DAIMLER TRUCK SOUTHERN AFRICA LTD

Registration number 2018/300147/06
Consolidated Financial Statements
For the year ended 31 December 2023

Contents

The reports and statements set out below comprise the consolidated financial statements presented to the shareholder:

General Information

Directors	Initial and surname	Designation	Appointments/resignations
	M Dietz	Executive	Resigned 01 April 2024
	M Gerber	Executive	Appointed 01 April 2024
	P Kendzorra	Executive	
	H Schick (Chairperson)	Non-executive	
	JP Burghardt	Non-executive	Resigned 29 November 2023
	J Distl	Non-executive	Appointed 28 November 2023
	N Medupe	Non-executive	
	BT Nkambule	Non-executive	
	TB Sefolo	Non-executive	
	A Walluschek van Wallfeld	Non-executive	

Registered office

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® Accounting Standards	International Financial Reporting Accounting Standards as issued by the International Accounting Standards Board
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 2023 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 23 April 2024.

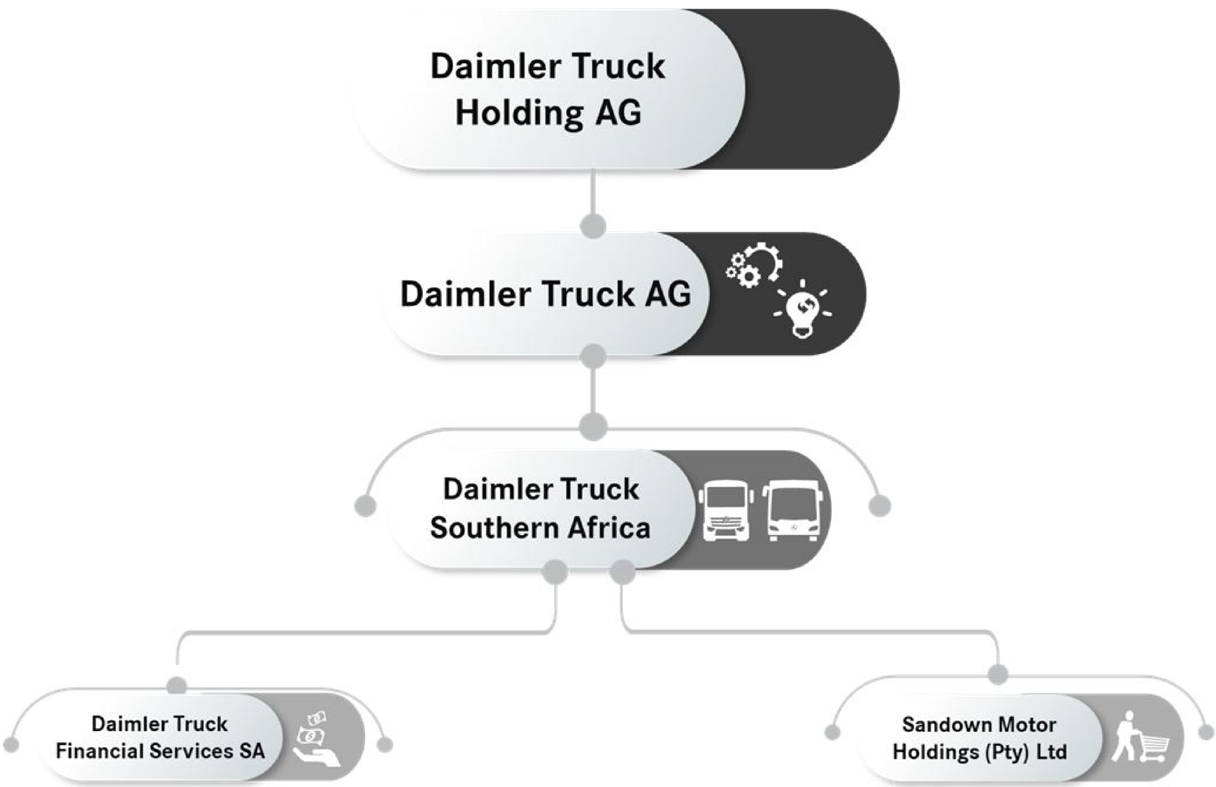
Company Secretary's Certification

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 2023, 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

S Bishop
Company Secretary
23 April 2024

Simplified Group Organogram



Reporting entity	Daimler Truck Southern Africa Limited is the holding company of the Daimler Truck Southern 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 2023 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 four times in the financial year ended 31 December 2023. 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 is satisfied that the audit committee has complied with all of the aforementioned responsibilities for the financial year ended 31 December 2023. 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 include:

Name	Qualification
N Medupe	Chartered Accountant (SA)
BT Nkambule	Masters of Business Administration
TB Sefolo	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 and risk management

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 received reports on DTSA's digital transformation, as well as the impact of cyber security risks on information technology performance in order to support strategic execution.

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.

The board has assigned oversight of the risk management function to the audit and risk committee. The committee satisfied itself that the processes and procedures followed in terms of identifying, managing and reporting on risks are adequate.

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 2024.

Audit Committee Report

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.

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 four 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 three 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 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 2023 and that all of the debt listing requirements were complied with.

The audit committee ensured that the finance function has evaluated the accounting disclosures in line with the latest accounting developments.

A clear focus was placed on financial reporting risks posed by geopolitical, macro-economic conditions, including supply chain disruptions, inflation, interest rates and market volatility.

The audit committee is satisfied that, to the best of its knowledge, the consolidated annual financial statements for the financial year ended 31 December 2023 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 2023.

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 IFRS® Accounting 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.

Audit Committee Report

9. Director education and development

The audit committee received an update on accounting developments relating to climate-related disclosures.

Key focus areas for 2024 include:
- emerging tax risks
- impact of cyber security risks and use of artificial intelligence in the finance and internal control environment.
- manage talent challenges in the finance and internal audit as a result of global war for talent.

On behalf of the audit committee:

N Medupe
Chairperson: Audit committee
23 April 2024

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 2023.

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. 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.

	2023 R '000	2022 R '000	Difference year on year R '000	Change year on year %
Income measures				
Vehicles and related services	12 577 578	10 501 003	2 076 575	19.78
Financial services	1 849 516	1 169 658	679 858	58.12
Profitability measures				
Gross profit	937 696	496 063	441 633	89.03
Operating profit	1 717 288	896 271	821 017	91.60
Profit for the year	409 961	223 531	186 430	83.40
Financial position measures				
Total assets	22 981 214	18 987 366	3 993 848	21.03
Total liabilities	19 573 556	15 986 272	3 587 284	22.44
Total equity	3 407 658	3 001 094	406 564	13.55

3. Availability of DTSA separate annual financial statements

The DTSA separate annual financial statements have been prepared and signed on 23 April 2024.

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 unmodified audit opinion.

4. Corporate governance

The directors have adopted the principles as provided for in King IV for the financial year 2023.

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

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

Directors' Report

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 from any member.

Refer to note 28 of the consolidated financial statements for additional information on corporate bonds and the group audit committee report on pages 4 - 6 for confirmation of compliance with the applicable requirements.

5. Directorate

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

Directors	Designation
M Gerber**	Executive
P Kendzorra	Executive
H Schick (Chairperson)	Non-executive
J Distl	Non-executive
N Medupe***	Non-executive
BT Nkambule*	Non-executive
TB Sefolo***	Non-executive
A Walluschek van Wallfeld	Non-executive

* 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.

6. Holding company

The group's holding company is Daimler Truck AG which holds 100% (2022: 100%) of the issued share capital's equity. Daimler Truck AG is incorporated in Germany.

7. Going concern

The consolidated financial statements for the year ended 31 December 2023 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 410 million (2022: R 224 million) for the year ended 31 December 2023 and as at that date the group had a capital ratio of 14.83% (2022: 15.81%).

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 2024 period. Management further believes that proceeds received during 2024 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.

8. Events after the reporting period

Bonds and bank loans

Subsequent to year end, a 1-year bond of R 1 billion matured on 28 February 2024. A 1-year bond of R 0.5 billion was issued on 08 March 2024 and a 3-year bond of R 0.5 billion was issued on 08 March 2024.

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.

Directors' Report

Approval of consolidated financial statements

These consolidated financial statements, which have been prepared on the going concern basis, were approved by the board on 23 April 2024, and are signed on its behalf by:

M Gerber	**P Kendzorra**
Chief Executive Officer	**Chief Financial Officer**

KPMG Inc

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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 18 to 74 which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material 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 2023, and its consolidated financial performance and consolidated cash flows for the year then ended then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act of South Africa.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

<table>
<tr><td colspan="2">Revenue recognition- Sales and leasing of vehicles and the related services
Refer to note 3.4.1 (Significant accounting estimates, judgements and assumptions - Revenue streams from the sales and leasing of vehicles and the related services) and note 27 (Contract liabilities)</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The company 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 when control of goods are transferred to customers as revenue, the maintenance and service contract revenue is recognised as contract liabilities and released to revenue upon the performance of the maintenance and service obligation.

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 judgements and 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</td><td>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.

• We inspected a sample of motor vehicle sales transactions to underlying source documents, to ensure that revenue was appropriately recognised when the performance obligations were satisfied.

• We assessed the reasonableness of contract revenue and contract profit or loss, related to sales of related services, 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.</td></tr>
</table>

Revenue recognition- Sales and leasing of vehicles and the related services Refer to note 3.4.1 (Significant accounting estimates, judgements and assumptions - Revenue streams from the sales and leasing of vehicles and the related services) and note 27 (Contract liabilities)	
Key audit matter	How the matter was addressed in our audit
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. Recognition of the company's revenue is complex due to the volume of transactions and the various revenue streams from the sales and leasing of vehicles and the related services. This resulted in significant audit work effort and sale of vehicles and the maintenance of service contract is considered to be a key audit matter.	• We assessed the appropriateness of the disclosures in the separate financial statements in accordance with IFRS 15, Revenue from contracts with customers (IFRS 15).

Contract Liabilities- (Maintenance Service and extended warranty contracts) Refer to note 3.4.1(Significant accounting estimates. judgements and assumptions - Revenue from service plans and extended warranty contracts with customer) and note 27 (Contract liabilities)	
Key audit matter	How the matter was addressed in our audit
The service and maintenance contract liability and extended warranty contracts require the application of complex and subjective judgements over the timing of recognition and the estimation of size of the contract liability. Assumptions that affect the company's estimate include: • distribution costs; • discount rate; • inflation rate; • scrapping ratio	Our audit procedures performed included the following: • We obtained an understanding on 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: o Evaluated, based on the data

<table>
<tr><td colspan="2">Contract Liabilities- (Maintenance Service and extended warranty contracts)
Refer to note 3.4.1(Significant accounting estimates. judgements and assumptions - Revenue from service plans and extended warranty contracts with customer) and note 27 (Contract liabilities)</td></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>• parts sales;

• labour, parts and repair factors; and

• profit margin on parts

The company 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 in the calculations involved, which requires significant audit effort. Accordingly, this is considered to be a key audit matter.</td><td>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 the company.

○ Evaluated whether the methodology applied in determining the adequacy of the service and warranty contract liability by the company, are aligned with IFRS 15, Revenue from contract with customers (IFRS 15).

○ 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 underlying documentation of a sample population; • We evaluated the appropriateness of the disclosures in the separate financial statements, in accordance with IFRS 15 and IAS 37, Provisions, Contingent Liabilities and Contingent Assets (IAS 37)</td></tr>
</table>

<table>
<tr><td colspan="2">Impairment of loans and advances to customers
Refer to note 3.4.1 (Significant accounting estimates, judgements and assumptions-allowance for impairment of loans and advances to customers) and note 15 (Loans and advances to customers)</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2023, the loans and advances to customers constituted 66.7% of the total assets of the Company.

The group’s Expected Credit Loss model includes many factors;

• The probability of a loan or advance becoming past due and subsequently defaulting (probability of default (“PD”))

• 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. Accordingly due to the significance of the loans and advances to customers 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.</td><td>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 underlying documents.

- We challenged managements' key estimates and assumptions in relation to the allowance recognised in the current year, by</td></tr>
</table>

<table>
<tr><td colspan="2">Impairment of loans and advances to customers
Refer to note 3.4.1 (Significant accounting estimates, judgements and assumptions- allowance for impairment of loans and advances to customers) and note 15 (Loans and advances to customers)</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td></td><td>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 (IFRS 9).</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled Daimler Truck Southern Africa Limited consolidated financial statements for the year ended 31 December 2023", 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 Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the separate 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 company'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 Company'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 separate 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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 4 years.

KPMG Inc.
Registered Auditor

Per G Stanier
Chartered Accountant (SA)
Registered Auditor
Director
23 April 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2023 R '000	2022 R '000
Income from sale of vehicles and related services			
Revenue	4	12 577 578	10 501 003
Cost of goods sold	5	(11 639 882)	(10 004 940)
		937 696	**496 063**
Income from financial and other services			
Interest received	4	1 556 074	941 992
Reversal of impairment losses on loans and advances to customers	4	112 422	49 322
Non-interest revenue	4	782 884	950 603
Non-interest expenditure	4	(601 864)	(772 259)
		1 849 516	**1 169 658**
Net income before other income and expenses		**2 787 212**	**1 665 721**
Other income	6	92 967	58 000
Movement in credit loss allowance		(330 484)	(302 678)
Operating expenses		(710 914)	(460 609)
Selling expenses		(121 493)	(64 163)
Operating profit	7	**1 717 288**	**896 271**
Finance income	8	13 910	67 534
Finance costs	9	(1 269 330)	(642 878)
Profit before taxation		**461 868**	**320 927**
Taxation	10	(51 907)	(97 396)
Profit for the year		**409 961**	**223 531**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Re-measurements on net defined benefit liability/asset		(970)	(6 568)
Deferred taxation on re-measurements of retirement benefit assets and liabilities		(2 427)	3 291
Total items that will not be reclassified to profit or loss		**(3 397)**	**(3 277)**
Other comprehensive income for the year, net of taxation		**(3 397)**	**(3 277)**
Total comprehensive income for the year		**406 564**	**220 254**

Consolidated Statement of Financial Position as at 31 December 2023

	Note	2023 R '000	2022 R '000
Assets			
Cash and cash equivalents	12	342 125	160 084
Trade and other receivables	13	781 180	688 011
Inventories	14	3 878 719	3 585 579
Current tax receivable	10	181 251	80 583
Loans and advances to customers	15	15 330 275	12 475 573
Deferred initial direct costs	16	18 884	17 518
Receivables from group companies	17	78 347	28 167
Property, plant and equipment	18	279 824	259 587
Right-of-use assets	18	76 572	77 433
Assets leased under operating leases	18	1 063 572	924 423
Intangible assets and goodwill	19	151 413	162 183
Deferred tax	21	799 052	528 225
Total Assets		**22 981 214**	**18 987 366**
Liabilities			
Trade and other payables	22	999 828	755 947
Payables to group companies	23	770 376	860 003
Lease liabilities	24	85 781	85 130
Deferred income	25	-	234
Provisions	26	102 547	109 473
Contract liabilities	27	1 821 282	1 466 055
Interest-bearing borrowings	28	15 700 983	12 625 430
Post-retirement medical aid benefit obligation	20	92 759	84 000
Total Liabilities		**19 573 556**	**15 986 272**
Equity			
Share capital	29	2 001 891	2 001 891
Reserves	30	336 689	340 086
Retained income		1 069 078	659 117
Total Equity		**3 407 658**	**3 001 094**
Total Equity and Liabilities		**22 981 214**	**18 987 366**

Consolidated Statement of Changes in Equity

	Share capital R '000	Actuarial reserve R '000	Other reserves R '000	Retained income R '000	Total equity R '000
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 on acquisition of portfolio	-	-	(126 977)	-	(126 977)
Deferred tax: unwinding reserves on acquired portfolio	-	-	63 809	-	63 809
Income tax: unwinding reserves on acquired portfolio	-	-	(63 809)	-	(63 809)
Balance at 31 December 2022	**2 001 891**	**5 219**	**334 867**	**659 117**	**3 001 094**
Balance at 01 January 2023	**2 001 891**	**5 219**	**334 867**	**659 117**	**3 001 094**
Profit for the year	-	-	-	409 961	409 961
Other comprehensive income	-	(3 397)	-	-	(3 397)
Total comprehensive income for the year	**-**	**(3 397)**	**-**	**409 961**	**406 564**
Deferred tax: unwinding reserves on acquired portfolio	-	-	64 735	-	64 735
Income tax: unwinding reserves on acquired portfolio	-	-	(64 735)	-	(64 735)
Balance at 31 December 2023	**2 001 891**	**1 822**	**334 867**	**1 069 078**	**3 407 658**
Note	29	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 by the Income Tax Act, 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	2023 R '000	2022 R '000
Cash flows from operating activities			
Cash flows from trading activities	31	2 003 936	1 298 355
Working capital movements	31	(3 172 076)	(4 106 052)
Net cash outflow from operating activities		**(1 168 140)**	**(2 807 697)**
Other cash flows			
Interest received		685	85 312
Finance costs		(1 214 476)	(614 813)
Taxation paid	32	(429 124)	(323 281)
Contributions paid to retirement plan		(3 109)	(791)
Post-retirement medical aid benefits paid		(3 024)	(2 277)
Net cash outflow from operating activities		**(2 817 188)**	**(3 663 547)**
Cash flows from investing activities			
Additions to property, plant and equipment	18	(40 659)	(202 040)
Proceeds from disposal of property, plant and equipment		-	17 671
Additions to intangible assets	19	-	(16 541)
Investment in subsidiary		1 335	(181 099)
Net cash outflow from investing activities		**(39 324)**	**(382 009)**
Cash flows from financing activities			
Interest-bearing borrowings raised	28	6 193 553	10 625 430
Interest-bearing borrowings repaid	28	(3 118 000)	(8 000 000)
Lease payments		(36 364)	(35 129)
Net cash inflow from financing activities		**3 039 189**	**2 590 301**
Increase/(decrease) in cash and cash equivalents for the year		**182 677**	**(1 455 255)**
Cash and cash equivalents at the beginning of the year		160 084	1 617 360
Unrealised forex gains on cash and cash equivalents		(636)	(2 021)
Total cash and cash equivalents at the end of the year	12	**342 125**	**160 084**

Notes to the Consolidated Financial Statements

1. Corporate information

Reporting entity	Daimler Truck Southern Africa Limited
Reporting period	Financial year ended 31 December 2023
Domicile	The Republic of South Africa
Authorised by the board of directors	23 April 2024

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® Accounting Standards, 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 IFRS® Accounting 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.

Notes to the Consolidated Financial Statements

3. Summary of material accounting policies

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% (2022: 100%)
	Sandown Motor Holdings Proprietary Limited 100% (2022: 100%)

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. Write-off

The gross carrying amount of a financial asset is written off when the group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

The group makes an assessment with respect to the timing and amount of the write-off based on whether there is a reasonable expectation of recovery. The group expects no significant recovery from the amounts written off. However, financial assets that are written off could still be subject to enforcement activities.

Notes to the Consolidated Financial Statements

3. Summary of material accounting policies (continued)

Based on its experience, there have been no customer recoveries of previous write-offs.

3.4 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® Accounting Standards while also taking into account the knowledge and experience of management.

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

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

3.4.1 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.

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.

3. Summary of material accounting policies (continued)

Depreciation

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

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.

3.4.2 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.

Notes to the Consolidated Financial Statements

3. Summary of material accounting policies (continued)

Property, plant and equipment

Useful lives

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

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

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

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

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

Residual values

An estimate is made of the amount the group would expect to receive currently for the asset if the asset were already of the age and condition expected at the end of its useful life, which is considered to be its residual value. Residual values are reviewed annually with the exception of assets leased under operating leases as addressed in 3.4.1.

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.

Notes to the Consolidated Financial Statements

3. Summary of material accounting policies (continued)

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.

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:

	2023	2022
Discount rates used		
Pre-retirement discount rate	13.16 %	12.45 %
Post-retirement discount rate	- %	6.40 %
Inflation rates used		
General inflation rate	7.61 %	7.11 %
Salary inflation rate	7.61 %	7.11 %
Average age of members in-service (in years)	55	54
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:

Discount rate	13.59 %	12.25 %
Health care cost inflation	9.87 %	9.08 %
Real discount rate	3.39 %	2.91 %
Consumer price inflation	7.87 %	7.08 %
Mortality		
Pre-expected retirement age	SA 1985 - 90 light	
Post-retirement age	PA(90) - 2	

	2023 R '000	2022 R '000

4. Revenue and income from financial services

4.1 Revenue allocation

	2023 R '000	2022 R '000
Revenue from sale and leasing of vehicles and related services		
Vehicles and spare parts	11 698 959	9 629 106
Rendering of services	878 619	871 897
	12 577 578	**10 501 003**
Income from financial and other services		
Interest received		
Instalment sales	798 310	508 633
Finance leases	464 313	313 048
Wholesale finance income	293 451	120 311
	1 556 074	**941 992**

Notes to the Consolidated Financial Statements

	2023 R '000	2022 R '000
4. Revenue and income from financial services (continued)		
Items related to impairment of loans and advances to customers		
Legal loss recoveries	112 422	49 322
Non-interest revenue		
Remarketing revenue	428 604	546 189
Operating lease income	299 674	360 667
Acceptance and initiation fee	54 606	43 747
	782 884	**950 603**
Non-interest expenditure		
Remarketing cost of sales	(433 329)	(550 068)
Depreciation - operating leases	(139 906)	(202 907)
Legal loss	(22 549)	(17 871)
Dealer commission	(6 080)	(1 413)
	(601 864)	**(772 259)**

4.2 Disaggregation of revenue

The group disaggregates revenue as follows:

	2023 R '000	2022 R '000
Sale of goods		
Vehicles	9 650 939	7 903 575
Parts	2 022 448	1 698 966
Component exports	24 371	26 842
FleetBoard telematics hardware	1 201	(277)
	11 698 959	**9 629 106**
Rendering of services		
Financial services		
Interest received	1 556 074	941 992
Non-interest revenue	782 884	950 603
Legal loss recovery	112 422	49 322
	2 451 380	**1 941 917**
Other services		
Maintenance and service contracts	696 916	736 050
Extended warranty	74 830	26 763
Vehicle testing	30 669	38 033
Diagnostic equipment income	23 616	25 285
FleetBoard telematics: service and tracking fees	15 903	31 815
Used vehicles on-the-road, delivery and surplus charges	11 905	6 672
Recharges and cost recoveries	10 443	2 601
Finance and insurance income	7 743	-
Dealer training	6 594	4 678
	878 619	**871 897**
Total revenue	**15 028 958**	**12 442 920**

Notes to the Consolidated Financial Statements

	2023 R '000	2022 R '000

4. Revenue and income from financial services (continued)

4.3 Timing of revenue recognition

	2023 R '000	2022 R '000
At a point in time		
Vehicles	9 650 939	7 903 575
Parts	2 022 448	1 698 966
Remarketing	428 604	546 189
Acceptance and initiation fee	54 606	43 747
Component exports	24 371	26 842
Used vehicles on-the-road, delivery and surplus charges	11 905	6 672
Recharges and cost recoveries	10 443	2 601
Finance and insurance income	7 743	-
FleetBoard telematics: hardware	1 201	(277)
	12 212 260	**10 228 315**
Over time		
Interest received	1 556 074	941 992
Maintenance and service contracts	696 916	736 050
Operating lease instalments	299 674	360 667
Legal loss recovery	112 422	49 322
Extended warranty	74 830	26 763
Vehicle testing	30 669	38 033
Diagnostic equipment income	23 616	25 285
FleetBoard telematics: service and tracking fees	15 903	31 815
Dealer training	6 594	4 678
	2 816 698	**2 214 605**
Total revenue from contracts with customers	**15 028 958**	**12 442 920**

4.4 Income from contracts with customers

4.4.1 Revenue 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:

The group recognises revenue when it satisfies a performance obligation by transferring goods or services to a customer.

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.

The transaction price is the amount of consideration to which the group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes).

4. Revenue and income from financial services (continued)

Rendering of services:

Rendering of services is recognised over time, most appropriate to the type of service:

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

Lease of vehicles:

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

Lease income from operating leases is recognised by the group in income on a straight-line basis from the commencement date over the lease term.

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 fair value of the consideration received/receivable.

Non-interest expenditure

These expenses are related and incremental to the non-interest revenue generated and include, among others:

- fees paid to dealers;
- depreciation and impairment charges on the operating lease assets;
- expenses related to fleet management; and
- the residual value of the vehicle at the date of sale.

4.4.3 Other income

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

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

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.

	2023 R '000	2022 R '000
5. Cost of goods sold		
Sale of goods	11 639 882	10 004 940

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

Income from cost recoveries	48 802	8 124
Administration fees	20 754	11 431
Foreign exchange gains - realised	16 261	21 975
Acceptance and initiation fee	5 816	-
Foreign exchange gains/(losses) - unrealised	1 334	1 970
Income from asset retirement	-	13 541
Rental income	-	959
	92 967	**58 000**

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:

Staff costs		
Cost of goods sold	274 443	299 745
Operating expenses	351 993	244 155
Selling expenses	39 735	10 770
Total staff costs	**666 171**	**554 670**

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. Re-measurements are recognised in profit or loss in the period when they arise.

Refer to note 26 for details of staff related provisions.

	2023 R '000	2022 R '000
Depreciation recognised through		
Cost of goods sold	227 265	317 416
Operating expenses	35 002	51 776
Selling expenses	-	1 318
Total depreciation	**262 267**	**370 510**
Expenses/(income)		
Royalty expenses	149 337	140 442
Defined contribution plan (included in staff costs)	30 903	19 628
Foreign exchange movements - unrealised	6 968	51
Audit fees	6 507	3 831
Foreign exchange movements - realised	(699)	95
Legal fees	-	4 950
Consulting and professional fees	1 781	1 278

8. Finance income

	2023 R '000	2022 R '000
Interest earned on		
Group companies	6 492	37 496
Bank deposits, cash and other	7 418	29 175
Retirement benefit assets	-	485
Tax authorities	-	378
Total interest income	**13 910**	**67 534**

Finance income consists of interest earned on deposits with group companies, bank deposits and 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

	2023 R '000	2022 R '000
Interest expense on/to		
Bonds	867 285	142 791
Bank and other cash	377 114	475 571
Retirement benefit obligations	9 472	7 965
Non-group lease liabilities	7 763	1 754
Group companies	7 696	11 801
Group lease liabilities	-	2 996
Total finance costs	**1 269 330**	**642 878**

9. Finance costs (continued)

Finance costs comprise the interest expense incurred on bonds issued, borrowings from group companies and financial institutions, 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

	2023 R '000	2022 R '000
Major components of the tax expense		
Current		
Charge for the current year	261 744	215 910
Under provision from the previous year	1 977	2 449
	263 721	**218 359**
Deferred		
Originating and reversing temporary differences	(218 146)	(120 419)
Changes in tax rates	-	16 177
Over provision from the previous year	6 332	(16 721)
	(211 814)	**(120 963)**
	51 907	**97 396**

Reconciliation of the tax rate

	2023	2022
Applicable tax rate	27.00 %	28.00 %
Adjusted for:		
Deferred tax credit loss realisation	(18.52)%	1.12 %
Fines and penalties	- %	0.04 %
Tax rate change	- %	5.77 %
Income received in advance	0.23 %	(0.45)%
Capital gains tax	0.11 %	0.32 %
Prior year adjustments - current taxation	0.52 %	0.76 %
Prior year adjustments - deferred taxation	1.90 %	(5.21)%
Effective taxation rate	**11.24 %**	**30.35 %**

The statutory income tax rate of 28% in 2022 was reduced to 27% in 2023.

Taxation receivable of R 181.3 million (2022: R 80.6 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.

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.

10. Taxation (continued)

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.

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
Receivables 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
Payables to group companies	313 174
Other current liabilities	5 738
Total liabilities	**509 018**

Notes to the Consolidated Financial Statements

11. Business combinations (continued)

	2022 R '000
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.

Due to the re-measurement, MBSA refunded R 1.3 million to DTSA.

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.

	2023 R '000	2022 R '000
Cash and cash equivalents consist of:		
Cash on hand	200	-
Held locally	86 314	116 988
Held with Daimler Truck AG*	255 611	43 096
	342 125	**160 084**

* 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

	2023 R '000	2022 R '000
Financial instruments		
Trade receivables, net of allowance for impairment	681 662	424 402
Other receivables	41 529	50 832
Trade receivables at amortised cost	**723 191**	**475 234**
Non-financial instruments		
VAT	41 038	203 448
Other non-financial assets	16 951	9 329
Total trade and other receivables	**781 180**	**688 011**

Categorisation of trade and other receivables

	2023 R '000	2022 R '000
At amortised cost	723 191	475 234
Non-financial instruments	57 989	212 777
	781 180	**688 011**

Notes to the Consolidated Financial Statements

13. Trade and other receivables (continued)

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.

	2023 R '000	2022 R '000
Movement in allowance for impairment of doubtful receivables		
The movement in the loss allowance for trade receivables are as follows:		
Opening balance	61 290	37 271
Additional allowance raised	22 707	17 546
Unused amounts reversed	(4 020)	-
Amounts utilised	(2 891)	(988)
Amounts written off	(2 246)	-
Through business acquisition	-	7 461
Closing balance	**74 840**	**61 290**

For 2023 the increase in the credit loss allowance was due to the increase in the receivables balance. The movement in the credit loss allowance for 2022 indicates a substantial increase; largely due to the SMH portfolio acquired as part of the growth strategy of the company.

Trade receivables to the extent of R 4.9 million (2022: R 0.998 million) have been written off and are not subject to enforcement activity.

Credit risk rating - 2023	**Gross carrying amount R '000**	**At risk R '000**	**Weighted average loss rate**	**Loss allowance R '000**
Minimal risk	356 065	31 092	1.0 %	3 139
Low risk	165 595	20 797	4.3 %	6 241
Medium risk	36 268	15 616	18.9 %	5 965
High risk	198 574	80 398	34.5 %	59 495
	756 502	**147 903**		**74 840**

2022				
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**

13. Trade and other receivables (continued)

Financial assets at amortised cost

Financial assets recognised in the statement of financial position include cash and cash equivalents, trade and other receivables and receivables from group companies, comprising short-term receivables from customers and group companies from normal 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:

- 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;
- 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
- frequency, volume and timing of sales of financial assets in prior periods, reason for such sales and expectations for future sales activity.

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

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

Notes to the Consolidated Financial Statements

	2023 R '000	2022 R '000

14. Inventories

	2023 R '000	2022 R '000
Raw materials	48 457	63 207
Work in progress	408 730	525 102
Finished goods	3 605 258	3 168 223
	4 062 445	**3 756 532**
Inventories (write-downs)	(183 726)	(170 953)
	3 878 719	**3 585 579**

	2023 R '000	2022 R '000
Inventories expensed during the year	11 362 501	9 378 495
Write-down of stock	12 773	55 886

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.

15. Loans and advances to customers

	2023 R '000	2022 R '000
Instalment sale receivables	8 193 995	6 357 327
Finance lease receivables	4 455 515	3 968 422
Wholesale vehicle financing receivables	3 316 523	2 570 205
Retail portfolio	31 183	32 955
Other receivables	1 680	579
Gross loans and advances to customers	**15 998 896**	**12 929 488**
Impairment losses	(668 621)	(453 915)
	15 330 275	**12 475 573**

The increase in the carrying amount of R 487 million in finance leases and R 1.8 billion in instalment sale receivables relate to a significant growth in business, which consequentially resulted in an increase in the portfolio.

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

	2023			2022		
Instalment sale receivables	**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**
1 year	3 591 830	(674 676)	2 917 154	2 685 219	(603 614)	2 081 605
1 - 2 years	2 834 716	(551 062)	2 283 654	2 112 584	(388 511)	1 724 073
2 - 3 years	2 046 739	(398 493)	1 648 246	1 514 739	(215 514)	1 299 225
3 - 4 years	1 149 661	(227 083)	922 578	838 409	(97 757)	740 652
4 - 5 years	418 578	(84 263)	334 315	371 909	(36 795)	335 114
5+ years	108 148	(20 100)	88 048	192 383	(15 725)	176 658
	10 149 672	**(1 955 677)**	**8 193 995**	**7 715 243**	**(1 357 916)**	**6 357 327**

15. Loans and advances to customers (continued)

Finance lease receivables	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
1 year	1 996 537	(353 400)	1 643 137	1 419 352	(356 964)	1 062 388
1 - 2 years	1 567 354	(288 731)	1 278 623	1 311 497	(249 589)	1 061 908
2 - 3 years	1 037 768	(203 519)	834 249	1 082 532	(146 404)	936 128
3 - 4 years	607 826	(109 444)	498 382	793 997	(57 234)	736 763
4 - 5 years	203 954	(38 811)	165 143	170 115	(11 887)	158 228
5+ years	45 799	(9 818)	35 981	13 149	(142)	13 007
	5 459 238	**(1 003 723)**	**4 455 515**	**4 790 642**	**(822 220)**	**3 968 422**

Summary of loss allowance

At 31 December 2023, loans and advances to customers of R 669 million were impaired and provided for.

Classification	Stage 1	Stage 2	Stage 3	
2023	**12-month ECL R '000**	**Lifetime ECL not credit impaired R '000**	**Lifetime ECL credit impaired R '000**	**Total R '000**
Instalment sale agreements	63 981	22 980	336 862	423 823
Finance leases	46 390	8 877	186 440	241 707
	110 371	**31 857**	**523 302**	**665 530**
Wholesale vehicle financing - corporate dealers				3 091
				668 621

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**
Instalment sale agreements	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 - expected growth rate				2 424
				453 915

Loss allowance per category 2023	Finance lease R '000	Instalment sale agreements R '000	Wholesale R '000	Total R '000
Corporate financing	208 370	325 497	3 091	536 958
Retail small business	31 865	96 644	-	128 509
Retail portfolio financing	1 472	1 682	-	3 154
	241 707	**423 823**	**3 091**	**668 621**

15. Loans and advances to customers (continued)

2022	Finance lease R '000	Instalment sale agreements 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**

Credit risk rating **2023**	Gross carrying amount R '000	At risk R '000	Weighted average loss rate	Loss allowance R '000
Class A: Risk grade 1&2 - Good	2 746 780	2 703 813	1.6 %	42 967
Class B: Risk grade 3&4 - Fair	7 809 498	7 614 932	2.5 %	194 566
Class C: Risk grade 5&6 - Medium	1 237 468	1 181 003	4.6 %	56 465
Class D: Risk grad 7&8 - Risky	873 692	499 069	42.9 %	374 623
	12 667 438	**11 998 817**		**668 621**
2022				
Class A: Risk grade 1&2 - Good	2 088 843	2 063 355	1.2 %	25 488
Class B: Risk grade 3&4 - Fair	10 073 575	9 888 183	1.8 %	185 392
Class C: Risk grade 5&6 - Medium	826 954	772 313	6.6 %	54 641
Class D: Risk grad 7&8 - Risky	231 094	42 700	81.5 %	188 394
	13 220 466	**12 766 551**		**453 915**

The exposure of each customer is allocated a credit risk grade by DTFS. The risk grade is determined by an internal scoring system that is based on data that is deemed predictive of potential loss. This data includes, but is not limited to external ratings, financial statements, management accounts, projections, available public information and documented discussions and write ups.

The ECL is calculated on each credit risk grade based on the delinquency status and actual credit losses experienced, using a set of parameters managed centrally by head office. These parameters are adjusted twice yearly, once for future expectations ("FE") and once for loss given default ("LGD") based on the most up to date internal and external information available.

	2023 R '000	2022 R '000
Movement in allowance for impairment losses on loans and advances to customers		
Opening balance	453 915	376 287
Net remeasurement of loss allowance	300 711	126 326
Amounts written off as uncollectable	(86 005)	(48 698)
Closing balance	**668 621**	**453 915**
Ageing of loss allowance for retail receivables		
Not past due	363 830	205 304
Past due 1 - 30 days	42 983	96 651
Past due 31 - 365 days	261 808	151 960
	668 621	**453 915**

15. Loans and advances to customers (continued)

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):

Description	Type of advance	Group policy on past due/impaired
Past due advances	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.	
	Loans with a specific expiry date (term loans etc.) and consumer loans repayable by regular instalments (personal loans)	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.
Non-performing loans	Retail loans	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.
	Wholesale advances to motor vehicle dealerships	Analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.
Renegotiated advances	Past due advances which have been re-negotiated i.e. due to deterioration in the counterparty's financial condition, the group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance. Excludes advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original.	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.

Impairment of loans and advances to customers

The substantial increase in ECL is due to the growth in the loans and advances portfolio. The growth in the portfolio resulted in a corresponding growth in the ECL. The target provision coverage of 3.9% to 4.2%, which is based on the current portfolio performance and delinquencies, was maintained.

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

Specific impairments

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

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

15. Loans and advances to customers (continued)

Portfolio impairments

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

Write-offs

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

Amounts written off as uncollectable, amounting to R 86 million (2022: R 48.6 million), are subject to a continuing legal debt collection process.

	2023 R '000	2022 R '000
16. Deferred initial direct costs		
Opening balance	17 518	17 141
Costs capitalised on contract activations	13 534	12 349
Disposals on contract terminations	(1 440)	(1 717)
Amortisation	(10 728)	(10 255)
	18 884	**17 518**
Less: Current portion	(8 394)	(7 787)
Non-current portion	**10 490**	**9 731**
Deferred initial direct costs have been capitalised as a result of the activation of lease contracts as follows		
Receivables from financial services	17 822	16 476
Rental and operating assets	1 062	1 042
	18 884	**17 518**

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. Receivables from group companies

Trade receivables

	2023 R '000	2022 R '000
Daimler Truck AG	29 166	18 268
Mitsubishi Fuso Truck and Bus Corporation	33 515	10 126
Daimler FleetBoard GmbH	-	4 904
Daimler Truck Financial Services Germany	325	-
Daimler Trucks North America LLC	4 552	-
Warranty recoveries	10 789	(5 131)
	78 347	**28 167**

Exposure to credit risk

Trade receivables 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.

Notes to the Consolidated Financial Statements

17. Receivables 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 receivables are measured at amortised cost using the effective interest method, less any impairment losses.

The carrying value of receivables from group companies approximates the fair value, due to market related interest rates applied.

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

	2023			2022		
	Cost R '000	Accumulated depreciation and impairment R '000	Carrying amount R '000	Cost R '000	Accumulated depreciation and impairment R '000	Carrying amount R '000
Land and buildings	184 246	(5 935)	178 311	125 506	(2 253)	123 253
Plant and machinery	49 813	(26 475)	23 338	81 757	(68 101)	13 656
Other equipment, factory and office equipment	75 782	(38 236)	37 546	93 656	(68 295)	25 361
Motor vehicles	16 948	(7 837)	9 111	22 575	(7 396)	15 179
Assets under construction	31 518	-	31 518	82 138	-	82 138
Property, plant and equipment	**358 307**	**(78 483)**	**279 824**	**405 632**	**(146 045)**	**259 587**
Rental and operating leases	1 157 866	(325 035)	832 831	1 184 068	(415 526)	768 542
Manufacturing leases	270 840	(40 099)	230 741	216 915	(61 034)	155 881
Assets leased under operating leases	**1 428 706**	**(365 134)**	**1 063 572**	**1 400 983**	**(476 560)**	**924 423**
Right-of-use assets (land and buildings)	**206 696**	**(130 124)**	**76 572**	**161 918**	**(84 485)**	**77 433**

Reconciliation of property, plant and equipment, assets leased under operating leases and right-of-use assets - 2023

	Opening balance R '000	Additions R '000	Disposal/ scrapping R '000	Transfers R '000	Deprecia- tion R '000	Impairmen t (loss)/ reversal R '000	Closing balance R '000
Land and buildings	123 253	7 753	-	50 986	(3 681)	-	178 311
Plant and machinery	13 656	4 492	-	8 496	(3 306)	-	23 338
Other equipment, factory and office equipment	25 361	14 516	(9)	3 828	(6 150)	-	37 546
Motor vehicles	15 179	1 206	(2 914)	-	(4 360)	-	9 111
Assets under construction	82 138	12 690	-	(63 310)	-	-	31 518
Property, plant and equipment	**1 184 010**	**40 657**	**(2 923)**	**-**	**(17 497)**	**-**	**1 343 396**
Rental and operating leases	768 542	291 883	(42 256)	-	(139 906)	(45 432)	832 831
Manufacturing leases	155 881	358 702	(233 074)	-	(53 896)	3 128	230 741
Assets leased under operating leases	**924 423**	**650 585**	**(275 330)**	**-**	**(193 802)**	**(42 304)**	**1 063 572**
Right-of-use assets (land and buildings)	**77 433**	**44 778**	**-**	**-**	**(45 639)**	**-**	**76 572**

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 - 2022

	Opening balance R '000	Additions R '000	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	**001 455**	**957 465**	**22 854**	**(456 242)**	**-**	**(230 209)**	**(111 313)**	**-**	**184 010**
Rental and operating leases	802 261	401 126	-	(201 476)	-	(130 733)	(102 636)	-	768 542
Manufacturing leases	153 348	354 298	-	(250 953)	-	(92 135)	(8 677)	-	155 881
Assets leased under operating leases	**955 609**	**755 424**	**-**	**(452 429)**	**-**	**(222 868)**	**(111 313)**	**-**	**924 423**
Right-of-use assets (land and buildings)	**87 349**	**26 410**	**1 963**	**-**	**-**	**(37 226)**	**-**	**(1 063)**	**77 433**

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

Property, plant and equipment categories and measurement

<table>
<tr><th>Categories</th><th>Initial measurement</th><th>Subsequent measurement</th><th>Depreciation method</th><th>Impairment</th></tr>
<tr><td>Land</td><td rowspan="3">Property, plant and equipment is initially recognised at cost.</td><td>Cost less accumulated impairment losses.</td><td>Not depreciated.</td><td rowspan="3">Assets are tested for impairment, when there is an indication that it may be impaired, by determining the recoverable amount of the assets either individually or at the cash generating unit level. Impairments are included within other operating expenses in profit or loss.</td></tr>
<tr><td>Buildings
Plant and equipment
Other equipment, factory and office equipment
Assets leased under operating leases</td><td>Cost less accumulated depreciation and accumulated impairment losses.</td><td>Depreciation on straight-line method over the estimated useful life to the residual values.</td></tr>
<tr><td>Assets under construction</td><td>Cost less accumulated impairment losses.</td><td>Not depreciated.</td></tr>
</table>

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

	2023 R '000	2022 R '000

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

Maturity profile of gross investment in operating leases due

	2023 R '000	2022 R '000
1 year	495 335	226 245
1 - 2 years	95 028	232 277
2 - 3 years	158 394	69 670
3 - 4 years	198 850	168 229
4 - 5 years	167 030	130 082
5+ years	-	73 227
	1 114 637	**899 730**

Assets leased under operating leases

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

The net realisable value is calculated based on the anticipated market value at the end of the contract and is revised on a monthly basis.

The residual value guaranteed is based on the value stipulated in the contract, as well as the vehicle condition having to meet the requirements as set out in the contract. The group is not at risk for impairment considerations based on the condition of the vehicle and thus only market risk is taken into account when considering the impairment of the leased assets.

Rental and operating assets are operating lease contracts with customers, where DTFS is the lessor and administers these assets on behalf of DTSA. 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.

Recoverable amount

The group regularly reviews the factors determining the values of its leased vehicles. In particular it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions are made regarding major influencing factors, such as the expected number of model changes.

Those assumptions are determined either by:
- qualified estimates, which are based, as far as publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sales prices; or
- publications provided by expert third parties.

The residual values thus determined serve as a basis for depreciation considerations. Changes in residual values lead either to prospective adjustments of the depreciation or, in the case of a significant decline in expected residual values, to an impairment. If depreciation is prospectively adjusted, change in estimates of residual values do not have a direct effect, but are equally distributed over the remaining periods of the lease contract.

Impairment of assets leased under operating leases

As at 31 December 2023 an impairment of R 45.4 million (2022: R 111 million) was raised on assets leased under operating leases.

After initial recognition, the leased asset is tested for impairment according to IAS 36, whereas due and overdue lease rentals are reviewed for impairment according to IFRS® Accounting Standard 9.

From an economical point of view, the credit risk associated with a contract does not depend on the type of leasing or financing; therefore the DAG group implemented one common model, the DTAG IBIS model, to calculate allowances for all its contracts applying the principles of IFRS® Accounting Standard 9. The IFRS® Accounting Standard 9 impairment model includes the requirements of IAS 36 with certain adjustments.

Factors that could lead to potential impairment includes, but are not limited to:
- default of rental payments;
- lower market value of the vehicle; or
- losses from remarketing in the event of a hostile termination etc.

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

Below is a summary of the assumptions and estimates used in calculating impairment.

Future cash flows

The present value of all contracts, as a series of discounted cash flows, is considered based on statistical and historical information ("PD"/"LGD"), probability of default, loss given default as well as future expectations ("FE"). The total exposure of the operating lease contracts consists of the future instalments, including the expected residual value and the lease rentals presented as trade receivables.

Discount rate

The contractual interest rate for discounting the future cash flows is applied, in line with IAS 36, for the usage of a current market risk free rate adjusted by risks specific to the asset.

The interest rate of the lease contract reflects accurately the risk adjusted interest specific to the contract, which is also in accordance with the overall approach on a group level.

Trigger event

The impairment calculation of the portfolio is performed for all contracts within all three stages until the vehicle is repossessed. Since there is no trigger observable for stage one, the ECL related to stage one will be reversed at group level in line with IAS 36.

Triggering events could result from overdue customers payments, losses from remarketing in the case of hostile terminations etc.

18.1 Right-of-use assets

2023	Opening balance R '000	Additions and acquisition transaction R '000	Depreciation R '000	Closing balance R '000
Land and buildings	47 854	34 619	(44 903)	37 570
Vehicles	29 579	10 159	(736)	39 002
	77 433	**44 778**	**(45 639)**	**76 572**

2022	Opening balance R '000	Additions 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**

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

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

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

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

DTSA leases land and buildings from MBSA, including space for its plant.

19. Intangible assets and goodwill

	2023			2022		
	Cost R '000	Accumulated amortisation R '000	Carrying amount R '000	Cost R '000	Accumulated amortisation R '000	Carrying amount R '000
Software	40 178	(5 164)	35 014	44 978	(5 115)	39 863
Goodwill	112 079	-	112 079	122 320	-	122 320
Customer base	4 800	(480)	4 320	-	-	-
Total	**157 057**	**(5 644)**	**151 413**	**167 298**	**(5 115)**	**162 183**

Reconciliation of intangible assets and goodwill - 2023

	Opening balance R '000	Transfers R '000	Re-measurements R '000	Amortisation R '000	Closing balance R '000
Software	39 863	-	-	(4 849)	35 014
Goodwill	122 320	(12 200)	1 959	-	112 079
Customer base	-	4 800	-	(480)	4 320
Order backlog	-	7 400	-	(7 400)	-
	162 183	**-**	**1 959**	**(12 729)**	**151 413**

Goodwill relates to the acquisition of SMH, refer note 11.

During the year the SMH purchase price allocation was completed, resulting in the separate recognition of other intangible assets of R 12.2 million. Goodwill was remeasured by the resultant R 3.2 million deferred taxation and a R 1.3 million refund by MBSA.

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**

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

Computer software

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

Goodwill

Goodwill arose solely from the acquisition of SMH.

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 and management assessed that no impairment is required.

19. Intangible assets and goodwill (continued)

For 2023, the basis on which the recoverable amount has been determined is fair value less cost of disposal estimated using the discounted cashflow. The key assumptions used in calculating the discounted cashflow includes a terminal growth rate of 2.2% and the discount rate of 16.5%, this is based on Level 3 fair value. The period on which the discounted cash flow is based, is up to 2028.

	Note	2023 R '000	2022 R '000
20. Retirement benefit plan assets and obligations			
Net retirement defined benefit plan asset	20.1	-	-
Post-retirement medical aid benefit obligation	20.2	(92 759)	(84 000)

20.1 Net retirement defined benefit plan asset

	2023 R '000	2022 R '000
Present value of obligation	(113 804)	(72 533)
Fair value of plan assets	113 804	72 533
Less: impact of application of asset ceiling*	-	-
Net defined benefit asset after application of asset ceiling	**-**	**-**

* 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 were transferred from the Mercedes-Benz South Africa Pension Fund following the finalisation of the Section 14 process in 2023.

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	
	2023 R '000	**2022 R '000**	**2023 R '000**	**2022 R '000**
Opening balance	72 533	51 714	72 533	45 936
Included in profit or loss				
Current service cost	-	-	-	1 984
Interest	-	485	-	676
	-	**485**	**-**	**2 660**
Included in OCI				
Actuarial losses				
Experience adjustment	-	(898)	-	24 250
Re-measurements	-	18 315	-	-
	-	**17 417**	**-**	**24 250**
Other				
Benefits paid	(3 743)	-	(3 743)	-
Contributions received	3 109	791	3 109	-
Employee contributions	1 308	2 189	1 308	877
Change in plan assets and obligations	9 099	-	9 099	-
Participation of DTFS employees	31 498	(63)	31 498	(1 190)
	41 271	**2 917**	**41 271**	**(313)**
Closing balance	**113 804**	**72 533**	**113 804**	**72 533**

	2023 R '000	**2022 R '000**
Impact on future cash flows		
The expected contributions to the plan for the next annual reporting period (2023) are:		
Employer contribution	3 109	2 103
Fair value of plan assets comprises		
Bonds	24 068	58 825
Equities	74 551	12 127
Property	6 208	184
Non-exchange traded instruments	454	-
Alternative investments	117	-
Derivatives net of cash	-	(8)
Cash and cash equivalents	8 406	1 405
	113 804	**72 533**

Refer to note 3.4.2 for the actuarial assumptions applied in determining the present value of the fair value of planned assets.

20.2 Continuation of the post-retirement medical aid benefit obligation

Present value of portfolio obligation	92 759	84 000

Notes to the Consolidated Financial Statements

20. Retirement benefit plan assets and obligations (continued)

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.

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:

	2023 R '000	2022 R '000
Opening balance	84 000	67 996
Included in profit or loss		
Current service cost	1 341	1 805
Interest cost	9 472	7 289
	10 813	**9 094**
Included in OCI		
Financial assumptions	2 617	-
Subsidy policy	(5 060)	9 314
Economic assumptions	(913)	(784)
Experience adjustments	4 326	(5 820)
	970	**2 710**
Other		
Benefits paid	(3 024)	(3 068)
Acquired liability	-	7 268
Closing balance	**92 759**	**84 000**

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:

2023	**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 %	13.00 %	10 353	14.20 %	1 829
	(1.00)%	(10.90)%	(8 625)	(11.70)%	(1 512)
Mortality	+1 year	(10.50)%	(8 304)	(11.00)%	(1 424)
	-1 year	12.60 %	9 999	13.40 %	1 726
Resignation	1.00 %	(3.20)%	(2 503)	(3.90)%	(500)
	(1.00)%	3.50 %	2 808	4.40 %	563

Notes to the Consolidated Financial Statements

20. Retirement benefit plan assets and obligations (continued)

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 year	(10.90)%	8 002	(11.57)%	1 246
	-1 year	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

Refer to note 3.4.2 for the actuarial assumptions applied in determining the present value of the defined benefit obligation.

	2023 R '000	2022 R '000
Impact on future cash flows		
The expected benefit payments for the next annual reporting period are:		
Benefit payments	3 153	3 024

20.3 Post-employment benefits

Defined contribution plans

The defined contribution plan refers to the Momentum 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 Momentum Funds at Work, 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.

20. Retirement benefit plan assets and obligations (continued)

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.

	2023 R '000	2022 R '000
21. Deferred tax		
Reconciliation of movement in net deferred tax asset		
At beginning of year	528 225	452 924
Equity movement (bargain purchase price)	-	2 340
Current period charge through profit or loss	218 146	120 419
Current period charge through OCI		
Retirement benefit asset and liabilities - current year	262	3 291
Retirement benefit asset and liabilities - prior year under provision	(2 690)	-
Prior period charge through profit or loss	(6 332)	16 721
Tax rate change	-	(16 177)
Acquired portfolio	(3 294)	(115 102)
Impairment of acquired portfolio	64 735	63 809
Closing balance	**799 052**	**528 225**
Deferred tax asset		
Deferred revenue	532 328	421 404
Credit impairment provisions	105 992	7 423
Accruals	56 184	35 308
Stock provisions	42 280	41 244
Provisions	27 688	29 558
Retirement benefit assets	26 266	20 883
Allowance for impairment on trade receivables	10 249	19 339
Income received in advance	10 636	7 191
Finance leases	7 549	10 126
Post retirement	-	2 814
Lease liability	22 830	2 079
Operating lease portfolio	-	580
Vehicles and equipment	387	269
	842 389	**598 218**
Deferred tax liability		
Right-of-use assets	(20 344)	-
Capital allowances	(7 874)	(1 732)
Vehicles and equipment	(5 594)	(2 867)
Operating lease portfolio	(3 858)	(5 844)
Post retirement	(3 072)	-
Post retirement benefits - OCI	(1 411)	-
Intangible assets	(1 166)	-
Prepayments	(18)	(14)
Finance lease portfolio	-	(59 536)
	(43 337)	**(69 993)**
Total net deferred tax asset	**799 052**	**528 225**

Notes to the Consolidated Financial Statements

	2023 R '000	2022 R '000
22. Trade and other payables		
Financial instruments		
Trade payables	524 740	381 128
Other payables	168 982	113 355
Accruals	228 378	193 774
	922 100	**688 257**
Non-financial instruments		
VAT	32 581	18 484
Employee related liabilities	44 436	48 494
Other non-financial payables	711	712
	999 828	**755 947**

Liabilities at amortised cost

Financial instruments recognised in the consolidated statement of financial position include trade and other payables to third parties, 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.

	2023 R '000	2022 R '000
23. Payables to group companies		
Daimler Truck AG	736 186	625 537
Mercedes-Benz do Brazil Ltda.	27 859	27 765
Daimler Trucks North America	6 070	9 068
Daimler India Commercial Vehicles	261	1 179
Mitsubishi Fuso Truck and Bus Corporation	-	194 711
Daimler Truck Financial Services GmbH	-	1 700
EvoBus GmbH	-	43
	770 376	**860 003**

	2023 R '000	2022 R '000

24. Lease liabilities

	2023 R '000	2022 R '000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	53 946	42 481
One to five years	40 386	47 517
Total undiscounted lease liabilities at year-end	**94 332**	**89 998**

	2023 R '000	2022 R '000
Lease liabilities included in the statement of financial position		
Non-current	39 652	78 707
Current	46 129	6 423
	85 781	**85 130**

At the end of the reporting period lease liabilities of:

- R 40.4 million (2022: R 7.9 million) are due to MBSA for the leasing of plant premises;
- R 22.1 million (2022: R nil) is due for the parts warehouse logistics center.
- R 19.9 million (2022: R 30.2 million) is due to AVIS for long term company car rentals.
- In 2022 R 7.8 million (2023: R nil) was due to Bondev Properties for long term leasing of the call centre.

	2023 R '000	2022 R '000
Other disclosure		
Profit or loss: Interest on lease liability	7 763	4 750
Total cash outflow related to leases	44 127	39 351

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

	2023 R '000	2022 R '000
FleetBoard	-	234

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.

FleetBoard

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

Notes to the Consolidated Financial Statements

26. Provisions

Reconciliation of provisions - 2023

	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	83 426	58 643	(61 572)	(3 609)	-	76 888
Onerous service and maintenance contracts	12 928	6 026	-	-	-	18 954
Warranty claims	6 315	8 062	(9 677)	-	-	4 700
Environmental rehabilitation	4 237	-	-	(4 237)	-	-
Residual value	2 567	3 972	-	(4 534)	-	2 005
	109 473	**76 703**	**(71 249)**	**(12 380)**	**-**	**102 547**

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**

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 provisions 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.

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.

Notes to the Consolidated Financial Statements

	2023 R '000	2022 R '000
27. Contract liabilities		
Maintenance, service and extended warranty contracts	917 577	740 877
Rebates and discounts	615 658	513 579
FleetBoard	268 071	198 483
Residual value enhancements	4 543	13 116
Prepayments received for clients' vehicles not yet delivered	15 433	-
	1 821 282	**1 466 055**

Reconciliation of contract liabilities

	Maintenance, service and extended warranties R '000	FleetBoard R '000	Rebates and discounts R '000	Residual value enhancements R '000	Prepayments R '000	Total R '000
2023						
Opening balance	740 877	198 483	513 579	13 116	-	1 466 055
Additions	738 201	124 740	631 699	-	15 433	1 510 073
Utilisation	(561 501)	(55 152)	(529 620)	(8 573)	-	(1 154 846)
	917 577	**268 071**	**615 658**	**4 543**	**15 433**	**1 821 282**
2022						
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**

Split between current and non-current

	Maintenance, service and extended warranties R '000	FleetBoard R '000	Rebates and discounts R '000	Residual value enhancements R '000	Prepayments R '000	Total R '000
2023						
Non-current	616 948	199 946	-	3 774	-	820 668
Current	300 629	68 125	615 658	769	15 433	1 000 614
	917 577	**268 071**	**615 658**	**4 543**	**15 433**	**1 821 282**
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**

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

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

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

FleetBoard is a distinct performance obligation. It is sold as a standard feature with the vehicle and initially recognised as a contract liability. It is subsequently released into revenue over a period of 5 years.

Notes to the Consolidated Financial Statements

27. Contract liabilities (continued)

Residual value enhancement is recognised at inception of the contract and will be released at the end of the contract, which is within 4 years of inception.

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

28. Interest-bearing borrowings

	2023 R '000	2022 R '000
Held at amortised cost		
Bank loans	-	2 000 000
Bonds issued under DMTN Programme	11 876 983	7 496 430
Bank overnight and short-term facilities	3 824 000	3 129 000
	15 700 983	**12 625 430**
Details of movement		
Opening balance	12 625 430	10 000 000
Bank loans repaid	(2 000 000)	(8 000 000)
Bonds issued	5 500 000	7 500 000
Transaction costs capitalised	(3 958)	(4 377)
Transaction costs released to effective interest expense	2 511	807
Bonds matured and repaid	(1 118 000)	-
Bank overnight facilities obtained	695 000	3 129 000
	15 700 983	**12 625 430**

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 37.

Bank loans

In 2021, DTSA obtained bank loans of R 10 billion from various financial institutions for the funding requirements of the group entities. The bank loans bore interest at market related rates of interest, which was the aggregate of the applicable margin and JIBAR. These loans have been repaid in full (2023: R 2 billion; 2022: R 8 billion).

Interest on each loan was payable quarterly in arrears with capital repayable as a bullet payment at the end of the term of the loan.

All loans were jointly guaranteed by DTHAG and DTAG. The loans have since been repaid. 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	30/11/2023	3M JIBAR (7.2%)	115 bps
Bank 4	Yes (2x 6 months)	1 000 000	30/11/2021	30/11/2023	3M JIBAR (7.2%)	113 bps
Total bank loans	**-**	**2 000 000**				

28. Interest-bearing borrowings (continued)

Bonds

During the 2022 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 5.5 billion (2022: R 7.5 billion) was issued during the financial year, the proceeds of which, along with available cash, was used to repay the bank loans and the bonds that matured, and for funding the DTFS business.

The 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:

2023	Listed	Issue amount R '000	Issue date	Settlement date	Reference rate 3M JIBAR	Applicable margin	All-in rate
DTF002	Yes	1 090 000	28/06/2022	28/06/2025	8.400%	109 bps	9.490%
DTF004	Yes	792 000	14/09/2022	14/09/2025	8.392%	109 bps	9.482%
DTF005	Yes	358 000	15/06/2023	15/06/2024	8.392%	80 bps	9.192%
DTF006	Yes	1 142 000	15/06/2023	15/06/2026	8.392%	103 bps	9.422%
DTF007	Yes	300 000	14/09/2023	14/09/2024	8.392%	60 bps	8.992%
DTF008	Yes	700 000	14/09/2023	14/09/2026	8.392%	97 bps	9.362%
DTP008	Yes	500 000	04/08/2023	04/08/2024	8.358%	76 bps	9.118%
DTP01U	No	1 000 000	12/08/2022	12/08/2025	8.358%	108 bps	8.438%
DTP02U	No	1 000 000	18/11/2022	18/11/2025	8.367%	108 bps	9.447%
DTP03U	No	500 000	21/11/2022	21/05/2026	8.367%	108 bps	9.447%
DTP04U	No	1 000 000	22/11/2022	22/11/2024	8.367%	105 bps	9.417%
DTP05U	No	1 000 000	22/11/2022	22/05/2026	8.367%	113 bps	9.497%
DTP06U	No	1 000 000	28/02/2023	28//02/2024	8.367%	95 bps	9.317%
DTP07U	No	500 000	03/08/2023	03/08/2026	8.358%	103 bps	9.388%
DTP08U	No	1 000 000	08/11/2023	08/11/2026	8.358%	90 bps	9.258%
Total bonds issued		**11 882 000**					
Transaction costs capitalised		(3 958)					
Transaction costs capitalised - prior period		(3 570)					
Transaction costs released to interest expense		2 511					
Carrying amount		**11 876 983**					

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**					

Notes to the Consolidated Financial Statements

28. Interest-bearing borrowings (continued)

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 9.05% and 9.10% (2022: 7.70% and 8.00%).

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

The following table lists the overnight facilities utilised:

2023	Type of facility	Amount owing R '000	Maturity	Reference rate
Bank 1	Overnight	538 000	n/a	9.100%
Bank 1	Fixed 1 month	600 000	29/01/2024	9.050%
Bank 2	Overnight	193 000	n/a	9.100%
Bank 3	Fixed 21 days	600 000	18/01/2024	9.050%
Bank 4	Overnight	1 593 000	n/a	9.100%
Bank 5	Overnight	300 000	n/a	9.100%
Total overnight facilities		**3 824 000**		

2022	Type of facility	Amount owing R '000	Maturity	Reference rate
Bank 1	Overnight	381 000	n/a	7.850%
Bank 1	Fixed 1 month	600 000	30/01/2023	7.750%
Bank 2	Overnight	341 000	n/a	8.000%
Bank 3	Fixed 32 days	500 000	24/01/2024	7.700%
Bank 4	Overnight	1 307 000	n/a	7.900%
Total overnight facilities		**3 129 000**		

	2023 R '000	2022 R '000
29. Share capital		
Authorised		
1 047 380 Ordinary shares of no-par value		
Composition of issued share capital		
1 047 380 Ordinary shares of no-par value	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

	2023 R '000	2022 R '000
Actuarial reserve	1 822	5 219
Other reserves	334 867	334 867
	336 689	**340 086**

Other reserves

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

31. Cash used in operations

	Note	2023 R '000	2022 R '000
Profit before taxation		461 868	320 927
Adjustments for non-cash items			
Depreciation	18	256 939	267 435
Amortisation on intangible assets	19	12 729	4 784
Loss/(profit) on disposal of equipment	18	2 923	(13 858)
Impairment of manufacturing leases		42 304	111 312
Gains on foreign exchange	7	(699)	51
Impairment allowance		330 484	301 689
Retirement benefits: current service cost	20	4 450	3 789
Stock adjustments		12 773	29 877
Changes in operating leases			
Additions to operating lease assets	18	(650 585)	(755 424)
Disposal of operating lease assets	18	275 330	452 429
Interest received			
Interest income	8	(13 910)	(67 049)
Retirement benefit obligations	8	-	(485)
Finance costs			
Interest expense	9	1 259 858	634 913
Retirement benefit obligation	9	9 472	7 965
		2 003 936	**1 298 355**
Changes in working capital			
Increase in inventories		(305 914)	(1 577 191)
Increase in trade and other receivables		(142 956)	(18 358)
Increase in trade and other payables		101 728	87 923
Increase in contract liabilities		355 227	303 104
Decrease in deferred income		(234)	(55 230)
Decrease in provisions	26	(6 925)	(1 066)
Increase in loans and advances to customers		(3 171 635)	(2 844 857)
Increase in deferred initial direct cost		(1 367)	(377)
		(3 172 076)	**(4 106 052)**
		(1 168 140)	**(2 807 697)**

32. Tax paid

	2023 R '000	2022 R '000
Balance at beginning of the year	80 583	37 985
Current tax recognised in profit or loss	(263 721)	(218 359)
Adjustment in respect of businesses acquired	(64 735)	(62 324)
Balance at end of the year	(181 251)	(80 583)
	(429 124)	**(323 281)**

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.

For further detail and related party balances refer to note - trade receivables from related parties, note - trade payables to related parties and note 24 - lease liabilities.

33. Related parties (continued)

	Sales		Purchases	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000
Daimler Truck AG	38 360	48 149	910 888	2 757
Mitsubishi Fuso Truck and Bus Corporation	22 567	20 223	87 700	488
Mercedes-Benz do Brasil Ltda.	322	-	36 311	30 522
Daimler Trucks North America LLC	-	-	1 978	6 698
Daimler India Commercial Vehicles Private Limited	-	-	889	2 754

	Income received		Expenses paid	
	2023 R '000	2022 R '000	2023 R '000	2022 R '000
Selling costs				
Daimler Truck AG	-	-	-	1 160
Interest				
Daimler Truck AG	6 493	2 735	7 696	11 801
Administration and management fee				
Daimler Truck AG	1 720	522	-	3 288
Mitsubishi Fuso Truck and Bus Corporation	-	455	1 597	-
Evobus	-	-	49	-
Mercedes-Benz Group Services Philippines	-	-	-	3 456
Mercedes-Benz South Africa Limited	-	-	-	39
Operating income/(expense)				
Daimler Truck Financial Services AG	10 597	10 597	-	-
Daimler Truck AG	1 358	1 372	-	-

	2023 R '000	2022 R '000
Compensation to directors and other key management		
Short-term employee benefits	20 887	18 210
Post-employment benefits	334	585
	21 221	**18 795**

34. Directors' and prescribed officers' emoluments

Executive directors

2023	Salaries R '000	Bonus related R '000	Other benefits R '000	Pension fund contributions R '000	Total R '000
M Dietz	4 827	2 067	4 609	167	11 670
P Kendzorra	3 886	778	3 309	167	8 140
	8 713	**2 845**	**7 918**	**334**	**19 810**
2022					
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**

Notes to the Consolidated Financial Statements

34. Directors' and prescribed officers' emoluments (continued)

	2023 R '000	2022 R '000
Non-executive directors - fees for services as directors		
N Medupe	575	348
BT Nkambule	374	323
TB Sefolo	462	310
	1 411	**981**

In 2023 directors' fees for JP Burghardt, H Schick and J Distl (2022: A Walluschek van Wallfeld, H Schick and JP Burghardt) amounted to R nil as they did not provide any services to DTSA.

35. 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.

Information about reportable segments

2023	Wholesale and retail vehicles R '000	Financial services R '000	Total R '000
Revenue from sale of vehicles and spare parts	11 698 959	-	11 698 959
Revenue from rendering of services	878 619	-	878 619
Interest revenue	-	1 556 074	1 556 074
Revenue from financial services	-	782 884	782 884
Legal loss recovery	-	112 422	112 422
Total income from sales and financing services	**12 577 578**	**2 451 380**	**15 028 958**
Segment profit (EBIT)	**334 883**	**1 382 405**	**1 717 288**
Finance income	9 682	4 228	13 910
Finance cost	(68 243)	(1 201 087)	(1 269 330)
Taxation	(91 080)	39 173	(51 907)
Profit for the year	**185 242**	**224 719**	**409 961**
Depreciation	(116 835)	(140 104)	(256 939)
Amortisation	(7 945)	(4 784)	(12 729)
Impairment allowance	(13 550)	(373 387)	(386 937)
Segment staff cost	(597 770)	(68 401)	(666 171)
Wholesale and retail vehicle gross/Financial services net assets	21 923 790	1 057 424	22 981 214
Loans and advances to customers	(15 330 275)	15 330 275	-
Segment assets	**6 593 515**	**16 387 699**	**22 981 214**
Wholesale and retail vehicle gross/Financial services net liabilities	(19 242 779)	(330 777)	(19 573 556)
Interest bearing borrowings	15 700 983	(15 700 983)	-
Segment liabilities	**(3 541 796)**	**(16 031 760)**	**(19 573 556)**

Notes to the Consolidated Financial Statements

35. Segmental information (continued)

2022	Wholesale and retail vehicles R '000	Financial services R '000	Total R '000
Revenue from sale of vehicles and spare parts	9 629 106	-	9 629 106
Revenue from rendering of services	871 897	-	871 897
Interest revenue	-	941 992	941 992
Revenue from financial services	-	950 603	950 603
Legal loss recovery	-	49 322	49 322
Total income from sales and financing services	**10 501 003**	**1 941 917**	**12 442 920**
Segment profit (EBIT)	**145 103**	**751 168**	**896 271**
Finance income	32 773	34 761	67 534
Finance cost	(49 350)	(593 528)	(642 878)
Taxation	(80 652)	(16 744)	(97 396)
Profit for the year	**47 874**	**175 657**	**223 531**
Depreciation	(135 191)	(235 320)	(370 511)
Amortisation	(65)	(4 784)	(4 849)
Impairment allowance	(15 569)	(286 120)	(301 689)
Segment staff cost	(485 331)	(69 339)	(554 670)
Impairment reversal	-	(24)	(24)
Wholesale and retail vehicle gross/Financial services net assets	18 130 525	856 841	18 987 366
Loans and advances to customers	(12 475 573)	12 475 573	-
Segment assets*	**5 654 952**	**13 332 414**	**18 987 366**
Wholesale and retail vehicle gross/Financial services net liabilities	(15 738 917)	(247 355)	(15 986 272)
Interest bearing borrowings	12 625 430	(12 625 430)	-
Segment liabilities*	**(3 113 487)**	**(12 872 785)**	**(15 986 272)**

* The allocation of the segment assets and segment liabilities between the reportable segments were amended for the comparative amounts in the current year. There was no impact on any other quantitative or qualitative disclosure.

36. Financial instruments and risk management

36.1 Categories and analysis of assets and liabilities

Assets - 2023

	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	342 125	-	342 125	342 125	-
Trade and other receivables	13	723 191	57 989	781 180	781 180	-
Inventories	14	-	3 878 719	3 878 719	3 878 719	-
Taxation receivable		-	181 251	181 251	181 251	-
Loans and advances to customers	15	15 330 275	-	15 330 275	7 704 598	7 625 677
Deferred initial direct costs	16	-	18 884	18 884	8 394	10 490
Receivables from group companies	17	67 558	10 789	78 347	78 347	-
Assets leased under operating leases	18	-	1 063 572	1 063 572	-	1 063 572
Property, plant and equipment	18	-	279 824	279 824	-	279 824
Right-of-use assets	18	-	76 572	76 572	-	76 572
Intangible assets and goodwill	19	-	151 413	151 413	-	151 413
Deferred taxation	21	-	799 052	799 052	-	799 052
		16 463 149	**6 518 065**	**22 981 214**	**12 974 614**	**10 006 600**

36. Financial instruments and risk management (continued)

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 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
Receivables 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	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**

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

Liabilities - 2023

	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	922 100	77 728	999 828	999 829	-
Payables to group companies	23	770 376	-	770 376	770 376	-
Lease liabilities	24	-	85 781	85 781	6 742	79 039
Provisions	26	-	102 547	102 547	85 464	17 083
Contract liabilities	27	-	1 821 282	1 821 282	1 000 614	820 668
Borrowings	28	15 700 983	-	15 700 983	6 981 416	8 719 567
Post-retirement medical aid benefit obligation	20.2	-	92 759	92 759	-	92 759
		17 393 459	**2 180 097**	**19 573 556**	**9 844 441**	**9 729 116**

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	-
Payables 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
Retirement 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**

Except for interest-bearing borrowings, the fair value of financial liabilities not carried at their fair value approximates their carrying amount.

36.2 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.

Notes to the Consolidated Financial Statements

36. Financial instruments and risk management (continued)

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:

	2023 R '000	2022 R '000
Total assets	22 981 214	18 987 366
Total equity	3 407 658	3 001 094
Capital ratio	14.83 %	15.81 %

36.3 Financial risk management

36.3.1 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.

36.3.2 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.

Default is the failure to make required repayments on a debt, in accordance with agreed upon time frames.

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

		2023			2022		
	Note	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	15 998 896	(668 621)	15 330 275	12 929 487	(453 915)	12 475 572
Cash and cash equivalents	12	342 125	-	342 125	160 084	-	160 084
Trade and other receivables*	13	798 031	(74 840)	723 191	536 524	(61 290)	475 234
Receivables from group companies	17	67 558	-	67 558	33 298	-	33 298
		17 206 610	**(743 461)**	**16 463 149**	**13 659 393**	**(515 205)**	**13 144 188**

* For 2023, all items included in the credit loss allowance are based on the simplified approach, as prescribed by IFRS® Accounting Standard 9.

	2023 R '000	2022 R '000

36. Financial instruments and risk management (continued)

Net trade receivables is composed as follows		
Gross trade receivables from third parties	756 502	485 692
Impairment	(74 840)	(61 290)
	681 662	**424 402**

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

2023	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	(105 100)	(58 417)	(356 798)	(520 315)
Additions	(91 214)	(19 030)	(192 977)	(303 221)
Change in remeasurement ((increase)/decrease of ECL)	11 141	(9 869)	(177 458)	(176 186)
Utilisation (write-off)	5 411	430	75 496	81 337
Derecognition	47 645	28 197	99 082	174 924
Transfer to/from stage 1	(25 024)	12 765	12 259	-
Transfer to/from stage 2	2 665	(3 563)	898	-
Transfer to/from stage 3	2 896	2 248	(5 144)	-
	(151 580)	**(47 239)**	**(544 642)**	**(743 461)**

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)**

Loans and advances to customers

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.

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 default is not significant and therefore no credit loss has been raised.

Notes to the Consolidated Financial Statements

36. 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 2023	**GDP change %**	**Interest rate %**	**Unemployment rate %**
5 year average	0.49 %	8.97 %	26.54 %
At 31 December 2022			
5 year average	5.75 %	5.55 %	30.17 %

Ageing profile of gross trade receivables at the reporting date

2023

	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	756 502	356 065	165 595	36 268	35 108	30 397	133 069
Allowance for impairment	(74 840)	(3 345)	(1 992)	(3 836)	(1 684)	(1 878)	(62 105)
	681 662	**352 720**	**163 603**	**32 432**	**33 424**	**28 519**	**70 964**

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**

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 and DAG.

Trade and other receivables

Trade receivables are mostly receivables from sales activities of vehicles and spare parts, and services rendered with respect to maintenance contracts. 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.

36. Financial instruments and risk management (continued)

Receivables 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.

36. 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 2022, the SARB had indicated their intention to move away from JIBAR and identified a potential successor in the ZARONIA. The new ZARONIA rate was published for observation during 2022 and has now entered the "adoption" phase of the SARB's planned timeline. June 2025 has been identified as the target date for moving to a "new JIBAR" contracts norm in the South African market.

36.3.3 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.

2023

	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
Non-derivative financial liabilities						
Trade and other payables	22	(922 100)	-	-	(922 100)	(922 100)
Payables to group companies	23	(770 376)	-	-	(770 376)	(770 376)
Interest-bearing borrowings	28	(7 141 812)	(10 499 729)	-	(17 641 541)	(15 700 983)
		(8 834 288)	**(10 499 729)**	**-**	**(19 334 017)**	**(17 393 459)**
Non-derivative financial assets						
Cash and cash equivalents	12	86 514	-	-	86 514	86 514
Trade and other receivables	13	723 191	-	-	723 191	723 191
Loans and advances to clients	15	7 704 598	7 625 677	-	15 330 275	15 330 275
Receivables from group companies	17	78 347	-	-	78 347	78 347
		8 592 650	**7 625 677**	**-**	**16 218 327**	**16 218 327**
		(241 638)	**(2 874 052)**	**-**	**(3 115 690)**	**(1 175 132)**

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
Non-derivative financial liabilities						
Trade and other payables	22	(688 257)	-	-	(688 257)	(688 257)
Payables 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)**
Non-derivative financial assets						
Cash and cash equivalents	12	160 084	-	-	160 084	160 084
Trade and other receivables	13	482 520	-	-	482 520	482 520
Loans and advances to customers	15	5 620 693	6 854 882	-	12 475 575	12 475 575
Receivables from group companies	17	28 167	-	-	28 167	28 167
		6 291 464	**6 854 882**	**-**	**13 146 346**	**13 146 346**
		(1 649 215)	**(892 508)**	**-**	**(2 541 723)**	**(1 027 344)**

36. Financial instruments and risk management (continued)

36.3.4 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.

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:

	2023			2022		
	Euro R '000	**USD R '000**	**JPY R '000**	**Euro R '000**	**USD R '000**	**JPY R '000**
Cash and cash equivalents	165 384	636	34 563	30 971	438	1 737
Trade and other receivables	10 200	-	-	21 655	(290)	-
Trade and other payables	46 539	(34 711)	(34 951)	(23 856)	(54 424)	(27 899)
Net exposure	**222 123**	**(34 075)**	**(388)**	**28 770**	**(54 276)**	**(26 162)**
Relevant spot exchange rates	**20.35**	**18.41**	**0.13**	**18.10**	**16.97**	**0.13**

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:

	2023		2022	
Change of 10% in exchange rate	**Increase R '000**	**Decrease R '000**	**Increase R '000**	**Decrease R '000**
Impact on profit or loss and equity:				
Euro	22 212	(22 212)	2 877	(2 877)
USD	(3 408)	3 408	(5 428)	5 428
JPY	(39)	39	(2 616)	2 616

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.

36. Financial instruments and risk management (continued)

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 2023 R '000	Carrying amount 2022 R '000
Variable rate instruments			
Assets			
Loans and advances to customers	15	15 330 275	12 475 573
Cash and cash equivalents	12	342 125	160 084
		15 672 400	**12 635 657**
Liabilities			
Interest-bearing borrowings	28	(15 700 983)	(12 625 430)
Net variable rate financial instruments		**(28 583)**	**10 227**
Fixed rate instruments			
Assets			
Trade and other receivables	13	723 191	475 234
Amounts receivables from group companies	17	67 558	33 298
		790 749	**508 532**
Liabilities			
Trade and other payables	22	(922 100)	(688 257)
Payables to group companies	23	(770 376)	(860 003)
		(1 692 476)	**(1 548 260)**
Net fixed rate financial instruments		**(901 727)**	**(1 039 728)**

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:

	2023		2022	
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	(286)	286	102	(102)

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.

36. Financial instruments and risk management (continued)

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.

37. Fair value information

	2023			2022		
Financial assets and liabilities not held at fair value	**Carrying value R '000**	**Fair value R '000**	**Fair value level**	**Carrying value R '000**	**Fair value R '000**	**Fair value level**
Interest-bearing borrowings	(15 700 983)	(15 828 837)	Level 2	(12 625 430)	(12 675 405)	Level 2

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.

38. Going concern

The consolidated financial statements for the year ended 31 December 2023 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 410 million (2022: R 224 million) for the year ended 31 December 2023 and as at that date the group had a capital ratio of 14.83% (2022: 15.81%).

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 2024 period. Management further believes that proceeds received during 2024 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.

39. Events after the reporting period

Bonds and bank loans

Subsequent to year end, a 1-year bond of R 1 billion matured on 28 February 2024. A 1-year bond of R 0.5 billion was issued on 08 March 2024 and a 3-year bond of R 0.5 billion was issued on 08 March 2024.

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

40. 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 2024 or later periods.

Accounting standard	Effective date - on or after	Description of change	Description of impact
IAS 1 *Presentation of Financial Statements*	1 January 2024	Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	The amendments to the standard do not have any material impact on the group's profitability, liquidity and capital resources and financial position.
IFRS® Accounting Standard 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 to the standard does not have any material impact on the group's profitability, liquidity and capital resources and financial position.
IFRS® Accounting Standard 7 *Financial Instruments: Disclosures* IAS 7 *Statement of Cash Flows*	1 January 2024	The amendments supplements existing disclosure requirements by requiring a company to disclose specific information about its supplier finance arrangements that enables users of the financial statements to assess the effects of those arrangements on the company's liabilities and cash flows and on the company's exposure to liquidity risk.	The amendments to the standard do not have any material impact on the group's profitability, liquidity and capital resources and financial position.
IAS 21 *The Effects of Changes in Foreign Exchange Rates*	1 January 2025	The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determine the exchange rate to use and the disclosures to provide.	The amendments to the standard do not have any material impact on the group's profitability, liquidity and capital resources and financial position.

41. Changes in material accounting policies

Disclosure of accounting policies: Amendments to IAS 1 and Practice Statement 2

The group adopted Disclosure of Accounting Policies - Amendments to IAS 1 and Practice Statement 2 from 1 January 2023. These amendments did not result in any changes to the accounting policies, but impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of "material", rather than "significant" accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the consolidated financial statements.

The amendments did not result in changes to measurement or recognition of financial statement items, but management reviewed the accounting policies and made changes to ensure that only material accounting policy information is disclosed.

Notes to the Consolidated Financial Statements

41. Changes in material accounting policies (continued)

Definition of accounting estimates: Amendments to IAS 8

The group adopted the Definition of Accounting estimates – Amendments to IAS 8 from 1 January 2023. The amendments to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
- Accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error and the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments did not result in any material changes to measurement or recognition of the financial statement items. Management reviewed the accounting policies and is satisfied that all measurement and recognition in the financial statements are in line with the new amendment.

Deferred tax related to assets and liabilities arising from a single transaction: Amendments to IAS 12

The group adopted the Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 from 1 January 2023. These amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases.

For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The group previously accounted for deferred tax on leases by applying the "integrally linked" approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis.

Following the amendments, the group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. There was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained income as at 1 January 2022 as a result of the change. The key impact for the group relates to disclosure of the deferred tax assets and liabilities recognised.

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 DTSA is 595. The table below provides the employment equity progress of DTSA 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	2	1	1	2	1	-	-	1	2	-	**10**
Senior management	4	1	4	4	2	-	1	1	1	-	**18**
Professionally qualified and experienced specialists and mid-management	8	1	4	7	3	2	3	-	-	-	**28**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	42	4	21	29	15	2	9	5	-	1	**128**
Semi-skilled and discretionary decision making	17	1	4	7	19	3	3	7	-	-	**61**
Unskilled and defined decision making	155	49	-	7	28	17	-	3	-	-	**259**
Total permanent	228	57	34	56	68	24	16	17	3	1	**504**
Temporary employees	42	3	-	-	46	-	-	-	-	-	**91**
Grand total	**270**	**60**	**34**	**56**	**114**	**24**	**16**	**17**	**3**	**1**	**595**

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	-	-	-	-	-	-	**2**
Semi-skilled and discretionary decision making	1	-	1	-	3	-	-	-	-	-	**5**
Unskilled and defined decision making	6	-	-	1	1	-	-	-	-	-	**8**
Total permanent	8	-	1	2	4	-	-	-	-	-	**15**
Temporary employees	20	-	-	-	20	-	-	-	-	-	**40**
Grand total	**28**	**-**	**1**	**2**	**24**	**-**	**-**	**-**	**-**	**-**	**55**

A - Africans C - Coloureds

I - Indians W - Whites

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