DAIMLER TRUCK SOUTHERN AFRICA LTD

Registration number 2018/300147/06
Consolidated Financial Statements
For the year ended 31 December 2022

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General Information

Directors	Initial and surname	Designation	Appointments/resignations
	M Dietz	Executive	
	P Kendzorra	Executive	
	JP Burghardt	Non-executive	
	A Puchert	Non-executive	Resigned 01 January 2022
	H Schick	Non-executive	Appointed 15 March 2022
	N Medupe	Non-executive	Appointed 20 May 2022
	TB Sefolo	Non-executive	Appointed 20 May 2022
	A Walluschek van Wallfeld	Non-executive	Appointed 20 May 2022
	BS Nkambule	Non-executive	Appointed 10 June 2022

Registered office	1 Highway Business Park 1 Park Ave Rooihuiskraal Centurion 0154
Holding company	Daimler Truck AG incorporated in Germany
Ultimate holding company	Daimler Truck Holding AG incorporated in Germany
Debt sponsor	The Standard Bank of South Africa Limited

Abbreviations used in the consolidated financial statements

ARR	Alternative risk-free rate
CIPC	Companies and Intellectual Property Commission
Consolidated Financial Statements	Consolidated Financial Statements of DTSA and its subsidiaries
DAG	Daimler AG
DMTN	Domestic Medium Term Note
DTAG	Daimler Truck AG
DTFS	Daimler Truck Financial Services South Africa Proprietary Limited
DTHAG	Daimler Truck Holding AG
DTSA	Daimler Truck Southern Africa Limited
EBIT	Earning Before Interest and Taxes
ECL	Expected Credit Loss
Group	Collectively DTSA and its subsidiaries
Group companies	Individual companies within the global Daimler group structure
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
Income Tax Act	Income Tax Act No. 58 of 1962
JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange
King IV	The King Code on Corporate Governance
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
SARB	South African Reserve Bank
SMH	Sandown Motor Holdings Proprietary Limited
The Companies Act	Companies Act, No. 71 of 2008 (South Africa)
ZARONIA	South African Rand Overnight Index Average Rate

Preparation of Consolidated Financial Statements

The consolidated financial statements for the period ended 31 December 2022 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.

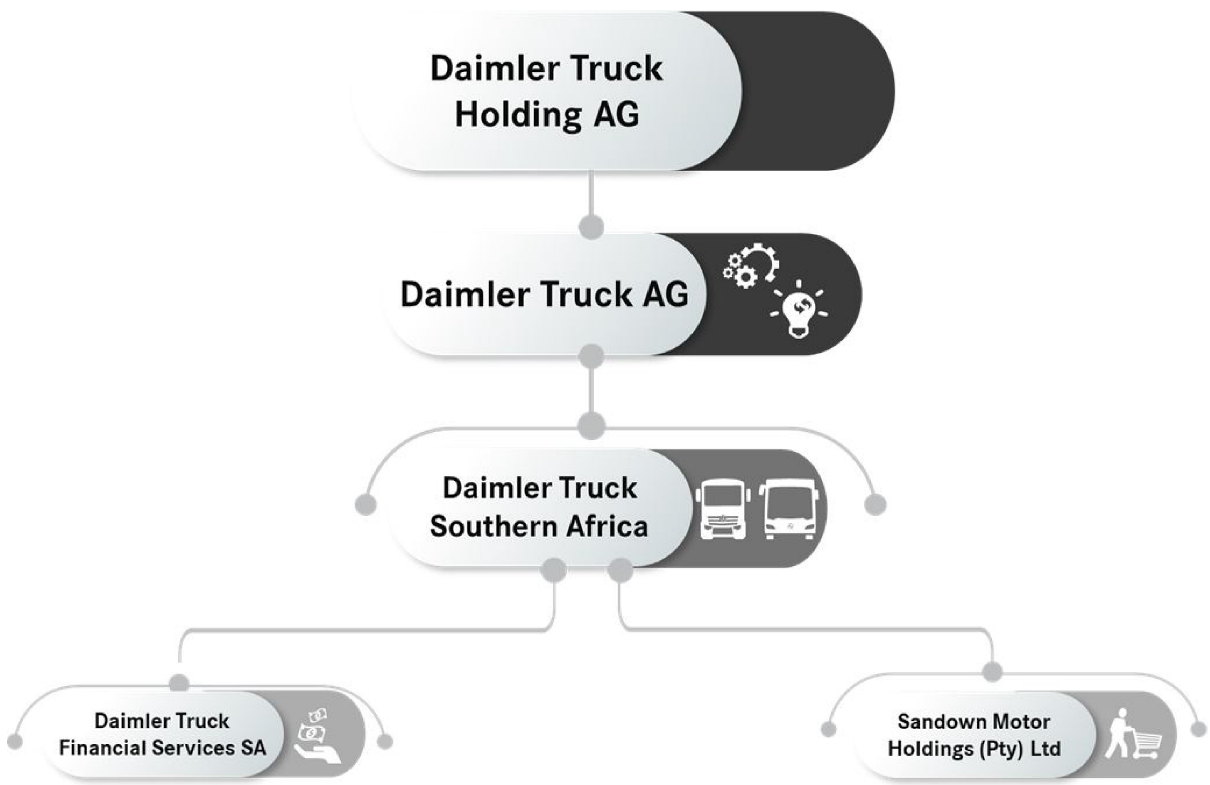
These consolidated financial statements were published on 28 April 2023.

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 Truck Southern Africa Limited has, in respect of the financial year ended 31 December 2022, lodged with the CIPC all returns and notices as are required of a public company in terms of the Companies Act and that all returns are true, correct and up to date.

S Bishop
Company Secretary
Friday, 28 April 2023

Simplified Group Organogram



Reporting entity	Daimler Truck South Africa Limited is the holding company of the Daimler Truck South Africa group
Domicile	The Republic of South Africa

The principal place of business and country of incorporation for all DTSA group entities is South Africa.

Audit Committee Report

This report is provided by the audit committee and the board of directors appointed in respect of the 2022 financial year of Daimler Truck Southern Africa Limited.

The audit committee was nominated by the board of directors and appointed by the shareholder.

The audit committee met twice in the financial year ended 31 December 2022. The external auditor attended these meetings as an invitee and presented the formal reports, as required by the audit committee. All of the members of the audit committee are independent, non-executive directors, with permanent guests from the internal finance and control functions. The audit committee and the board of directors complied with all of its responsibilities as set out in the Companies Act of South Africa, King IV and the governing charter of the audit committee and the board of directors are satisfied that the audit committee has complied with all of the aforementioned responsibilities for the financial year ended 31 December 2022. The audit committee provided, among others, independent oversight on the effectiveness of the company's assurance functions and services with particular focus on external assurance service providers, internal audit and controls and the finance function in general. Where it refers to the audit committee it will include the board of directors who also considered matters as contained in this report.

The committee has, in relation to the annual financial statements:
- assisted the board in overseeing the quality and integrity of the group’s integrated reporting process, including the financial statements and sustainability reporting, and announcements in respect of the financial results, thereby enhancing the credibility of financial reporting and providing a channel for communication between the board, the internal and external auditors and management;
- ensured that an effective control environment in the group is maintained by supporting the board of directors in the discharge of its duties relating to the safeguarding of assets, the operation of adequate systems and controls, risk management and the integrity of financial statements and reporting; and
- provided the Chief Financial Officer, external auditor and internal audit with unrestricted access to the audit committee and its chairperson, as is required, in relation to any matter falling within the remit of the audit committee.

1. Members of the Audit Committee

The members of the audit committee are all independent non-executive directors of the company and include:

Name	Qualification
TB Sefolo	Chartered Accountant (SA)
N Medupe	Chartered Accountant (SA)
PT Nkambule	Masters of Business Administration

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act of South Africa and Regulation 42 of the Companies Regulation, 2011.

2. Internal controls

The audit committee is satisfied with the design and implementation of internal controls, as supported and confirmed by the management of DTSA. The design, implementation and execution of internal controls are monitored in order to ensure that any weaknesses are addressed to mitigate material loss, fraud or errors.

The audit committee and the board of directors considered the reports from the information technology department which could have an impact on the control environment at DTSA. It is satisfied that management action plans are in place in relation to information technology controls.

The audit committee considered the reports from the DTHAG corporate internal audit function and is satisfied with management action plans in response thereto. The audit committee is satisfied with the effectiveness of the internal control environment, the internal audit and the arrangements in place.

3. External auditor

The audit committee considered and assessed the suitability of KPMG and Mr Garry Stanier, as per the requirements of the JSE, with regard to their current appointment. The audit committee is satisfied that the appointment of the external auditor, Mr Garry Stanier, complies with the legislative and regulatory requirements and the audit committee is satisfied with his independence. He will be nominated to be re-appointed as the group external auditor for the financial year ending December 2023. Adequate policies and controls are in place to address the provision of non-audit services by the external auditor to ensure compliance with legislation and other corporate governance guidelines or regulations. The audit committee considered the audit quality controls based on the Independent Regulatory Board for Auditors reports as well as the relevant JSE requirements.

Non-audit services were reviewed, as approved in the non-audit services catalogue of DTHAG, and did not become significant to call into question the independence of the external auditor or the firm, KPMG Inc.

Audit Committee Report

The audit committee, in consultation with executive management, agreed to the terms of the engagement. The audit committee approved and reviewed the fees proposed by the external auditor, taking into consideration such factors as the timing of the audit, the extent of the work required and the scope. It further, on an ongoing basis, reviewed the scope, independence and impartiality of the external auditor. KPMG has been the independent auditors of DTSA for three years. Mr Garry Stanier has been involved in the audit and signing of the consolidated and separate financial statements from 2022. Therefore, the mandatory designated audit partner rotation will be required in 4 years i.e. for the 2026 financial year.

There were no reportable irregularities identified or reported by the external auditor to the audit committee.

The audit committee is satisfied with the quality and services of the external auditor.

4. Compliance with legal and regulatory requirements

The audit committee is satisfied that, to the best of its knowledge, all regulatory and legislative requirements with regard to its function, duties and obligations has been complied with.

5. Key audit matters

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act of South Africa by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The audit committee noted and considered the key audit matters set out in the report of the independent auditor included in these consolidated annual financial statements. The audit committee is satisfied with the appropriateness of the key audit matters reported on by the independent auditor.

6. Consolidated Financial Statements

The audit committee is satisfied that, to the best of its knowledge, the consolidated annual financial statements for the financial year ended 31 December 2022 fairly reflect the financial position and results of the group.

There were no significant matters considered in the consolidated annual financial statements for the financial year ending 31 December 2022.

The pro-active monitoring, which was completed by the JSE was considered. The result of such monitoring was presented to the audit committee, which satisfied itself that the findings and focus areas were adequately addressed in the consolidated annual financial statements for the year ended 31 December 2022 and that all of the debt listing requirements were complied with.

7. Accounting practices

The audit committee is satisfied that the consolidated annual financial statements have been prepared in accordance with relevant accounting practices, the Daimler Truck Southern Africa Limited group accounting policies, and are fully compliant with International Financial Reporting Standards.

The audit committee is satisfied that the company has appropriate financial reporting procedures and that these procedures are operating and being monitored.

8. Effectiveness of finance function

The audit committee is satisfied with the qualifications, effectiveness and performance of the chief financial officer and the finance function in general.

On behalf of the audit committee:

N Medupe
Chairperson: Audit committee
Friday, 28 April 2023

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 2022.

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.

DTSA was incorporated on 17 May 2018.

Effective 12 April 2022, Daimler Trucks and Buses Southern Africa Proprietary Limited registered as a public company under the name Daimler Truck Southern Africa Limited.

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. Acquisition of Sandown Motor Holdings Proprietary Limited

On 31 December 2022 DTSA acquired 100% of the shares in Sandown Motor Holdings Proprietary Limited from Mercedes-Benz South Africa Limited by way of a sale of share agreement.

3. 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.

	2022 R '000	2021 R '000	Difference year on year R '000	Change year on year %
Income measures				
Vehicles and related services	10 501 003	7 751 678	2 749 325	35.47
Financial services	1 169 658	73 813	1 095 845	1 484.62
Profitability measures				
Gross profit	496 063	581 807	(85 744)	(14.74)
Operating profit	896 271	274 252	622 019	226.81
Profit for the year	223 531	182 509	41 022	22.48
Financial position measures				
Total assets	18 987 366	15 406 418	3 580 948	23.24
Total liabilities	15 986 272	12 498 601	3 487 671	27.90
Total equity	3 001 094	2 907 817	93 277	3.21

The comparative figures include only one month of trading for DTFS and do not include the consolidation of SMH as the company was only incorporated during the current financial year. SMH was only consolidated at the statement of financial position level, as the acquisition date was 31 December 2022.

4. Availability of DTSA separate annual financial statements

The DTSA separate annual financial statements have been prepared and signed on Friday, 28 April 2023.

The DTSA separate annual financial statement have been prepared in accordance with the requirements of the Companies Act of South Africa and the company's independent auditors, KPMG Inc., have expressed an unqualified audit opinion.

Directors' Report

5. Corporate governance

The directors have adopted the principles as provided for in King IV for the financial year 2022. The principle summary King IV report is published on the website of DTSA.

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 the group. 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.

Kriben Naidoo was appointed as the group debt officer with effect from 8 March 2022. The board confirms that it is satisfied with the competence, qualifications and experience of the group debt officer.

The board has a policy in place for the management of conflict of interests, which is the Integrity Code of the group. This Integrity Code is available on the website of DTSA. Board members submit, at least annually, their respective declarations concerning personal interests and is required at each meeting to indicate whether a conflict of interest may arise with a matter to be discussed. The board can confirm that there are no material and enduring personal conflicts of interest noted form any member.

Refer to note 28 to the consolidated financial statements for additional information on corporate bonds and the group audit committee report on pages 4 to 5 for confirmation of compliance with the applicable requirements.

6. Directorate

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

Directors	Designation	Changes
M Dietz**	Executive	
P Kendzorra*	Executive	
JP Burghardt	Non-executive	
A Puchert	Non-executive	Resigned 01 January 2022
H Schick	Non-executive	Appointed 15 March 2022
TB Sefolo***	Non-executive	Appointed 20 May 2022
N Medupe***	Non-executive	Appointed 20 May 2022
BS Nkambule*	Non-executive	Appointed 10 June 2022
A Walluschek van Wallfeld	Non-executive	Appointed 20 May 2022

* Member of the audit committee

** Member of the social and ethics committee

*** Member of the audit committee and social and ethics committee

Active directors' curriculum vitae's are published on the website of Daimler Truck Southern Africa Limited.

Attendance register for directors' meetings is available on the King IV report.

7. Holding company

The group's holding company is Daimler Truck AG which holds 100% (2021: 100%) of the issued share capital's equity. Daimler Truck AG is incorporated in Germany.

8. Going concern

The consolidated financial statements for the year ended 31 December 2022 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 224 million (2021: R 183 million) for the year ended 31 December 2022 and as at that date the group had a capital ratio of 15.81% (2021: 18.87%).

Management has performed forecasts for the ensuing 12 months and these forecasts reflect positive trading and positive financial performance. The expectation is that the group 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.

Management believes that the group will be able to meet all its obligations for the 2023 period. Management further believes that proceeds received during 2023 will be sufficient to meet the repayment requirements.

Further, the group has the full support of the holding company, DTAG, for its operations. To this extent, DTAG and DTHAG have issued an unconditional and irrevocable guarantee with regards to the notes issued under the DMTN programme.

Directors' Report

9. Events after the reporting period

Bonds and bank loans

Subsequent to year end, a 1-year bond of R 1 billion has been issued on 28 February 2023. A bank loan with a value of R 1 billion and an issue date of 30 November 2021 has matured on 28 February 2023 and been redeemed.

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 28 April 2023, and are signed on its behalf by:

M Dietz Chief Executive Officer	P Kendzorra Chief Financial Officer

KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193,
Private Bag 9, Parkview, 2122, South Africa
Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex472 Johannesburg
Web http://www.kpmg.co.za

Independent Auditor's Report

To the shareholder of Daimler Truck Southern Africa Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Daimler Truck Southern Africa Limited (the Group) set out on pages 14 to 72, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated 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 Truck Southern Africa Limited and its subsidiaries as at 31 December 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board 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.

Key audit matters

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

Revenue recognition IFRS 15
Refer to note 3.3.1 (Revenue from service plans and extended warranty contracts with customers) and note 4 (Revenue and income from financial services) in the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The group recognises income from the sale and leasing of motor vehicles with a maintenance and service obligation to customers. Whilst the sale of the motor vehicle is recognised immediately as revenue, the maintenance and service revenue is recognised as contract liabilities and released to revenue upon the performance of the maintenance and service obligation.	Our audit procedures performed included the following: • We evaluated the control environment around the initiation and processing of sales transactions to understand the generation of revenue into its separately identifiable elements.

Revenue recognition IFRS 15 Refer to note 3.3.1 (Revenue from service plans and extended warranty contracts with customers) and note 4 (Revenue and income from financial services) in the consolidated financial statements.	
Key audit matter	How the matter was addressed in our audit
Recognition of revenue involves judgment made by management, including whether contracts contain multiple elements and performance obligations which should be accounted for separately in accordance with IFRS 15 and the most appropriate method for recognition of revenue for identified elements and performance obligations The key considerations relating to revenue recognition were: • Satisfaction of the performance obligation occurs when control of the goods are transferred to the customer. • Rendering of services is recognised over time with reference to the following: proportion of the cost to total cost taking into account historical trends and time and material at the contractual rates. • Appropriateness of the identification of the multiple elements and performance obligations by management. Recognition of the group's revenue is complex due to the volume of transactions and the various revenue streams from the sales and leasing of vehicles, the related services, as well as income from financial services. This resulted in significant audit work effort and revenue to be a key audit matter.	• We inspected a sample of sales transactions to underlying source documents, to ensure that revenue was appropriately recognised when the performance obligations are satisfied. • We inspected a sample of vehicle sales transactions before and after year end to assess whether revenue had been recognised in the appropriate period. • We assessed the reasonableness of contract revenue and contract profit or loss, related to sales of service and maintenance contracts, recognised in terms of the stage of completion method, by analysing the portfolio of contracts for the identification of performance obligations and the appropriateness of the recognition of revenue in accordance with the performance obligations identified. • We assessed the appropriateness of the disclosures in the consolidated financial statements in accordance with IFRS15, Revenue from contracts with customers.

Contract Liabilities- (Maintenance service and extended warranty contracts) Refer to note 3.3.1 (Significant accounting estimates, judgements and assumptions) and note 27 (Contract liabilities) in the consolidated financial statements.	
Key audit matter	How the matter was addressed in our audit
The group is exposed to the risk that the contract liability for service and maintenance contracts are incorrectly calculated due to the complexity of the assumptions applied to the estimates in the calculations involved. Our audit focused on the adequacy of the service and maintenance contract liability and extended warranty contracts liability due to the application of the complex and subjective judgements over the timing of recognition and the estimation of size of the contract liability. Assumptions that affect the group's estimate include: • Distribution costs; • Discount rate;	Our audit procedures performed included the following: • We evaluated the appropriateness around the initiation and processing of sales transactions to understand the generation of revenue into its separately identifiable elements, and the apportionment from the sales transaction of the contract liability element; Through involving our own internal valuation specialist to form part of our audit team, we: ○ Evaluated, based on the data provided from the group's provisioning tool, whether the service and maintenance contract liability recognised was reasonable by recalculating the contract liability, using an independent model and comparing our results to those calculated by

Contract Liabilities- (Maintenance service and extended warranty contracts) Refer to note 3.3.1 (Significant accounting estimates, judgements and assumptions) and note 27 (Contract liabilities) in the consolidated financial statements.	
Key audit matter	How the matter was addressed in our audit
• Inflation rate; • Scrapping ratio; • Parts sales; • Labour, parts and repair factors; and • Profit margin on parts Accordingly due to the service and maintenance contract liability and provision for service and maintenance contracts including estimation uncertainty in determining the appropriate amount to be recognised, the adequacy of the service and maintenance contract liability is considered to be a key audit matter requiring significant audit effort.	the Group; o Evaluated whether the methodology applied in determining the provision by the Group, are aligned with IFRS 15, Revenue from contract with customers. o Challenged managements' key estimates and assumptions in relation to the contract liability recognised, through our own expectations based on our knowledge of the Group and experience of the industry in which it operates; • We evaluated the accuracy and completeness of the data used to determine the contract liability by inspecting supporting documentation of a sample population; • We evaluated the appropriateness of the disclosures in the consolidated financial statements, in accordance with IFRS 15, Revenue from Contracts with Customers and IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

Impairment of loans and advances to customers Refer to note 3.3.1 (Significant accounting estimates, judgements and assumptions) and note 15 (Loans and advances to customers) in the consolidated financial statements.	
Key audit matter	How the matter was addressed in our audit
The group is exposed to credit risk on loans and advances to customers relating to retail portfolio financing (“instalment sale receivables” and “finance lease receivables”), as well as wholesale vehicle financing receivables. The groups ECL model includes certain judgements and assumptions such as: • The probability of a loan or advance becoming past due and subsequently defaulting (probability of default (“PD”)) default which is a measure of the expectation of how likely the customer is to default. • The expected exposure in the event of default (exposure at default (“EAD”)) which is the expected amount outstanding at the point of default; and • The loss given default (“LGD”) which is the expected loss that will be realised at default after taking into account recoveries through collateral and guarantees.	Our audit procedures performed included the following: • We evaluated and tested the design and implementation and operating effectiveness of the control environment around the determination of the allowance raised; • We evaluated, based on the data provided from the group’s provisioning tool, whether the specific and portfolio impairment allowance recognised was reasonable by recalculating the estimated impairment on the performing and nonperforming retail portfolio, using an ECL model and comparing our results to those calculated by the group; • We evaluated whether the key estimates, assumptions and methodology used by the group in relation to the ECL allowance are appropriate and reasonable: • We compared the accuracy of the data used to determine the ECL allowance by inspecting a sample of correspondence with customers, current market value estimates of the underlying vehicle and other supporting documents. • We challenged managements' key estimates and assumptions

Impairment of loans and advances to customers Refer to note 3.3.1 (Significant accounting estimates, judgements and assumptions) and note 15 (Loans and advances to customers) in the consolidated financial statements.	
Key audit matter	How the matter was addressed in our audit
Accordingly due to the significance of the loans and advances to customers balance on the consolidated statement of financial position of the group and the level of estimation uncertainty and the level of judgement applied in determining the adequacy of the ECL, the expected credit loss on loans and advances to customers is considered to be a key audit matter.	in relation to the allowance recognised in the current year, by comparing it to the allowance recognised in prior years, as well as through our own expectations based on our knowledge of the group and experience of the industry in which it operates. • We evaluated the appropriateness of the disclosures in the consolidated financial statements in accordance with IFRS 9, Financial Instruments.

Other information

The directors are responsible for the other information. The other information comprises the information included in the "Daimler Truck Southern Africa Limited consolidated Financial Statements for the year ended 31 December 2022", which includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certification 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 IFRS Standards as issued by the International Accounting Standards Board 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 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.

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Daimler Truck Southern Africa Limited for 3 years.

KPMG Inc.
Registered Auditor

Digitally signed by
Garry Stanier
Date: 2023.04.28
15:48:46 +02'00'

Per Garry Stanier
Chartered Accountant (SA)
Registered Auditor
Director
28 April 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2022 R '000	Restated* 2021 R '000
Income from sale of vehicles and related services			
Revenue	4	10 501 003	7 751 678
Cost of goods sold	5	(10 004 940)	(7 169 871)
		496 063	**581 807**
Income from financial and other services			
Interest received	4	941 992	65 949
Reversal of impairment losses on loans and advances to customers	4	49 322	9
Non-interest revenue	4	950 603	58 872
Non-interest expenditure	4	(772 259)	(51 017)
		1 169 658	**73 813**
Net income before other income and expenses		**1 665 721**	**655 620**
Other income	6	58 000	27 264
Movement in credit loss allowances		(302 678)	(28 213)
Operating expenses*		(460 609)	(325 874)
Selling expenses*		(64 163)	(54 545)
Operating profit	7	**896 271**	**274 252**
Finance income	8	67 534	66 437
Finance costs	9	(642 878)	(75 262)
Profit before taxation		**320 927**	**265 427**
Taxation	10	(97 396)	(82 918)
Profit for the year		**223 531**	**182 509**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability/asset	20	(6 568)	(13 163)
Income tax relating to items that will not be reclassified	21	3 291	3 686
Total items that will not be reclassified to profit or loss		**(3 277)**	**(9 477)**
Other comprehensive income for the year, net of taxation		**(3 277)**	**(9 477)**
Total comprehensive income for the year		**220 254**	**173 032**

* Refer to note 7.1 for details the regarding the reclassification between operating expenses and selling expenses.

Consolidated Statement of Financial Position as at 31 December 2022

	Note	2022 R '000	2021 R '000
Assets			
Cash and cash equivalents	12	160 084	1 617 360
Trade and other receivables	13	688 011	423 586
Inventories	14	3 585 579	1 680 187
Current tax receivable	10	80 583	37 985
Loans and advances to customers	15	12 475 573	9 916 839
Deferred initial direct costs	16	17 518	17 141
Amounts receivable from group companies	17	28 167	139 557
Property, plant and equipment	18	259 587	45 846
Right-of-use assets	18	77 433	87 349
Assets leased under operating leases	18	924 423	955 609
Intangible assets and goodwill	19	162 183	28 106
Retirement benefit asset	20	-	3 929
Deferred tax	21	528 225	452 924
Total Assets		**18 987 366**	**15 406 418**
Liabilities			
Trade and other payables	22	755 947	295 442
Amounts payable to group companies	23	860 003	718 264
Lease liabilities	24	85 130	92 182
Deferred income	25	234	55 464
Provisions	26	109 473	106 302
Contract liabilities	27	1 466 055	1 162 951
Interest-bearing borrowings	28	12 625 430	10 000 000
Post-retirement medical aid benefit obligation	20	84 000	67 996
Total Liabilities		**15 986 272**	**12 498 601**
Equity			
Share capital	29	2 001 891	2 001 891
Reserves	30	340 086	470 340
Retained income		659 117	435 586
Total Equity		**3 001 094**	**2 907 817**
Total Equity and Liabilities		**18 987 366**	**15 406 418**

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 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
De-recognition 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**
Balance at 01 January 2022	**2 001 891**	**8 496**	**-**	**461 844**	**435 586**	**2 907 817**
Profit for the year	-	-	-	-	223 531	223 531
Other comprehensive income	-	(3 277)	-	-	-	(3 277)
Total comprehensive income for the year	**-**	**(3 277)**	**-**	**-**	**223 531**	**220 254**
Deferred tax on reserves related to acquisition of portfolio*	-	-	-	(126 977)	-	(126 977)
Deferred tax: unwinding reserves related to acquired portfolio*	-	-	-	63 809	-	63 809
Income tax: unwinding reserves related to acquired portfolio*	-	-	-	(63 809)	-	(63 809)
Balance at 31 December 2022	**2 001 891**	**5 219**	**-**	**334 867**	**659 117**	**3 001 094**
Note	29	30	30	30		

* The acquisition of the portfolio transferred on 1 December 2021 resulted in a common control reserve of R 461.844 million. As the group falls within the scope of money lender as defined, deferred tax of R 126.977 million was raised on the portfolio and other assets acquired. Consequently, any taxes (income tax and deferred tax) resulting from the unwinding of this reserve will be recognised through equity.

Consolidated Statement of Cash Flows

	Note	2022 R '000	Restated* 2021 R '000
Cash flows from operating activities			
Cash flows from trading activities	31	1 298 355	392 282
Working capital movements	31	(4 106 052)	649 907
Net cash outflow from operating activities		**(2 807 697)**	**1 042 189**
Other cash flows			
Interest received		85 312	38 938
Finance costs		(614 813)	(5 574)
Taxation paid	32	(323 281)	(196 100)
Post-retirement benefits paid		(3 068)	(1 355)
Net cash outflow from operating activities		**(3 663 547)**	**878 098**
Cash flows from investing activities			
Additions to property, plant and equipment	18	(202 040)	(21 791)
Disposal of property, plant and equipment		17 671	-
Additions to intangible assets	19	(16 541)	-
Acquisition of portfolio	15	-	(10 473 078)
Investment in subsidiary		(181 099)	-
Net cash outflow from investing activities		**(382 009)**	**(10 494 869)**
Cash flows from financing activities			
Proceeds on share issue	29	-	473 800
Interest-bearing borrowings raised	24	2 625 430	10 000 000
Lease payments		(35 129)	(18 885)
Net cash inflow from financing activities		**2 590 301**	**10 454 915**
(Decrease)/increase in cash and cash equivalents for the year		**(1 455 255)**	**838 144**
Cash and cash equivalents at the beginning of the year		1 617 360	777 917
Unrealised forex gains on cash and cash equivalents		(2 021)	1 299
Total cash and cash equivalents at the end of the year	12	**160 084**	**1 617 360**

* Refer to note 31.1 for details the regarding the restatement of the 2021 balances.

Notes to the Consolidated Financial Statements

1. Corporate information

Reporting entity	Daimler Truck Southern Africa Limited
Reporting period	Financial year ended 31 December 2022
Domicile	The Republic of South Africa
Authorised by the board of directors	Friday, 28 April 2023

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 Truck Southern Africa Limited 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. Summary of significant account policies

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

Notes to the Consolidated Financial Statements

3. Summary of significant account policies (continued)

3.1 Group accounting

Group structure

Ultimate holding company:	Daimler Truck Holding AG
Holding company:	Daimler Truck AG
Subsidiaries:	Daimler Truck Financial Services Proprietary Limited 100% (2021: 100%)
	Sandown Motor Holdings Proprietary Limited 100% (2021: 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.

Business combinations under common control

For business combinations, involving entities under common control of the group, the group has accounted for the difference between the book value of the transferred assets, as a result of unbundling, and the fair value of the consideration transferred as an adjustment to equity.

Goodwill

Goodwill arises from business combinations and is initially measured at cost. Subsequently, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested annually for impairment with any impairment recognised in other operating expenses within profit or loss.

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.

Notes to the Consolidated Financial Statements

3. Summary of significant account policies (continued)

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.

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 DTSA, 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 DTSA 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 DTSA and MBFS, thereafter DTFS took over all the contracts with DTSA.

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 DTSA.

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.

3. Summary of significant account policies (continued)

Economic life

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 18.

Allowance for impairment of loans and advances to customers

The group regularly estimates the risk of default on advances to customers. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collaterals. Changes in economic conditions can lead to changes in our customers' creditworthiness and to changes in used vehicle prices, which would have a direct effect on the market values of the vehicles assigned as collateral. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on the group's profit or loss.

Scoring systems are applied for the assessment of the default risk of retail and small business customers. Corporate customers are evaluated using internal rating instruments. Both evaluation processes use external credit bureau data, if available. The scoring and rating results as well as the availability of security and other risk mitigation instruments, such as advance payments, guarantees and, to a lower extent, residual debt insurances, are essential elements for credit decisions.

Loans and finance lease receivables related to retail or small business customers are grouped into homogeneous pools and collectively assessed for impairment. Impairments are required for example if there are adverse changes in the payment status of the borrowers included in the pool, adverse changes in expected loss frequency and severity, and adverse changes in economic conditions.

Significant loans and leases to corporate customers are tested individually for impairment. An individual loan or lease is considered impaired when there is objective evidence that the group will be unable to collect all amounts due as specified by the contractual terms. Examples of objective evidence that loans or lease receivables may be impaired include the following factors: significant financial difficulty of the borrower, a rising probability that the borrower will become bankrupt, delinquency in their installment payments, and restructured or renegotiated contracts to avoid immediate default.

In determining the amount of the impairment the group considers the following:
- the probability of default which is a measure of the expectation of how likely the customer is to default;
- the exposure at default which is the expected amount outstanding at the point of default; and
- the loss given default which is the expected loss that will be realised at default after taking into account recoveries through collateral and guarantees.

3.3.2 Key sources of estimation uncertainty

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.

Notes to the Consolidated Financial Statements

3. Summary of significant account policies (continued)

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.

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 DTHAG.

Notes to the Consolidated Financial Statements

3. Summary of significant account policies (continued)

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:

	2022	2021
Discount rates used		
Pre-retirement discount rate	12.45 %	10.87 %
Post-retirement discount rate	6.40 %	5.26 %
Inflation rates used		
General inflation rate	7.11 %	6.67 %
Salary inflation rate	7.11 %	6.67 %
Average age of members in-service (in years)	54	53
Average age of pensioners in-service (in years)	n/a	n/a

Post-retirement medical aid benefit

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

	2022	2021
Discount rate	12.25 %	11.54 %
Health care cost inflation	9.08 %	8.54 %
Real discount rate	2.91 %	2.76 %
Consumer price inflation	7.08 %	7.04 %
Mortality		
Pre-expected retirement age	SA 1985 - 90 light	
Post-retirement age	PA(90) - 2	

	2022 R '000	2021 R '000
4. Revenue and income from financial services		
4.1 Revenue allocation		
Income from sale and leasing of vehicles and related services		
Vehicles and spare parts	9 629 106	7 235 673
Rendering of services	871 897	516 005
	10 501 003	**7 751 678**
Income from financial and other services		
Interest received		
Instalment sales	508 633	34 244
Finance leases	313 048	25 663
Wholesale finance income	120 311	6 042
	941 992	**65 949**
Items related to impairment of loans and advances to customers		
Legal loss recoveries	49 322	9

Notes to the Consolidated Financial Statements

4. Revenue and income from financial services (continued)

	2022 R '000	2021 R '000
Non-interest revenue		
Remarketing revenue	546 189	28 764
Operating lease income	360 667	25 843
Acceptance and initiation fee	43 747	4 265
	950 603	**58 872**
Non-interest expenditure		
Remarketing cost of sales	(550 068)	(28 764)
Depreciation - operating leases	(202 907)	(20 638)
Legal loss	(17 871)	(1 497)
Dealer commission	(1 413)	(118)
	(772 259)	**(51 017)**

4.2 Disaggregation of revenue from contracts with customers

The group disaggregates revenue from customers as follows:

	2022 R '000	2021 R '000
Sale of goods		
Vehicles	7 903 575	5 658 260
Parts	1 698 966	1 472 591
Vehicle lease deferred income	-	58 807
Component exports	26 842	26 583
FleetBoard telematics hardware	(277)	19 432
	9 629 106	**7 235 673**
Rendering of services		
Financial services		
Non-interest revenue	950 603	58 881
Interest received	941 992	65 949
Legal loss recovery	49 322	-
	1 941 917	**124 830**
Other services		
Maintenance and service contracts	736 050	381 950
Vehicle testing	38 033	29 034
FleetBoard telematics: service and tracking fees	31 815	43 205
Extended warranty	26 763	33 439
Diagnostic equipment rental	25 285	21 280
Used vehicles on-the-road, delivery and surplus charges	6 672	1 977
Dealer training	4 678	5 120
Recharges and cost recoveries	2 601	-
	871 897	**516 005**
Total revenue from contracts with customers	**12 442 920**	**7 876 508**

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

4. Revenue and income from financial services (continued)

4.3 Timing of revenue recognition

	2022 R '000	2021 R '000
At a point in time		
Vehicles	7 903 575	5 658 260
Parts	1 698 966	1 472 591
Remarketing	546 189	28 764
Acceptance and initiation fee	43 747	4 265
Component exports	26 842	26 583
Used vehicles on-the-road, delivery and surplus charges	6 672	1 977
Recharges and cost recoveries	2 601	-
FleetBoard telematics: hardware	(277)	19 432
	10 228 315	**7 211 872**
Over time		
Interest received	941 992	65 949
Maintenance and service contracts	736 050	381 950
Operating lease instalments	360 667	25 852
Vehicle lease deferred income	-	58 807
Legal loss recovery	49 322	-
Vehicle testing	38 033	29 034
FleetBoard telematics: service and tracking fees	31 815	43 205
Extended warranty	26 763	33 439
Diagnostic equipment rental	25 285	21 280
Dealer training	4 678	5 120
	2 214 605	**664 636**
Total revenue from contracts with customers	**12 442 920**	**7 876 508**

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.

DTSA 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.

DTSA 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).

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 as 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 DTSA 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 amount of consideration to which the entity expects to be entitled.

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.

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.

	2022 R '000	2021 R '000
5. Cost of goods sold		
Sale of goods	10 004 940	7 169 871

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

	2022 R '000	2021 R '000
Foreign exchange gains - realised	21 975	10 972
Income from asset retirement	13 541	-
Administration fees	11 431	8 365
Income from cost recoveries	8 124	16 190
Foreign exchange gains/(losses) - unrealised	1 970	(10 537)
Rental income	959	2 274
	58 000	**27 264**

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

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

7. Operating profit

Operating profit for the year includes:

	2022 R '000	2021 R '000
Staff costs		
Cost of goods sold	299 745	203 479
Operating expenses	244 155	20 842
Selling expenses	10 770	135 266
Total staff costs	**554 670**	**359 587**

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.

Notes to the Consolidated Financial Statements

7. Operating profit (continued)

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.

Refer to note 26 for details of staff related provisions.

	2022 R '000	2021 R '000
Depreciation recognised through		
Cost of goods sold	317 416	65 890
Operating expenses	51 776	3 211
Selling expenses	1 318	3 276
Total depreciation	**370 510**	**72 377**
Expenses/(income)		
Impairment on trade receivables	302 678	118 819
Royalty expenses	140 442	80 650
Write-down of inventory	55 886	45 037
Defined contribution plan (included in staff costs)	19 628	15 041
Legal fees	4 950	-
Audit fees	3 831	4 322
Consulting and professional fees	1 278	186
Foreign exchange movements - realised	95	1 666
Foreign exchange movements - unrealised	51	3 156

7.1. Reclassification

Reclassification between operating expenses and selling expenses

In the current financial year management updated the cost centres, which determines the allocation of the split of expenses between operating expenses and selling expenses, to align with the controlling view. The prior year balances for operating expenses and selling expenses were updated to reflect the change in classification. The reclassification did not have any effect on the operating profit of the company disclosed in the statement of profit or loss and other comprehensive income.

The impact on the 2021 statement of profit or loss and other comprehensive income was:

Statement of profit or loss and other comprehensive income - 2021	Balance as previously disclosed R '000	Impact of reclassification R '000	Balance as currently disclosed R '000
Net income before other income and expenses	655 620	-	655 620
Other income	27 264	-	27 264
Operating expenses	(191 270)	(140 496)	(331 766)
Selling expenses	(217 362)	140 496	(76 866)
Operating profit	**274 252**	**-**	**274 252**

Notes to the Consolidated Financial Statements

8. Finance income

	2022 R '000	2021 R '000
Interest earned on		
Group companies	37 496	1 416
Bank and other cash	29 175	40 017
Retirement benefit assets	485	24 894
Tax authorities	378	110
Total interest income	**67 534**	**66 437**

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

	2022 R '000	2021 R '000
Interest expense on/to		
Banks	617 555	43 220
Group companies	11 801	205
Retirement benefit obligations	7 965	28 434
Non-group lease liabilities	1 754	257
Bonds	807	-
Group lease liabilities	2 996	3 146
Total finance costs	**642 878**	**75 262**

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.

10. Taxation

Major components of the tax expense

	2022 R '000	2021 R '000
Current		
Charge for the current year	215 910	164 362
Under provision from the previous year	2 449	3 639
	218 359	**168 001**
Deferred		
Originating and reversing temporary differences	(120 419)	(83 814)
Changes in tax rates	16 177	-
Over provision from the previous year	(16 721)	(1 269)
	(120 963)	**(85 083)**
	97 396	**82 918**

Notes to the Consolidated Financial Statements

10. Taxation (continued)

Reconciliation of the tax rate

	2022 R '000	2021 R '000
Applicable tax rate	28.00 %	28.00 %
Adjusted for:		
Provisions	1.12 %	2.80 %
Fines and penalties	0.04 %	- %
Tax rate change	5.77 %	- %
Income received in advance	(0.45)%	- %
Capital gains tax	0.32 %	(0.44)%
Prior year adjustments - current taxation	0.76 %	1.36 %
Prior year adjustments - deferred taxation	(5.21)%	(0.48)%
Effective taxation rate	**30.35 %**	**31.24 %**

Taxation receivable of R 80.6 million (2021: R 38.0 million) is recognised at the reporting date 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.

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.

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.

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.

Notes to the Consolidated Financial Statements

11. Business combinations

On 31 December 2022 DTSA acquired 100% of the shares in SMH from MBSA as part of a global Daimler restructure. The net cost on acquisition of the business was as follows:

	2022 R '000
Assets	
Non-current assets	
Property, plant and equipment	22 854
Right-of-use assets	1 963
Goodwill	122 320
Deferred taxation	14 215
	161 352
Current assets	
Inventory	358 077
Trade and other receivables	133 011
Amounts receivable from group companies	36 194
Current tax receivable	1 483
Cash and cash equivalents	74 930
	603 695
Total assets	**765 047**
Liabilities	
Non-current liabilities	
Interest-bearing borrowings	6 978
Current liabilities	
Trade payables	183 128
Amounts payable to group companies	313 174
Other current liabilities	5 738
Total liabilities	**509 018**
Fair value of net assets acquired	256 029
Net cost of acquisition	
Purchase price	256 029
Cash acquired	(74 930)
Cash outflow	**181 099**

The impact of the acquisition of the results of the group had the SMH acquisition occurred on 1 January 2022 has not been disclosed as it is impractical to do so. This acquisition was due to a carve out of a division of SMH prior to the acquisition by DTSA during 2022 and therefore the financial performance relating to the remaining acquired business could not be reliably determined.

Goodwill arose from truck synergies.

12. 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.

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

12. Cash and cash equivalents (continued)

Cash and cash equivalents consist of:

Held locally	116 988	1 468 457
Held with Daimler Truck AG*	43 096	148 903
	160 084	**1 617 360**

* 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).

13. Trade and other receivables

Financial instruments		
Trade receivables, net of allowance for impairment	424 402	385 249
Other receivables	50 832	5 451
Trade receivables at amortised cost	**475 234**	**390 700**
Non-financial instruments		
VAT	203 448	28 739
Other non-financial assets	9 329	4 147
Total trade and other receivables	**688 011**	**423 586**

Categorisation of trade and other receivables

At amortised cost	475 234	390 700
Non-financial instruments	212 777	32 886
	688 011	**423 586**

Loss allowance

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

A loss allowance is recognised for all trade receivables and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The group measures the loss allowance for trade receivables by applying the simplified approach. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix.

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

13. Trade and other receivables (continued)

Movement in allowance for impairment of doubtful receivables

The movement in the loss allowance for trade receivables are as follows:

	2022 R '000	2021 R '000
Opening balance	37 271	26 019
Additional allowance raised	17 546	11 252
Amounts utilised	(988)	-
Through business acquisition	7 461	-
Closing balance	**61 290**	**37 271**

The movement in the credit loss allowance indicates a substantial increase, which is largely due to the SMH portfolio acquired as part of the growth strategy of the company.

Credit risk rating - 2022	Gross carrying amount R '000	At risk R '000	Weighted average loss rate	Loss allowance R '000
Minimal risk	332 800	12 399	0.3 %	978
Low risk	47 291	17 993	10.8 %	4 432
Medium risk	27 795	7 808	14.8 %	3 583
High risk	98 022	68 636	61.4 %	52 297
	505 908	**106 836**		**61 290**
2021				
Minimal risk	322 690	-	- %	-
Low risk	31 767	4 611	8.8 %	2 422
Medium risk	10 302	3 022	7.4 %	662
High risk	57 761	45 417	68.1 %	34 187
	422 520	**53 050**		**37 271**

Financial assets at amortised cost

Financial instruments recognised in the statement of financial position include cash and cash equivalents, trade and other receivables and amounts receivable from group companies, 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.

Notes to the Consolidated Financial Statements

13. Trade and other receivables (continued)

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 or 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.

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.

	2022 R '000	2021 R '000
14. Inventories		
Raw materials	63 207	39 902
Work in progress	525 102	220 272
Finished goods	3 168 223	1 555 648
	3 756 532	**1 815 822**
Inventories (write-downs)	(170 953)	(135 635)
	3 585 579	**1 680 187**

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.

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

15. Loans and advances to customers

	2022 R '000	2021 R '000
Instalment sale receivables	6 357 327	5 139 797
Finance lease receivables	3 968 422	3 598 062
Wholesale vehicle financing receivables	2 570 205	1 003 229
Retail portfolio	32 955	70 868
Other receivables	579	481 170
Gross loans and advances to customers	**12 929 488**	**10 293 126**
Impairment losses	(453 915)	(376 287)
	12 475 573	**9 916 839**

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

Maturity profile for instalment sale and finance lease receivables

	2022			2021		
	Gross investment R '000	Unearned finance income R '000	Net advances R '000	Gross investment R '000	Unearned finance income R '000	Net advances R '000
Less than one year	4 104 571	(960 578)	3 143 993	3 483 810	(585 834)	2 897 976
Between one and five years	8 401 314	(1 219 558)	7 181 756	6 537 499	(697 616)	5 839 883
	12 505 885	**(2 180 136)**	**10 325 749**	**10 021 309**	**(1 283 450)**	**8 737 859**

Summary of loss allowance

At 31 December 2022, loans and advances to customers of R 454 million were impaired and provided for.

Classification	Stage 1	Stage 2	Stage 3	
2022	12-month ECL R '000	Lifetime ECL not credit impaired R '000	Lifetime ECL credit impaired R '000	Total R '000
Loan retail	53 686	7 894	245 330	306 910
Finance leases	40 356	9 285	94 940	144 581
	94 042	**17 179**	**340 270**	**451 491**
Wholesale vehicle financing - corporate dealers				2 424
				453 915

2021	Stage 1	Stage 2	Stage 3	
	12-month ECL R '000	Lifetime ECL not credit impaired R '000	Lifetime ECL credit impaired R '000	Total R '000
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

Notes to the Consolidated Financial Statements

15. Loans and advances to customers (continued)

Loss allowance per category

2022	Finance lease R '000	Loan retail R '000	Non-specific provision Finance lease R '000	Non-specific provision Loan retail R '000	Wholesale R '000	Total R '000
Corporate financing	128 658	274 651	-	-	-	403 309
Corporate dealers	-	-	-	-	2 424	2 424
Retail small business	15 533	29 094	-	-	-	44 627
Retail portfolio financing	390	3 165	-	-	-	3 555
	144 581	**306 910**	**-**	**-**	**2 424**	**453 915**

2021	Finance lease R '000	Loan and retail R '000	Non-specific provision Finance lease R '000	Non-specific provision Loan and retail R '000	Wholesale R '000	Total R '000
Corporate dealers	94 877	157 181	-	-	-	252 058
Retail portfolio financing	128	1 747	-	-	-	1 875
Retail small business	13 468	30 121	-	-	-	43 589
Expected stage growth	-	-	28 914	49 622	229	78 765
	108 473	**189 049**	**28 914**	**49 622**	**229**	**376 287**

Credit risk rating - 2022	Gross exposure R '000	Loss allowance R '000	Net exposure R '000	Coverage %
Class A: Risk grade 1 & 2 - Good	2 088 843	(25 488)	2 063 355	(1.2)%
Class B: Risk grade 3 & 4 - Fair	10 073 575	(185 392)	9 888 183	(1.8)%
Class C: Risk grade 5 & 6 - Medium	826 954	(54 641)	772 313	(6.6)%
Class D: Risk grad 7 & 8 - Risky	231 094	(188 394)	42 700	(81.5)%
	13 220 466	**(453 915)**	**12 766 551**	**(3.4)%**

	2022 R '000	2021 R '000
Movement in allowance for impairment losses on loans and advances to customers		
Opening balance	376 287	-
Transfer from MBFS	-	372 215
Additional allowance raised	126 326	6 694
Amounts written off as uncollectable	(48 698)	(2 622)
Closing balance	**453 915**	**376 287**
Ageing of loss allowance for corporate and retail receivables		
Past due 30 - 365 days	453 915	112 220
Past due 365+ days	-	264 067
	453 915	**376 287**

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.

Notes to the Consolidated Financial Statements

15. Loans and advances to customers (continued)

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.

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>
<tr><td>Renegotiated advances</td><td>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.

Excludes advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original.</td><td>Separately classified as neither past due nor impaired assets and remain classified as such until the terms of the re-negotiated contract expire.

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.</td></tr>
</table>

Notes to the Consolidated Financial Statements

15. Loans and advances to customers (continued)

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.

Amounts written off as uncollectable of R 48.698 million (2021: R 2.622 million) are subject to a continuing legal debt collection process.

	2022 R '000	2021 R '000
16. Deferred initial direct costs		
Opening balance	17 141	-
Costs capitalised on contract activations	12 349	488
Disposals on contract terminations	(1 717)	(146)
Amortisation	(10 255)	(898)
Acquired portfolio	-	17 697
	17 518	**17 141**
Less: Current portion	(7 787)	(5 516)
Non-current portion	**9 731**	**11 625**
Deferred initial direct costs have been capitalised as a result of the activation of lease contracts as follows		
Receivables from financial services	16 476	15 875
Rental and operating assets	1 042	1 266
	17 518	**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.

17. Amounts receivable from group companies

Trade receivables

	2022 R '000	2021 R '000
Daimler Truck AG	18 268	6 724
Mitsubishi Fuso Truck and Bus Corporation	10 126	17 855
Daimler FleetBoard GmbH	4 904	-
Sandown Motor Holdings Proprietary Limited*	-	97 835
Mercedes-Benz South Africa Limited*	-	7 345
Warranty recoveries	(5 131)	9 798
	28 167	**139 557**

* Up until 30 November 2021, DAG was the ultimate holding company of DTSA. 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.

Exposure to credit risk

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Management has assessed and concluded that the provision for ECL allowance is immaterial due to intercompany debt arrangements and suitable collateral (vehicles) provided.

17. Amounts receivable from group companies (continued)

Financial assets at amortised cost 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.

Subsequently loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

The carrying value of amounts receivables from group companies approximates the fair value. This is due to market related interest rates applied for loans.

18. Property, plant and equipment, assets leased under operating leases and right-of-use assets

	2022			2021		
	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	125 506	(2 253)	123 253	12 849	(9 403)	3 446
Plant and machinery	81 757	(68 101)	13 656	32 573	(21 089)	11 484
Other equipment, factory and office equipment	93 656	(68 295)	25 361	31 914	(14 350)	17 564
Motor vehicles	22 575	(7 396)	15 179	900	(15)	885
Assets under construction	82 138	-	82 138	12 467	-	12 467
Property, plant and equipment	**405 632**	**(146 045)**	**259 587**	**90 703**	**(44 857)**	**45 846**
Assets leased under operating leases	**1 400 983**	**(476 560)**	**924 423**	**1 426 945**	**(471 336)**	**955 609**
Right-of-use assets (land and buildings)	**161 918**	**(84 485)**	**77 433**	**129 431**	**(42 082)**	**87 349**

Reconciliation of property, plant and equipment, assets leased under operating leases and right-of-use assets - 2022

	Opening balance R '000	Additions R '000	Through acquisition transaction R '000	Disposal or scrapping R '000	Transfers R '000	Depreciation R '000	Impairment loss R '000	Re-measurements R '000	Closing balance R '000
Land and buildings	3 446	119 196	4 290	(3 098)	-	(581)	-	-	123 253
Plant and machinery	11 484	3 963	1 358	-	230	(3 379)	-	-	13 656
Other equipment, factory and office equipment	17 564	8 889	2 732	(715)	92	(3 201)	-	-	25 361
Motor vehicles	885	-	14 474	-	-	(180)	-	-	15 179
Assets under construction	12 467	69 993	-	-	(322)	-	-	-	82 138
Property, plant and equipment	**45 846**	**202 041**	**22 854**	**(3 813)**	**-**	**(7 341)**	**-**	**-**	**259 587**
Assets leased under operating leases	**955 609**	**755 424**	**-**	**(452 429)**	**-**	**(222 868)**	**(111 313)**	**-**	**924 423**
Right-of-use assets (refer to note 18.1)	**87 349**	**26 410**	**1 963**	**-**	**-**	**(37 226)**	**-**	**(1 063)**	**77 433**

Notes to the Consolidated Financial Statements

18. Property, plant and equipment, assets leased under operating leases and right-of-use assets (continued)

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

	Opening balance R '000	Additions R '000	Through acquisition transaction R '000	Disposal or scrapping 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 (refer to note 18.1)	**73 925**	**33 514**	**-**	**-**	**-**	**(17 181)**	**-**	**(2 909)**	**87 349**

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

	2022 R '000	2021 R '000
Maturity profile of gross investment in operating leases due		
1 year	362 251	268 271
2 - 5 years	673 485	732 206
	1 035 736	**1 000 477**

Property, plant and equipment categories and measurement

Categories	Initial measurement	Subsequent measurement	Depreciation method	Impairment
Land	Property, plant and equipment is initially recognised at cost.	Cost less accumulated impairment losses.	Not depreciated.	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.
Buildings Plant and equipment Other equipment, factory and office equipment Assets leased under operating leases		Cost less accumulated depreciation and accumulated impairment losses.	Depreciation on straight-line method over the estimated useful life to the residual values.	
Assets under construction		Cost less accumulated impairment losses.	Not depreciated.	

Notes to the Consolidated Financial Statements

18. Property, plant and equipment, assets leased under operating leases and right-of-use assets (continued)

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

18.1 Right-of-use assets

2022	Opening balance R '000	Additions and acquisition transaction R '000	Remeasures R '000	Depreciation R '000	Closing balance R '000
Land and buildings	55 231	9 889	(1 063)	(16 203)	47 854
Vehicles	32 118	18 483	-	(21 022)	29 579
	87 349	**28 372**	**(1 063)**	**(37 225)**	**77 433**

2021	Opening balance R '000	Additions R '000	Remeasures R '000	Depreciation R '000	Closing balance R '000
Land and buildings	73 925	-	(2 909)	(15 785)	55 231
Vehicles	-	33 514	-	(1 396)	32 118
	73 925	**33 514**	**(2 909)**	**(17 181)**	**87 349**

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. For the group short-term leases and leases for low value assets are insignificant.

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.

DTSA leased 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 concluded on 31 May 2022 and the TruckStore premises was acquired from Koppieview Properties Proprietary Limited in 2022.

Operating leases (DTFS as lessor)

Operating leases concluded by DTFS where DTSA, as the manufacturer of the vehicles, guarantees the residual value of the underlying vehicle, are classified as manufacturing leases and disclosed as assets leased under operating leases. The determination of the carrying value of these assets and any related impairment charge is based on assessment of the recoverable value of the portfolio of leases held by DTFS as a whole and applied to the category of assets leased under operating leases. Impairments recognised reflect the adjustment of the carrying value to the recoverable amount, represented by the residual value of the underlying vehicle subject to the operating lease agreement.

Assets held under operating leases are depreciated over their contract term to the lower of their residual value or net realisable value.

Manufacturing leases

Operating leases concluded by DTFS where DTSA, as the manufacturer of the vehicles, guarantees the residual value of the underlying vehicle, are classified as manufacturing leases.

Notes to the Consolidated Financial Statements

19. Intangible assets and goodwill

	2022			2021		
	Cost R '000	Accumulated amortisation R '000	Carrying amount R '000	Cost R '000	Accumulated amortisation R '000	Carrying amount R '000
Software	44 978	(5 115)	39 863	28 372	(266)	28 106
Goodwill	122 320	-	122 320	-	-	-
Total	**167 298**	**(5 115)**	**162 183**	**28 372**	**(266)**	**28 106**

Reconciliation of intangible assets and goodwill - 2022

	Opening balance R '000	Additions R '000	Amortisation R '000	Closing balance R '000
Software	28 106	16 606	(4 849)	39 863
Goodwill	-	122 320	-	122 320
	28 106	**138 926**	**(4 849)**	**162 183**

The addition to goodwill relates to the acquisition of SMH, refer note 11 .

Reconciliation of intangible assets and goodwill - 2021

	Opening balance R '000	Additions R '000	Amortisation R '000	Closing balance R '000
Software	-	28 372	(266)	28 106

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

Goodwill is not subject to amortisation and the impairment is reviewed and assessed annually at the reporting date. Goodwill was acquired on 31 December 2022. therefore management assessed that no impairment is required.

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	2022 R '000	2021 R '000
20. Retirement benefit plan assets and obligations			
Net retirement defined benefit plan asset	20.1	-	3 929
Post-retirement medical aid benefit obligation	20.2	(84 000)	(67 996)

Notes to the Consolidated Financial Statements

20. Retirement benefit plan assets and obligations (continued)

20.1 Net retirement defined benefit plan asset

	2022 R '000	2021 R '000
Present value of obligation	(72 533)	(45 936)
Fair value of plan assets	72 533	51 714
Net defined benefit asset	**-**	**5 778**
Less: impact of application of asset ceiling*	-	(1 849)
Net defined benefit asset after application of asset ceiling	**-**	**3 929**

* 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. These schemes are governed by the Pension Funds Act.

The group ceased to be a participating employer to the Mercedes-Benz South Africa Pension Fund on 1 December 2021. Group employees joined the FundsAtWork Umbrella Pension Fund and did not accrue further defined benefit liabilities after 1 December 2021. Members' benefits will be transferred from the Mercedes-Benz South Africa Pension Fund to the FundsAtWork Umbrella Pension Fund once the Section 14 process has been finalised.

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.

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.

Notes to the Consolidated Financial Statements

20. Retirement benefit plan assets and obligations (continued)

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	
	2022 R '000	**2021 R '000**	**2022 R '000**	**2021 R '000**
Opening balance	51 714	215 677	45 936	196 027
Included in profit or loss				
Current service cost	-	-	1 984	2 291
Interest	485	24 894	676	20 508
	485	**24 894**	**2 660**	**22 799**
Included in OCI				
Actuarial losses				
Financial assumptions	(898)	-	24 250	1 971
Remeasurements	18 315	(16 003)	-	-
	17 417	**(16 003)**	**24 250**	**1 971**
Other				
Benefits paid	-	(17 888)	-	(17 888)
Contributions received	791	2 007	-	-
Employee contributions	2 189	734	877	734
Employee transfers between participating employees	(63)	(157 707)	(1 190)	(157 707)
	2 917	**(172 854)**	**(313)**	**(174 861)**
Closing balance	**72 533**	**51 714**	**72 533**	**45 936**

	2022 R '000	**2021 R '000**
Impact on future cash flows		
The expected contributions to the plan for the next annual reporting period (2023) are:		
Employer contribution	-	1 855
Employee contribution	2 103	702
Fair value of plan assets comprises		
Bonds	58 825	40 141
Equities	12 127	7 313
Property	184	1 514
Derivatives net of cash	(8)	-
Cash and cash equivalents	1 405	2 746
	72 533	**51 714**

Notes to the Consolidated Financial Statements

20. 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

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

	2022 R '000	2021 R '000
20.2 Continuation of the post-retirement medical aid benefit obligation		
Present value of portfolio obligation	84 000	67 996

Portfolio

The group has funded its obligations to provide certain continued 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.

Notes to the Consolidated Financial Statements

20. Retirement benefit plan assets and obligations (continued)

Reconciliation of movement in present value of post retirement medical aid obligation

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

	2022 R '000	2021 R '000
Opening balance	67 996	57 231
Included in profit or loss		
Current service cost	1 805	2 064
Interest cost	7 289	7 212
	9 094	**9 276**
Included in OCI		
Subsidy policy	9 314	1 852
Economic assumptions	(784)	(2 925)
Experience adjustments	(5 820)	1 683
	2 710	610
Other		
Benefits paid	(3 068)	(2 370)
Acquired liability	7 268	3 249
Closing balance	**84 000**	**67 996**

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:

2022	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 %	13.86 %	10 176	15.10 %	1 627
	(1.00)%	(11.49)%	(8 436)	(12.42)%	(1 338)
Mortality	1.00 %	(10.90)%	(8 002)	(11.57)%	(1 246)
	(1.00)%	13.15 %	9 654	14.04 %	1 512
Resignation	1.00 %	(3.08)%	(2 261)	(3.92)%	(423)
	(1.00)%	3.47 %	2 550	4.44 %	478

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

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

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

20. Retirement benefit plan assets and obligations (continued)

Impact on future cash flows

	2022 R '000	2021 R '000
The expected benefit payments for the next annual reporting period are:		
Benefit payments	3 024	3 331

20.3 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.

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

21. Deferred tax

Reconciliation of movement in net deferred tax asset

	2022 R '000	2021 R '000
At beginning of year	452 924	364 155
Equity movement (bargain purchase price)	2 340	-
Current period charge through profit or loss	120 419	83 814
Current period charge through OCI		
Retirement benefit asset and liabilities	3 291	3 686
Prior period charge through profit or loss	16 721	1 269
Tax rate change	(16 177)	-
Acquired portfolio	(115 102)	126 522
Impairment of acquired portfolio	63 809	(126 522)
Closing balance	**528 225**	**452 924**

Deferred tax asset

	2022 R '000	2021 R '000
Deferred revenue	421 404	348 633
Provisions	113 533	78 224
Retirement benefit assets	20 883	21 082
Allowance for impairment on trade receivables	19 339	6 262
Finance leases	10 126	4 773
Income received in advance	7 191	-
Post retirement	2 814	-
Net lease liability	1 871	1 353
Operating lease portfolio	580	-
Vehicles and equipment	269	145
Right-of-use assets	208	-
	598 218	**460 472**

Deferred tax liability

	2022 R '000	2021 R '000
Finance lease portfolio	(59 536)	-
Operating lease portfolio	(5 844)	-
Vehicles and equipment	(2 867)	-
Capital allowances	(1 732)	(3 449)
Prepayments	(14)	-
Retirement benefit obligation	-	(3 065)
Post retirement benefits - OCI	-	(1 003)
Accruals and provisions	-	(31)
	(69 993)	**(7 548)**
Total net deferred tax asset	**528 225**	**452 924**

22. Trade and other payables

	2022 R '000	2021 R '000
Financial instruments		
Trade payables	381 128	102 082
Other payables	113 355	-
Accruals	193 774	165 669
	688 257	**267 751**
Non-financial instruments		
VAT	18 484	3 966
Employee related liabilities	48 494	23 013
Other non-financial payables	712	712
	755 947	**295 442**

Notes to the Consolidated Financial Statements

22. Trade and other payables (continued)

Liabilities at amortised cost

Financial instruments recognised in the consolidated statement of financial position include trade and other payables to third parties, amounts payables to group companies, bank overdrafts and interest-bearing borrowings (refer to note 28):

- 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.

	2022 R '000	2021 R '000
23. Amounts payable to group companies		
Daimler Truck AG	625 537	526 670
Mitsubishi Fuso Truck and Bus Corporation	194 711	144 048
Mercedes-Benz do Brazil Ltda.	27 765	18 386
Daimler Trucks North America	9 068	14 260
Daimler Truck Financial Services GmbH	1 700	1 087
Daimler India Commercial Vehicles	1 179	623
EvoBus GmbH	43	42
Mercedes-Benz South Africa Limited*	-	12 859
Mercedes-Benz Group Services Philippines*	-	289
	860 003	**718 264**

* Up until 30 November 2021, Daimler AG was the ultimate holding company of DTSA. 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.

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

24. Lease liabilities

	2022 R '000	2021 R '000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	42 481	35 886
One to five years	47 517	63 673
Total undiscounted lease liabilities at year-end	**89 998**	**99 559**

	2022 R '000	2021 R '000
Lease liabilities included in the statement of financial position		
Non-current	78 707	59 995
Current	6 423	32 187
	85 130	**92 182**

At the end of the reporting period lease liabilities of:

- R 7.9 million (2021: R 55.9 million) are due to MBSA for the leasing of plant premises;
- In 2021 R 2.9 million is due to Koppieview Properties for the leasing of the head office and TruckStore premises. The group vacated the premises of the head offices by the end of April 2022 and will purchase the building leased for TruckStore. The leases are therefore short-term in nature;
- R 30.2 million (2021: R 32.1 million) is due to AVIS for long term company car rentals.
- R 7.8 million is due to Bondev Properties for long term leasing of the call centre.

	2022 R '000	2021 R '000
Other disclosure		
Profit or loss: Interest on lease liability	4 750	3 403
Total cash outflow related to leases	39 351	18 946

Leases

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

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.

25. Deferred income

	2022 R '000	2021 R '000
Municipality bus tender	-	54 078
FleetBoard	234	859
Product testing	-	527
	234	**55 464**

	2022 R '000	2021 R '000
Non-current liabilities	-	41 008
Current liabilities	234	14 456
	234	**55 464**

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.

Notes to the Consolidated Financial Statements

25. Deferred income (continued)

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 DTSA by a franchised dealer.

During the current year the George Municipality terminated the contract and R 54 million was released to revenue.

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.

26. Provisions

Reconciliation of provisions - 2022

	Opening balance R '000	Additional provisions R '000	Amounts utilised R '000	Amounts reversed R '000	Due to business acquisition R '000	Closing balance R '000
Staff related	69 140	55 051	(40 343)	(422)	-	83 426
Onerous service and maintenance contracts	20 982	5 640	(13 694)	-	-	12 928
Warranty claims	11 764	4 080	(9 529)	-	-	6 315
Environmental rehabilitation	-	-	-	-	4 237	4 237
Residual value	4 261	6 669	-	(8 363)	-	2 567
Legal proceedings	155	-	-	(155)	-	-
	106 302	**71 440**	**(63 566)**	**(8 940)**	**4 237**	**109 473**

Reconciliation of provisions - 2021

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

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, as well as leave and severance pay.

Residual value

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

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.

Notes to the Consolidated Financial Statements

26. Provisions (continued)

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 DTSA 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 DTSA 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 DTSA 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.

	2022 R '000	2021 R '000
27. Contract liabilities		
Maintenance, service and extended warranty contracts	740 877	751 287
Rebates and discounts	513 579	273 834
FleetBoard	198 483	113 742
Residual value enhancements	13 116	20 260
Prepayments received for clients' vehicles not yet delivered	-	3 828
	1 466 055	**1 162 951**

Reconciliation of contract liabilities

2022	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	751 287	113 742	273 834	20 260	3 828	1 162 951
Additions	631 238	113 713	513 579	-	-	1 258 530
Utilisation	(641 648)	(28 972)	(273 834)	(6 791)	(3 828)	(955 073)
Transfers	-	-	-	(353)	-	(353)
	740 877	**198 483**	**513 579**	**13 116**	**-**	**1 466 055**

2021						
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**

Notes to the Consolidated Financial Statements

27. 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
2022						
Non-current	498 943	155 525	-	6 118	-	660 586
Current	241 934	42 958	513 579	6 998	-	805 469
	740 877	**198 483**	**513 579**	**13 116**	**-**	**1 466 055**
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**

Due to the cluster application, vehicle type and services, it is not possible to split into time banks.

Change in estimate related to maintenance, service and extended warranty contracts

During 2022 the group modified the methodology used to calculate the contract liabilities related to maintenance, service and extended warranty contracts and also updated the assumptions applied in these calculations with the latest available information.

In prior years profitability calculations were performed manually on an annual basis, using the information provided by the previous contract management system: Scarf. This calculation analysed the profitability of each contract over the remaining term and identified the expected profit margin to be recognised in each remaining year of the contract as well as the profit to be recognised in the current year.

In the current year a new globally developed system, Nemesis, was introduced which uses similar base assumptions and estimates as the previous Scarf system, such as future billings and cost curves, however these assumptions and estimates were updated with the latest available information and experience resulting in differing future expected expected costs.

In addition the Nemesis system applies a new methodology of percentage of completion which calculates a percentage of completion of the contract based on actual costs incurred in relation to expected total contract costs. This calculated percentage of completion is then applied to the expected total contract revenue and the revenue is then recognized accordingly.

This results in a change in accounting estimate due to the updated assumptions and new methodology. The impact in the current year is:

	2022 R '000	2021 R '000
Maintenance, service and extended warranty contracts change in estimate		
Balance before change in estimate	905 160	-
Release to revenue in statement of profit or loss and other comprehensive income	(164 284)	-
	740 876	**-**

The release to the statement of profit or loss and other comprehensive income in the current year has no additional tax implications and is treated as a normal income effect.

The effect on future periods has not been disclosed as it is impracticable to estimate such future period effects.

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.

Notes to the Consolidated Financial Statements

27. Contract liabilities (continued)

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.

	2022 R '000	2021 R '000
28. Interest-bearing borrowings		
Held at amortised cost		
Bank loans	2 000 000	10 000 000
Bonds issued under DMTN Programme	7 496 430	-
Bank overnight and short-term facilities	3 129 000	-
	12 625 430	**10 000 000**
Details of movement		
Opening balance	10 000 000	-
Bank loans obtained	-	10 000 000
Bank loans repaid	(8 000 000)	-
Bonds issued	7 500 000	-
Transaction costs capitalised	(4 377)	-
Transaction costs released to effective interest expense	807	-
Bank overnight facilities obtained	3 129 000	-
	12 625 430	**10 000 000**

Interest-bearing borrowings are classified as financial liabilities carried at amortised cost

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.

Funding liabilities 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.

Bonds are measured initially at fair value less transaction costs directly attributable to the issuance. Subsequently, bonds are held at amortised cost using the effective interest method.

For the presentation of the fair value of the borrowings, refer to note 38.

Bank loans

DTSA obtained bank loans from various financial institutions for the funding requirements of the group entities. The final settlement date of the bank loans is 30 November 2023. The bank loans bear interest at market related rates of interest, 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 DTHAG and DTAG.

DTSA 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.

Notes to the Consolidated Financial Statements

28. Interest-bearing borrowings (continued)

The following table lists the bank loans issued:

2022	Extension available	Amount owing R '000	Initiation date	Settlement date	Reference rate	Applicable margin
Bank 2	n/a	1 000 000	30/11/2021	28/02/2023	3M JIBAR (7.2%)	115 bps
Bank 4	Yes (1x 6 months)	1 000 000	30/11/2021	30/11/2023	3M JIBAR (7.2%)	113 bps
Total bank loans		**2 000 000**				
2021						
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**				

Bonds

During the current financial year, DTSA established its DMTN Programme. Under this program, the company has issued bonds, which are listed on the JSE. Bonds are issued periodically as funding requirements arise. A total of R 7.5 billion was issued, the majority of which, along with available cash, was used to reduce the bank loans to R 2 billion.

The current bond terms range between 1 to 3.5 years. The issuances are all floating rate notes and are issued at market related rates of interest, referenced off the 3-month JIBAR. The rate of interest on each bond is the percentage rate per annum, which is the aggregate of the applicable margin and JIBAR.

The bonds issued under this programme have been unconditionally and irrevocably guaranteed by DTHAG and DTAG.

Bonds are measured initially at fair value less transaction costs directly attributable to the issuance. Subsequently, bonds are held at amortised cost using the effective interest method.

The following table lists the bonds issued:

2022	Listed	Issue amount R '000	Issue date	Settlement date	Reference rate 3M JIBAR	Applicable margin	All-in rate
DTF001	Yes	410 000	28/06/2022	28/06/2023	7.258%	92 bps	8.178%
DTF002	Yes	1 090 000	28/06/2022	28/06/2025	7.258%	109 bps	8.348%
DTF003	Yes	708 000	14/09/2022	14/09/2023	7.258%	93 bps	8.188%
DTF004	Yes	792 000	14/09/2022	14/09/2025	7.258%	109 bps	8.348%
DTP01U	No	1 000 000	12/08/2022	12/08/2025	6.583%	108 bps	7.663%
DTP02U	No	1 000 000	18/11/2022	18/11/2025	6.617%	108 bps	7.697%
DTP03U	No	500 000	21/11/2022	21/05/2026	6.625%	108 bps	7.705%
DTP04U	No	1 000 000	22/11/2022	22/11/2024	6.650%	105 bps	7.700%
DTP05U	No	1 000 000	22/11/2022	22/05/2026	6.650%	113 bps	7.780%
Total bonds issued		**7 500 000**					
Transaction costs capitalised		(4 377)					
Transaction costs released to interest expense		807					
Carrying amount		**7 496 430**					

Bank overnight and short-term facilities

DTSA utilises overnight and other short-term facilities to fund the group's working capital requirements. These facilities are obtained from various banks, with interest rates varying between 7.70% and 8.00%.

The payment obligations of DTSA are covered by an irrevocable guarantee issued by DTHAG and DTAG.

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

29. Share capital

Authorised
1 047 380 Ordinary shares of no-par value

	2022 R '000	2021 R '000
Reconciliation of number of shares issued:		
Reported as at 01 January	1 047 380	1 000 000
Issue of shares – ordinary shares	-	47 380
	1 047 380	**1 047 380**

	2022 R '000	2021 R '000
Composition of issued share capital		
Ordinary	2 001 891	2 001 891

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

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the group.

30. Reserves

	2022 R '000	2021 R '000
Actuarial reserve	5 219	8 496
Common control reserve	-	-
Other reserve	334 867	461 844
	340 086	**470 340**

Common control

A common control reserve arises from the assets or an exchange of equity interests among entities under the same parent's control.

Other reserves

Other reserves are reserves beyond the mandatory reserve which may be used for various needs of the group.

30.1 Other reserves

Acquisition of portfolio and other assets

On 1 December 2021, DTFS acquired the entire commercial vehicle portfolio from MBFS through 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. DTFS conducted a carve-out, full separation and majority listing of DTHAG at the beginning of December 2021. 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**

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

30. Reserves (continued)

*** 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

31. Cash (used in)/generated from operations (2021 restated)

	Note	2022 R '000	2021 R '000
Profit before taxation		320 927	265 427
Adjustments for non-cash items			
Depreciation	18	267 435	35 624
Amortisation on intangible assets		4 784	-
Profit on disposal of equipment	18	(13 858)	-
Impairment of manufacturing leases		111 312	-
Losses/(gains) on foreign exchange	7	51	3 155
Impairment allowance		301 689	28 213
Retirement benefits: current service cost	20	3 789	4 581
Stock adjustments		29 877	(19 076)
Changes in operating leases			
Additions to operating lease assets	18	(755 424)	(118 858)
Disposal of operating lease assets	18	452 429	139 225
Impairment of operating leases		-	44 869
Interest received			
Interest income	8	(67 049)	(41 205)
Retirement benefit obligations	8	(485)	(24 894)
Finance costs			
Interest expense	9	634 913	46 787
Retirement benefit obligations	9	7 965	28 434
		1 298 355	**392 282**
Changes in working capital			
(Increase)/decrease in inventories		(1 577 191)	441 868
Increase in trade and other receivables		(18 358)	(83 629)
Increase/(decrease) in trade and other payables		87 923	(81 459)
Increase in contract liabilities		303 104	261 647
(Decrease)/increase in deferred income		(55 230)	(28 492)
Increase in provisions	26	(1 066)	45 002
Increase in loans and advances to customers		(2 844 857)	94 970
Increase in deferred initial direct cost		(377)	-
		(4 106 052)	**649 907**
		(2 807 697)	**1 042 189**

Notes to the Consolidated Financial Statements

31. Cash (used in)/generated from operations (2021 restated) (continued)

31.1 Restatement of statement of cash flows

The impact on the 2021 statement of cash flows was:

Statement of cash flows	Balance as previously disclosed R '000	Impact of restatement R '000	Balance as currently disclosed R '000
Cash flows from operating activities			
Cash flows from trading activities**	303 320	88 962	392 282
Working capital movements*	(9 379 773)	10 029 680	649 907
Cash flows from investing activities			
Purchase of property, plant and equipment**	(23 551)	1 760	(21 791)
Purchase of assets under operating leases**	(786 149)	786 149	-
Purchase of intangible assets**	(28 371)	28 371	-
Acquisition on portfolio*	-	(10 473 078)	(10 473 078)
Cash flows from financing activities			
Acquisition transaction*	461 844	(461 844)	-
Cash (used in)/generated by operations			
Impairment of operating leases**	-	44 869	44 869
Additions to operating leased assets**	(97 493)	(21 365)	(118 858)
Disposals of leased assets**	73 767	65 458	139 225
Trade and other receivables*	(86 651)	3 022	(83 629)
Trade and other payables*	(79 167)	(2 292)	(81 459)
Loans and advances to customers*	(9 916 839)	10 011 809	94 970
Deferred initial direct costs*	(17 141)	17 141	-

* In prior years the adjustment to the consideration paid for DTFS was reflected under cashflow from financing activities instead of the working capital movement relating to loans and advances to customers.

** In prior years additions and disposals of leased assets acquired by DTFS were classified as non-cash flow items instead of cash flows from operating leases. The acquisition of the the operating lease portfolio acquired from MBSA was further erroneously classified as a separate item within investing activities instead of being split between acquisition portfolio within investing activities and additions to operating leased assets acquired under cash (used in)/generated by operations.

	2022 R '000	2021 R '000
32. Tax paid		
Balance at beginning of the year	37 985	9 886
Current tax recognised in profit or loss	(218 359)	(168 001)
Adjustment in respect of businesses acquired	(62 324)	-
Balance at end of the year	(80 583)	(37 985)
	(323 281)	**(196 100)**

33. Related parties

Relationships

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

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

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

33. Related parties (continued)

For further detail and related party balances refer to note 17 - amounts receivable from group companies, note 23 - amounts payable to group companies and note 24 - lease liabilities.

Amounts receivable from related parties included in loans and advances to customers	2022 R '000	2021 R '000
Mercedes-Benz Financial Services South Africa Proprietary Limited	-	482 599
Sandown Motor Holdings Proprietary Limited	-	15 591

	Sales		Purchases	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
Daimler Truck AG	48 149	28 966	2 757	78 217
Mitsubishi Fuso Truck and Bus Corporation	20 223	22 723	488	(10 460)
Mercedes-Benz do Brasil Ltda.	-	(369)	30 522	53
Daimler Trucks North America	-	-	6 698	474
Daimler India Commercial Vehicles Private Limited	-	1 587	2 754	2
Sandown Motor Holdings Proprietary Limited	-	1 325 347	-	1 039 211
Mercedes-Benz Financial Services South Africa Proprietary Limited	-	77	-	-
Mercedes-Benz South Africa Limited	-	8	-	133 240
Mercedes-Benz AG	-	-	-	16 587
Daimler AG	-	-	-	14

	Income received		Expenses paid	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
Selling costs				
Daimler Truck AG	-	-	1 160	1 203
Daimler India Commercial Vehicles Private Limited	-	12	-	-
Mercedes-Benz South Africa	-	-	-	44 893
Koppieview Properties Proprietary Limited	-	-	-	2 980
Sandown Motor Holdings Proprietary Limited	-	-	-	2 606
Mercedes-Benz AG	-	-	-	269
Daimler AG	-	-	-	181
EvoBus GmbH	-	-	-	43
Interest				
Daimler Truck AG	2 735	17	11 801	153
Daimler AG	-	1 061	-	10
Administration and management fee				
Daimler Truck AG	522	8 774	3 288	-
Mitsubishi Fuso Truck and Bus Corporation	455	-	-	-
Mercedes-Benz Group Services Philippines	-	-	3 456	2 979 171
Mercedes-Benz South Africa Limited	-	-	39	80 153
Koppieview Properties Proprietary Limited	-	-	-	3 274
Daimler AG	-	-	-	1 020
Operating income/(expense)				
Daimler Truck Financial Services AG	10 597	-	-	-
Daimler Truck AG	1 372	-	-	-
Mercedes-Benz South Africa Limited	-	5 554	-	-
Sandown Motor Holdings Proprietary Limited	-	2 359	-	-

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

33. Related parties (continued)

Compensation to directors and other key management		
Short-term employee benefits	23 072	24 169
Post-employment benefits	585	865
	23 657	**25 034**

34. Segmental information

Basis for segmentation

The company is organised into two segments for operational and management purposes, being wholesale and retail vehicles and financial services. DTSA reports its primary business segment information on this basis.

The principal offering for each division is as follows:
- Wholesale and retail vehicles – commercial trucks and buses wholesale business including the retail business;
- Financial services – variety of leasing and specialised leasing products.

The group's reportable segments supply vehicles into Africa and mainly in South Africa.

Information about reportable segments

Information relating to each reportable segment is set out below:

2022	Wholesale and retail vehicles R '000	Financial services R '000	Total R '000
Revenue from sale of vehicles	10 501 003	-	10 501 003
Revenue from financial services	-	1 941 917	1 941 917
Total income from sales and financing activities	**10 501 003**	**1 941 917**	**12 442 920**
Finance cost	(608 117)	(34 761)	(642 878)
Impairment reversal	-	(24)	(24)
Depreciation	(135 191)	(235 320)	(370 511)
Segment staff cost	(485 331)	(69 339)	(554 670)
Segment EBIT	**145 103**	**751 168**	**896 271**
Segment assets	**5 103 098**	**13 884 268**	**18 987 366**
Segment liabilities	**(15 625 634)**	**(360 638)**	**(15 986 272)**

2021	Wholesale and retail vehicles R '000	Financial services R '000	Total R '000
Revenue from sale of vehicles	7 751 678	-	7 751 678
Revenue from financial services	-	124 830	124 830
Total income from sales and financing activities	**7 751 678**	**124 830**	**7 876 508**
Finance cost	(75 262)	-	(75 262)
Depreciation	(51 450)	(20 927)	(72 377)
Segment staff cost	(352 156)	(7 432)	(359 588)
Segment EBIT	**230 217**	**44 035**	**274 252**
Segment assets	**4 642 603**	**10 763 815**	**15 406 418**
Segment liabilities	**(12 446 192)**	**(52 409)**	**(12 498 601)**

Notes to the Consolidated Financial Statements

35. Directors' and prescribed officers' emoluments

Executive directors

2022	Salaries R '000	Bonus related R '000	Other benefits R '000	Pension fund contributions R '000	Total R '000
M Dietz	5 029	1 442	4 392	300	11 163
P Kendzorra	4 016	548	2 783	285	7 632
	9 045	**1 990**	**7 175**	**585**	**18 795**
2021					
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**

	2022 R '000	2021 R '000
Non-executive directors		
N Medupe	348	-
TB Sefolo	310	-
BS Nkambule	323	-
AM Kgotle	-	7 178
NS Trimmel	-	3 223
	981	**10 401**

In 2022, directors' fees for A Walluschek van Wallfeld, H Schick and JP Burghardt amounted to R nil as they did not provide any services to DTSA. In 2021 the remuneration for AM Kgotle and NS Trimmel 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.

36. Comparative figures

The comparative figures include only one month of trading for DTFS and do not include the consolidation of SMH as the company was only incorporated during the current financial year.

37. Financial instruments and risk management

37.1 Categories and analysis of assets and liabilities

Assets - 2022	Note	Financial assets at amortised cost R '000	Other assets R '000	Carrying value R '000	Current R '000	Non-current R '000
Cash and cash equivalents	12	160 084	-	160 084	160 084	-
Trade and other receivables	13	475 234	212 777	688 011	688 011	-
Inventories	14	-	3 585 579	3 585 579	3 585 579	-
Taxation receivable		-	80 583	80 583	80 583	-
Loans and advances to customers	15	12 475 573	-	12 475 573	5 620 691	6 854 882
Deferred initial direct costs	16	-	17 518	17 518	7 787	9 731
Amounts receivable from group companies	17	33 298	(5 131)	28 167	28 167	-
Assets leased under operating leases	18	-	924 423	924 423	-	924 423
Property, plant and equipment	18	-	259 587	259 587	-	259 587
Right-of-use assets	18	-	77 433	77 433	-	77 433
Intangible assets and goodwill	19	-	162 183	162 183	-	162 183
Deferred taxation	21	-	528 225	528 225	-	528 225
		13 144 189	**5 843 177**	**18 987 366**	**10 170 902**	**8 816 464**

37. Financial instruments and risk management (continued)

Assets - 2021

	Note	Financial assets at amortised cost R '000	Other assets R '000	Carrying value R '000	Current R '000	Non-current R '000
Cash and cash equivalents	12	1 617 360	-	1 617 360	1 617 360	-
Trade and receivables	13	390 700	32 886	423 586	423 586	-
Inventories	14	-	1 680 187	1 680 187	1 680 187	-
Loans and advances to customers	15	9 916 839	-	9 916 839	2 785 985	7 130 854
Taxation receivable		-	37 985	37 985	37 985	-
Deferred initial direct costs	16	-	17 141	17 141	5 516	11 625
Amounts receivable from group companies	17	129 759	9 798	139 557	139 557	-
Assets leased under operating leases	18	-	955 609	955 609	-	955 609
Property, plant and equipment	18	-	45 846	45 846	-	45 846
Right-of-use assets	18	-	87 349	87 349	-	87 349
Intangible assets and goodwill	19	-	28 106	28 106	-	28 106
Retirement benefit asset	20.1	-	3 929	3 929	-	3 929
Deferred taxation	21	-	452 924	452 924	-	452 924
		12 054 658	**3 351 760**	**15 406 418**	**6 690 176**	**8 716 242**

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

Liabilities - 2022

	Note	Financial liabilities at amortised cost R '000	Other liabilities R '000	Carrying value R '000	Current R '000	Non-current R '000
Trade and other payables	22	688 257	67 690	755 947	755 947	-
Amounts payable to group companies	23	860 003	-	860 003	860 003	-
Lease liabilities	24	-	85 130	85 130	6 423	78 707
Deferred income	25	-	234	234	234	-
Provisions	26	-	109 473	109 473	92 390	17 083
Contract liabilities	27	-	1 466 055	1 466 055	805 469	660 586
Interest-bearing borrowings	28	12 625 430	-	12 625 430	6 246 143	6 379 287
Post-retirement medical aid benefit obligation	20.2	-	84 000	84 000	-	84 000
		14 173 690	**1 812 582**	**15 986 272**	**8 766 609**	**7 219 663**

Liabilities 2021

Trade and other payables	22	267 751	27 691	295 442	295 442	-
Amounts payable to group companies	23	718 264	-	718 264	718 264	-
Lease liabilities	24	-	92 182	92 182	32 187	59 995
Deferred income	25	-	55 464	55 464	14 456	41 008
Provisions	26	-	106 302	106 302	80 079	26 223
Interest-bearing borrowings	28	10 000 000	-	10 000 000	-	10 000 000
Contract liabilities	27	-	1 162 951	1 162 951	693 885	469 066
Post-retirement medical aid benefit obligation	20.2	-	67 996	67 996	-	67 996
		10 986 015	**1 512 586**	**12 498 601**	**1 834 313**	**10 664 288**

The fair value of financial liabilities, except for interest-bearing borrowings, not carried at their fair value approximates their carrying value.

Notes to the Consolidated Financial Statements

37. Financial instruments and risk management (continued)

37.2 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 company at the reporting date was as follows:

	2022 R '000	2021 R '000
Total assets	18 987 366	15 406 418
Total equity	3 001 094	2 907 817
Capital ratio	15.81 %	18.87 %

37.3 Financial risk management

37.3.1 Overview

The company 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 company'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.

37.3.2 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	2022			2021		
		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	15	12 929 488	(453 915)	12 475 573	10 293 126	(376 287)	9 916 839
Cash and cash equivalents	12	160 084	-	160 084	1 617 360	-	1 617 360
Trade and other receivables	13	536 524	(61 290)	475 234	427 971	(37 271)	390 700
Amounts receivable from group companies	17	33 298	-	33 298	129 759	-	129 759
		13 659 394	**(515 205)**	**13 144 189**	**12 468 216**	**(413 558)**	**12 054 658**

Notes to the Consolidated Financial Statements

	2022 R '000	2021 R '000

37. Financial instruments and risk management (continued)

Net trade receivables is composed as follows

	2022 R '000	2021 R '000
Gross trade receivables from third parties	485 692	422 520
Impairment	(61 290)	(37 271)
	424 402	**385 249**

Detail reconciliation of impairment of receivables from loans and advances to customers and trade receivables

2022	Stage 1	Stage 2	Stage 3	
	12-month ECL R '000	Lifetime ECL not credit impaired R '000	Lifetime ECL credit impaired R '000	Total R '000
Impairment as at 1 January	(57 669)	(29 133)	(334 352)	(421 154)
Additions	(49 720)	(37 237)	(25 345)	(112 302)
Change in remeasurement ((increase)/decrease of ECL)	(21 424)	(4 496)	(220 905)	(246 825)
Utilisation (write-off)	217	3 130	49 911	53 258
Derecognition	20 272	2 727	115 289	138 288
Transfer to/from stage 1	(21 261)	3 868	1 858	(15 535)
Transfer to/from stage 2	573	(21 831)	815	(20 443)
Transfer to/from stage 3	1 400	3 163	22 489	27 052
Other changes	22 512	21 392	33 442	77 346
	(105 100)	**(58 417)**	**(356 798)**	**(520 315)**

2021	Stage 1	Stage 2	Stage 3	
	12-month ECL R '000	Lifetime ECL not credit impaired R '000	Lifetime ECL credit impaired R '000	Total R '000
Impairment as at 1 January	(83 257)	(53 799)	(172 913)	(309 969)
Additions	(20 330)	(4 609)	(29 518)	(54 457)
Change in remeasurement ((increase)/decrease of ECL)	24 732	1 829	(156 463)	(129 902)
Utilisation (write-off)	23	-	28 599	28 622
Derecognition	25 027	6 785	25 733	57 545
Transfer to/from stage 1	(12 293)	15 021	5 327	8 055
Transfer to/from stage 2	3 063	(1 448)	3 448	5 063
Transfer to/from stage 3	5 366	7 088	(52 606)	(40 152)
Other changes	-	-	14 041	14 041
	(57 669)	**(29 133)**	**(334 352)**	**(421 154)**

Expected credit losses are measured as the probability-weighted sum of discounted period contributions. Expected credit losses are mainly calculated with a statistical model using three major risk parameters: probability of default; loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by future expectation factors. This information includes macroeconomic factors (e.g., gross domestic product growth, unemployment rate, cost performance index) and forecasts of future economic conditions. These forecasts are performed using a scenario analysis (basic scenario, optimistic scenario and pessimistic scenario).

A financial instrument is written off when there is no reasonable expectation of recovery, for example, at the end of insolvency proceedings or after a court decision of uncollectability.

For cash and cash equivalents and group receivables, the probability of default and loss given is not significant and therefore no credit loss has been raised.

Notes to the Consolidated Financial Statements

37. Financial instruments and risk management (continued)

Inputs, assumptions and techniques used for estimating impairment

Incorporation of forward-looking information

The group's credit risk and credit losses for financial assets are influenced by historical data and various macro-economic variables. Key drivers for the wholesale portfolio are Gross Domestic Product ("GDP").

At 31 December 2022	**GDP change %**	**Interest rate %**	**Unemployment rate %**
5 year average	5.75 %	5.55 %	30.17 %
At 31 December 2021			
5 year average	4.95 %	5.45 %	29.04 %

Ageing profile of gross trade receivables at the reporting date

2022

	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	485 692	249 682	82 665	47 458	1 850	22 998	81 039
Allowance for impairment	(61 290)	(665)	(694)	(3 890)	(2 619)	(1 626)	(51 796)
	424 402	**249 017**	**81 971**	**43 568**	**(769)**	**21 372**	**29 243**
2021							
Gross trade receivables	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**

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, therefore the ECL is immaterial. Cash balances are held with reputable financial institutions.

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 expected credit 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.

Notes to the Consolidated Financial Statements

37. Financial instruments and risk management (continued)

Amounts receivable from group companies

The group's exposure to credit risk on trade receivables from group companies 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

The group recognises a loss allowance for expected credit losses on all financial assets measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans and receivables.

The group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that is possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the group compares the risk of a default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a financial asset is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a financial asset is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the financial asset has not increased significantly since initial recognition.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the financial asset at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Financial assets are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the financial assets, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

37. Financial instruments and risk management (continued)

An impairment gain or loss is recognised for all financial assets in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is disclosed separately in the statement of profit or loss and other comprehensive income.

The Financial Stability Board had initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing IBOR's with ARR's to improve market efficiency and mitigate systemic risk across financial markets.

During the 2022 financial year, the SARB has indicated their intention to move away from JIBAR and have identified a potential successor in the ZARONIA. The new ZARONIA rate was published for observation during 2022 and is expected to be endorsed as a successor rate in 2023.

37.3.3 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.

2022

	Note	0-12 months R '000	1 to 5 years R '000	Greater than 5 years R '000	Total R '000	Carrying amount R '000
Trade and other payables	22	688 257	-	-	688 257	688 257
Amounts payable to group companies	23	860 003	-	-	860 003	860 003
Interest-bearing borrowings	28	6 392 419	7 747 390	-	14 139 809	12 625 430
		7 940 679	**7 747 390**	**-**	**15 688 069**	**14 173 690**

2021

	Note	0-12 months R '000	1 to 5 years R '000	Greater than 5 years R '000	Total R '000	Carrying amount R '000
Trade and other payables	22	267 751	-	-	267 751	267 751
Amounts payable to group companies	23	718 264	-	-	718 264	718 264
Interest-bearing borrowings	28	-	10 934 124	-	10 934 124	10 000 000
		986 015	**10 934 124**	**-**	**11 920 139**	**10 986 015**

37.3.4 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.

Notes to the Consolidated Financial Statements

37. 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:

	2022			2021		
	Euro R '000	USD R '000	JPY R '000	Euro R '000	USD R '000	JPY R '000
Cash and cash equivalents	30 971	438	1 737	9 638	5 233	926
Trade and other receivables	21 655	(290)	-	17 780	(31)	-
Trade and other payables	(23 856)	(54 424)	(27 899)	(6 982)	(34 859)	(17 132)
Net exposure	**28 770**	**(54 276)**	**(26 162)**	**20 436**	**(29 657)**	**(16 206)**
Relevant spot exchange rates	**18.10**	**16.97**	**0.13**	**18.06**	**15.95**	**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:

	2022		2021	
Change of 10% in exchange rate	Increase R '000	Decrease R '000	Increase R '000	Decrease R '000
Impact on profit or loss:				
Euro	2 877	(2 877)	2 044	(2 044)
USD	(5 428)	5 428	(2 966)	2 966
JPY	(2 616)	2 616	(1 621)	1 621

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate with 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:

	Note	Carrying amount	
		2022 R '000	2021 R '000
Variable rate instruments			
Assets			
Loans and advances to customers	15	12 475 573	9 916 839
Cash and cash equivalents	12	160 084	1 617 360
		12 635 657	**11 534 199**
Liabilities			
Interest-bearing borrowings	28	(12 625 430)	(10 000 000)
Net variable rate financial instruments		**10 227**	**1 534 199**

Notes to the Consolidated Financial Statements

37. Financial instruments and risk management (continued)

Fixed rate instruments	**Note**	**2022 R '000**	**2021 R '000**
Assets			
Trade and other receivables	13	475 234	390 700
Amounts receivable from group companies	17	33 298	139 557
		508 532	**530 257**
Liabilities			
Trade and other payables	22	(688 257)	(267 751)
Amounts payable to group companies	23	(860 003)	(718 264)
		(1 548 260)	**(986 015)**
Net fixed rate financial instruments		**(1 039 728)**	**(455 758)**

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:

	2022		**2021**	
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 movements	102	(102)	15 342	(15 342)

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.

Notes to the Consolidated Financial Statements

38. Fair value information

Financial assets and liabilities not held at fair value	2022 Carrying value R '000	2022 Fair value R '000	2022 Fair value level	2021 Carrying value R '000	2021 Fair value R '000	2021 Fair value level
Derivative assets	20 272	-	Level 2	2 727	-	Level 2
Interest-bearing borrowings	(12 625 430)	(12 675 405)	Level 2	(10 000 000)	(10 000 000)	Level 2
	(12 605 158)	**(12 675 405)**		**(9 997 273)**	**(10 000 000)**	

Category of financial asset or liability	Includes	Valuation techniques and significant inputs used
Interest-bearing borrowings	Bonds issued under DTSA DMTN Programme	The bond programme is listed on the JSE. The bonds are held to term and are issued at market related rates of interest. Discounting based methodology is used for the valuation of the bond portfolio. Future cash flows are calculated using the projected forward JIBAR 3 month rates obtained from the JIBAR accrual zero rate curve. The projected cash flows are discounted using credit risk adjusted JSE rate curves.

Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all Inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

39. Going concern

The consolidated financial statements for the year ended 31 December 2022 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 224 million (2021: R 183 million) for the year ended 31 December 2022 and as at that date the group had a capital ratio of 15.81% (2021: 18.87%).

Management has performed forecasts for the ensuing 12 months and these forecasts reflect positive trading and positive financial performance. The expectation is that the group 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.

Management believes that the group will be able to meet all its obligations for the 2023 period. Management further believes that proceeds received during 2023 will be sufficient to meet the repayment requirements.

Further, the group has the full support of the holding company, DTAG, for its operations. To this extent, DTAG and DTHAG have issued an unconditional and irrevocable guarantee with regards to the notes issued under the DMTN programme.

40. Events after the reporting period

Bonds and bank loans

Subsequent to year end, a 1-year bond of R 1 billion has been issued on 28 February 2023. A bank loan with a value of R 1 billion and an issue date of 30 November 2021 has matured on 28 February 2023 and been redeemed.

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.

Notes to the Consolidated Financial Statements

41. 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 1 *Presentation of Financial Statements* IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 amendment	1 January 2024 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, together with those amendments required by IFRS Practice Statement 2, require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	The amendments to the standard do not have any material impact on the company's profitability, liquidity and capital resources and financial position.
IFRS 16 *Leases*	1 January 2024	The narrow- scope amendment requires a seller-lessee in a sale and leaseback transaction to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of a gain or loss relating to the right of use retained by the seller-lessee. The new requirement does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.	The amendment does not have any material impact on the company's profitability, liquidity and capital resources and financial position.
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.	The amendments to the standard do not have any material impact on the company's profitability, liquidity and capital resources and financial position.
IAS 12 *Income Tax*	1 January 2023	**Deferred Tax related to Assets and Liabilities arising from a Single Transaction:** The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition.	The amendments to the standard do not have any material impact on the company's profitability, liquidity and capital resources and financial position.

Notes to the Consolidated Financial Statements

Accounting standard	Effective date - on or after	Description of change	Description of impact
IFRS 17 *Insurance contracts* IFRS 17 *Insurance contracts* amendment	1 January 2023	IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. It requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. Insurance contracts are required to be measured based only on the obligations created by the contracts.	The interpretation does not have any material impact on the company's profitability, liquidity and capital resources and financial position.

Appendix 1 - Employment Equity Progress Report

Every designated employer is required in terms of Section 22 of the Employment Equity Act 55 of 1998 to publish a summary of their employment equity report in its annual report. The total number of employees within the company is 490. The table below provides the employment equity progress of the company for the total number of employees (including employees with disabilities) in each occupational level:

Occupational levels	**Male**				**Female**				**Foreign nationals**		**Total**
	A	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	
Top management	-	-	-	-	-	-	-	-	1	-	**1**
Senior management	1	-	1	-	-	-	-	1	1	-	**4**
Professionally qualified and experienced specialists and mid-management	4	2	4	8	3	-	1	2	1	-	**25**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	46	4	23	35	21	2	14	5	-	1	**151**
Semi-skilled and discretionary decision making	30	3	5	7	28	4	3	8	-	-	**88**
Unskilled and defined decision making	104	42	-	7	21	12	-	3	-	-	**189**
Total permanent	185	51	33	57	73	18	18	19	3	1	**458**
Temporary employees	19	7	-	-	5	1	-	-	-	-	**32**
Grand total	**204**	**58**	**33**	**57**	**78**	**19**	**18**	**19**	**3**	**1**	**490**

A - Africans C - Coloureds

I - Indians W - Whites

The table below provides the employment equity progress of the company for the total number of employees with disabilities in each occupational level:

Occupational levels	**Male**				**Female**				**Foreign nationals**		**Total**
	A	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	
Top management	-	-	-	-	-	-	-	-	-	-	**-**
Senior management	-	-	-	-	-	-	-	-	-	-	**-**
Professionally qualified and experienced specialists and mid-management	-	-	-	-	-	-	-	-	-	-	**-**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	-	-	-	-	-	-	-	1	-	-	**1**
Semi-skilled and discretionary decision making	20	-	1	-	15	-	-	1	-	-	**37**
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-	-	**-**
Total permanent	20	-	1	-	15	-	-	2	-	-	**38**
Temporary employees	-	-	-	-	-	-	-	-	-	-	**-**
Grand total	**20**	**-**	**1**	**-**	**15**	**-**	**-**	**2**	**-**	**-**	**38**

A - Africans C - Coloureds

I - Indians W - Whites

Daimler Truck Southern Africa Limited
(Registration number 2018/300147/06)

1 Park Avenue
Highway Business Park
Centurion
0157, South Africa

Website: https://dtsa.daimlertruck.com/