equivalents	9 638	5 233	926	15 886	1 587	129
Trade and other receivables	17 780	(31)	-	7 206	1 237	-
Trade and other payables	(6 982)	(34 859)	(17 132)	(5 856)	(55 961)	(18 829)
Net exposure	**20 436**	**(29 657)**	**(16 206)**	**17 236**	**(53 137)**	**(18 700)**
Relevant spot exchange rates	**18.06**	**15.95**	**0.14**	**18.06**	**14.69**	**0.14**

Foreign currency sensitivity analysis

The following table demonstrate the sensitivity to a reasonable possible change in the above mentioned exchange rates, with all other variables held constant, of the profit before taxation and equity:

	2021		2020	
Change of 10% in exchange rate	**Increase R '000**	**Decrease R '000**	**Increase R '000**	**Decrease R '000**
Impact on profit or loss:				
Euro	2 044	(2 044)	1 724	(1 724)
USD	(2 966)	2 966	(5 314)	5 314
JPY	(1 621)	1 621	(1 870)	1 870

Interest rate risk

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

The group's exposure to changes in interest rates relates primarily to the group's interest-bearing borrowings. The group's policy is aligned to Daimler's general policy to match funding in terms of maturities and interest rates whenever economically feasible.

Interest rate profile

The interest rate profile of interest-bearing financial instruments at the end of the reporting period, as reported to management, is as follows:

	Note	Carrying amount	
		2021 R '000	**2020 R '000**
Variable rate instruments			
Assets			
Loans and advances to customers	14	9 916 839	-
Cash and cash equivalents	11	1 617 360	777 917
		11 534 199	**777 917**
Liabilities			
Interest-bearing borrowings	25	(10 000 000)	-
Net variable rate financial instruments		**1 534 199**	**777 917**

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Notes to the Consolidated Financial Statements

		2021 R '000	2020 R '000
33. Financial instruments and risk management (continued)			
Fixed rate instruments			
Assets			
Trade and other receivables from third parties	12.1	390 700	203 365
Trade and other receivables from related	12.2	129 759	201 352
		520 459	**404 717**
Liabilities			
Trade and other payables to third parties	20.1	(267 751)	(124 602)
Trade and other payables to group companies	20.2	(718 264)	(906 588)
		(986 015)	**(1 031 190)**
Net fixed rate financial instruments		**(465 556)**	**(626 473)**

Interest rate sensitivity analysis

The following table demonstrates the sensitivity of the variable rate instruments to a one percentile (1%) change in the interest rate, with all other variables held constant, of profit before taxation and equity:

	2021		2020	
Increase or decrease in rate	**Increase R '000**	**Decrease R '000**	**Increase R '000**	**Decrease R '000**
Impact on profit or loss:				
100 basis points movement	15 342	(15 342)	7 779	(7 779)

Residual value risk

The group is exposed to the risk of financed or leased assets being returned at values less than the residual value guaranteed under the terms of the respective agreements. These risks are managed by periodic reviews of the residual value risk. The decisions are taken by an inclusive committee and by reference to market conditions and comparative information.

Residual values on leased vehicles are estimated when the lease is entered into. Estimates involve a high level of subjectivity and judgement as the directors, through the Residual Value Steering Committee, are required to conclude on likely outcomes and probabilities based on quarterly forecasts and assumptions.

Further reviews are conducted of the exposure of the underwritten portfolio to changes in market conditions, since inception of the agreements. These ensure satisfactory coverage of assets' projected valuations to their underwritten values. Where risks are identified, strategies are developed to manage the risk position of the particular assets and provision is made for such potential loss. Where potential losses are identified, these are recognised as an adjustment to profitability at a contract level. Provision is made to the extent that the carrying values of leased assets are impaired through residual values not being fully recoverable.

Uncertainties that affect the group's estimate of the residual value of the leased assets include:
- return-rates of lease vehicles;
- penetration rates;
- lease duration; and
- market conditions.

The residual value risk provision is raised for the potential loss on the leased assets returned under a buy-back scheme.

34. Going concern

The consolidated financial statements for the year ended 31 December 2021 have been prepared on a going concern basis, which assumes that the group will be able to meet its obligations for the foreseeable future. The group has recognised a net profit after tax of R 182 million (2020: R 183 million) for the year ended 31 December 2021 and as at that date the group has a capital ratio of 18.87% (2020: 44.65%).

Management has performed forecasts for the ensuing twelve months and these forecasts reflect positive trading and positive financial performance. The expectation is that the entity will be profitable. Management anticipates that any additional borrowing cost repayments required will be met out of operating cash flows or from alternative forms of capital funding.

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Notes to the Consolidated Financial Statements

34. Going concern (continued)

COVID-19 consideration

Management believes that the group will be able to meet all its obligations for the 2022 period. Management further believes that proceeds received during 2022 will be sufficient to meet the repayment requirements. Management has performed forecasts and based on these forecasts the expectation is that the entity will be profitable for the 2022 financial year. Management has taken necessary steps to ensure that it will continuously monitor the global situation, regarding the COVID-19 pandemic, and make any necessary adjustments to ensure business continuity.

Management acknowledges that uncertainty exists as a result of the current global situation. However, management has a reasonable expectation that the group has adequate resources to continue operating as a going concern for the foreseeable future.

35. Events after the reporting period

Tax rate change

In February 2022 the South African finance minister announced that the corporate income tax rate will be reduced from 28% to 27% for years of assessments commencing on or after 1 April 2022.

Change of name

Effective 12 April 2022, Daimler Trucks and Buses Southern Africa Proprietary Limited changed its name to Daimler Truck Southern Africa Limited and then registered as a public company.

At the date of finalisation of the consolidated financial statements, except for the matters noted above, there were no other material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the consolidated financial statements.

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Notes to the Consolidated Financial Statements

36. New accounting standards and IFRIC interpretations

Standards, amendments and interpretations to existing standards that are not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2022 or later periods.

Accounting standard	Effective date - on or after	Description of change	Description of impact
IAS 37 *Contingent Liabilities and Contingent Assets*	1 January 2022	The amendments specify the costs to be included in an entity's assessment whether a contract will be loss-making.	No material effect on the group.
IFRS 3 *Reference to the Conceptual Framework*	1 January 2022	The amendment adds a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and added an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	No material effect on the group.
IAS 1 *Presentation of Financial Statements*	1 January 2023	**Classification of Liabilities as Current or Non-current:** Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. **Disclosure of Accounting Policies:** The amendments require companies to disclose material accounting policy information rather than significant accounting policies, with additional guidance added to the Standard explaining how an entity identifies material accounting policy information with examples of when accounting policy information is likely to be material.	No material effect on the group.
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2023	The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	No material effect on the group.

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