Mercedes-Benz South Africa Limited

(Registration number 1962/000271/06)
Audited Consolidated Annual Financial Statements
for the year ended 31 December 2023

Mercedes-Benz


S MA 6303

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
Mr A Brand	Chief Executive Officer Executive: Manufacturing	
Ms T Woodbridge	Chief Financial Officer Executive: Finance and Controlling	
Mr AM Kgotle	Executive: Human Resources	
Mr M Raine	Co-chief Executive Officer Executive: Passenger Cars	
Mr A van der Merwe	Non-executive	Appointed 1 August 2023
Mrs S Sardien	Non-executive	Appointed 1 September 2023
Dr J Burzer	Non-executive	Resigned 31 March 2023
Mrs B Seeger	Non-executive	Resigned 30 June 2023
Mr W Porth	Chairperson of the board Independent non-executive	Appointed 1 January 2023
Ms S Zilwa	Independent non-executive	
Ms FT Dludlu	Independent non-executive	
Ms N Mbhele	Independent non-executive	
Dr P Mlambo-Ngcuka	Independent non-executive	Appointed 1 February 2024
Amb N January-Bardill	Independent non-executive	Resigned 31 December 2023
Mr M Lührs	Alternate to Mrs B Seeger	Resigned 30 June 2023
Mr F Hohenwater	Alternate to Dr J Burzer	Resigned 31 March 2023

Registered office

Mercedes-Benz Place
210 Aramist Place
Waterkloof Glen
Pretoria, Gauteng
0010

Holding company

Mercedes-Benz AG incorporated in Germany

Ultimate holding company

Mercedes-Benz Group AG incorporated in Germany

Sponsor

The Standard Bank of South Africa Limited

General Information

Abbreviations used in the financial statements

AIS	Automotive Investment Scheme
APDP	Automotive Production and Development Programme
ARR	Alternative Risk-free rates
CBU	Completely Built Units
CIPC	Companies and Intellectual Property Commission
Clidet	Clidet No. 1048 Proprietary Limited
Consolidated Financial Statements	Consolidated financial statements of MBSA and its subsidiaries
CSI	Corporate Social Investment
DAG	Daimler AG
DMTN	Domestic Medium Term Note
DTAG	Daimler Truck AG
DTSA	Daimler Truck Southern Africa Limited
DTFS	Daimler Truck Financial Services South Africa Proprietary Limited
EBIT	Earnings Before Interest and Tax
ECL	Expected Credit Loss
EU	European Union
GDP	Gross Domestic Product
Group	Collectively MBSA and its subsidiaries
IBNR	Incurred But Not Reported
IBOR	Interbank Offered Rate
IFRS® Accounting Standards	International Financial Reporting Standards
Income Tax Act	Income Tax Act No. 58 of 1962
JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange
King IV	The King Code on Corporate Governance
Koppieview	Koppieview Property Proprietary Limited
MBAG	Mercedes-Benz AG
MBFS	Mercedes-Benz Financial Services South Africa Proprietary Limited
MBRS	Mercedes-Benz Risk Solutions Proprietary Limited
MBGAG	Mercedes-Benz Group AG
MBSA	Mercedes-Benz South Africa Limited
NCI	Non-Controlling Interest
OCI	Other Comprehensive Income
PRC	Production Rebate Certificate
PSI	Portfolio Specific Impairment
SARB	South African Reserve Bank
SARS	South African Revenue Service
SMH	Sandown Motor Holdings Proprietary Limited
The Companies Act	Companies Act, No. 71 of 2008
USA	United States of America
VAA	Volume Assembly Allowance
VALA	Volume Assembly Localisation Allowance
ZARONIA	South African Rand Overnight Index Average Rate

Preparation of Consolidated Financial Statements

The consolidated financial statements contained in this document, are also available on the group's website: www.mercedes-benz.co.za, and have been prepared under the supervision of Ms T Woodbridge (Chief Financial Officer and Executive Director - Finance and Controlling).

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

These consolidated financial statements were published on 18 April 2024.

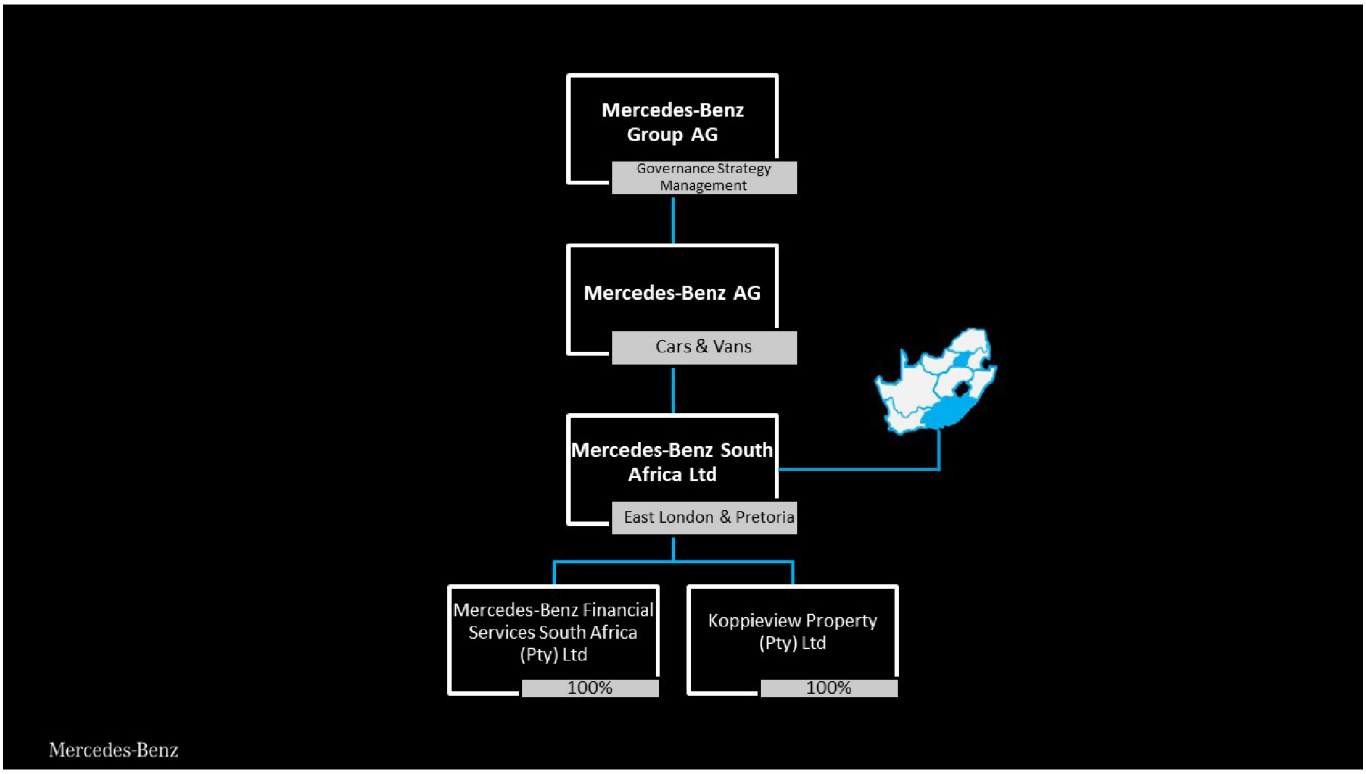
Company Secretary's Certification

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, Mercedes-Benz South 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.

Denis Desmond Peterson
Signed by: Denis Desmond Peterson
EMail: denis.peterson@mercedes-benz.com
Signing time: 18-04-2024 08:15:15 (+02:00)
IP address: 163.116.180.133

D Peterson
Company Secretary

Simplified Group Organogram



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

Audit Committee Report

This report is provided by the audit committee appointed in respect of the 2023 financial year of Mercedes-Benz South Africa Limited.

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

The audit committee met three 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 three members of the audit committee are independent, non-executive directors, with permanent guests from the internal finance and control functions. The audit committee complied with all of its responsibilities as set out in the Companies Act, King IV and the governing charter of the audit committee. The audit committee has complied with all of the aforementioned responsibilities for the financial year ended 31 December 2023. The audit committee, as per its mandate, provided, among others, independent oversight on the effectiveness of the group'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.

1. Internal controls

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

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

The audit committee considered the reports from the MBGAG 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 audit arrangements in place.

2. External auditor

The audit committee considered and assessed in 2023 the suitability of KPMG Inc. and Mr F von Eckardstein, as per the requirements of the JSE, with regard to their appointment. The audit committee is satisfied that the appointment of the external auditor, Mr F von Eckardstein, complies with the legislative and regulatory requirements and the audit committee is satisfied with his independence. 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 MBGAG, 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 MBSA for 39 years.

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

In accordance with group rotation requirements, 2023 will be the final year with KPMG as the independent auditors. For the 2024 financial year, the shareholder appointed PWC Inc. as the independent external auditors.The audit committee considered and assessed the suitability of PWC Inc. and Mr P Vermeulen, as per the requirements of the JSE, the Audit Committee Charter and the Companies Act, regarding their future appointment. The audit committee is satisfied that the appointment of the external auditor, Mr P Vermeulen, complies with the legislative and regulatory requirements and the audit committee is satisfied with his independence. The audit committee will consider the audit quality controls based on the Independent Regulatory Board for Auditors reports as well as the relevant JSE requirements.

3. 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.

4. Key audit matters

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act 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.

5. Consolidated Financial Statements

The audit committee is satisfied that, to the best of its knowledge, the consolidated financial statements for the financial year ended 31 December 2023 fairly reflect the financial position and results of the group.

Audit Committee Report

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 financial statements for the year ended 31 December 2023 and that all of the debt listing requirements were complied with.

6. Accounting practices

The audit committee is satisfied that the consolidated financial statements have been prepared in accordance with relevant accounting practices, the Mercedes-Benz South Africa Limited accounting policies, and are fully compliant with International Financial Reporting Standards.

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

7. Effectiveness of finance function

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

On behalf of the audit committee:

Fikile De Buck

Signed by: Fikile Felicity Tebogo De Buck
EMail: extern.de_buck@mercedes-benz.com
Signing time: 18-04-2024 09:40:57 (+02:00)
IP address: 163.116.164.118

Ms FT Dludlu
Chairperson: Audit Committee

Directors' Report

The directors are pleased to present their report, which forms part of the consolidated annual 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 MBGAG and MBAG for the importation, assembly and distribution of Mercedes-Benz, Mercedes-AMG and Mercedes-Maybach product ranges. MBFS, a subsidiary of MBSA, provides financing and insurance solutions over MBGAG products.

A simplified group organogram has been provided, additional information on the group's operating entities is available on request.

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

1.1 Financial services

These operations provide financing and insurance solutions over MBGAG products.

1.2 Wholesale and retail vehicle operations

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

1.3 Manufacturing and component exports operations

These operations, situated in East London, manufacture Mercedes-Benz C-Class sedans for the local and selected international markets.

1.4 Other operations

These operations include the group's property portfolio as well as other non-core operations and functions.

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 mil	2022 R mil	Difference year on year R mil	Change year on year %
Income measures				
Vehicles and related services	74 932	68 787	6 145	9
Financial services	697	243	454	187
Profitability measures				
Net income before other income and expenses	9 511	4 857	4 654	96
Operating profit	7 325	3 631	3 694	102
Profit for the year	4 447	3 290	1 157	35
Financial position measures				
Total assets	49 499	52 582	(3 083)	(6)
Total liabilities	28 370	31 924	(3 554)	(11)
Total equity	21 129	20 658	471	2

3. Availability of MBSA separate annual financial statements

The MBSA separate annual financial statements have been prepared and signed on 18 April 2024.

The MBSA separate annual financial statements have been prepared in accordance with the requirements of the Companies Act and the company's independent auditors, KPMG Inc., have expressed an unqualified opinion thereon.

4. Corporate governance

The directors have adopted the principles as provided for in King IV for the financial year 2023. The principle summary King IV report is published on the website of MBSA.

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

Mr D Peterson is the company secretary of Mercedes-Benz South 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

4. Corporate governance (continued)

Mr D van der Bank is appointed as the 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 the company. Board members submit annually, or alternatively as and when required, 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.

5. Directorate

The directors in office at the date of approval of these annual financial statements are as follows:

Directors	Designation	Changes
Mr A Brand**	Executive (Chief Executive Officer)	
Ms T Woodbridge	Executive (Chief Financial Officer)	
Mr AM Kgotle	Executive	
Mr M Raine	Executive (Co-chief Executive Officer)	
Mr A van der Merwe	Non-executive	Appointed 1 August 2023
Mrs S Sardien	Non-executive	Appointed 1 September 2023
Dr J Burzer	Non-executive	Resigned 31 March 2023
Mrs B Seeger	Non-executive	Resigned 30 June 2023
Mr W Porth	Chairperson of the board Non-executive Independent	Appointed 1 January 2023
Ms S Zilwa***	Non-executive Independent	
Ms FT Dludlu***	Non-executive Independent	
Ms N Mbhele*	Non-executive Independent	
Dr P Mlambo-Ngcuka**	Non-executive Independent	Appointed 1 February 2024
Amb N January-Bardill**	Non-executive Independent	Resigned 31 December 2023
Mr M Lührs	Alternate non-executive	Resigned 30 June 2023
Mr F Hohenwater	Alternate non-executive	Resigned 31 March 2023

* 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 Mercedes-Benz South Africa Limited.

Attendance register of directors' meetings is available in the King IV report.

6. 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 and for at least 12 months from the date of this report. The group recognised a net profit after tax of R 4 447 million (2022: R 3 290 million) for the year ended 31 December 2023 and, at that date, has a capital ratio of 42.69% (2022: 39.29%).

Management believes that the group will be able to meet all its obligations for at least the next 12 months from the date of this report. Management further believes that, proceeds received during 2024 will be sufficient to meet the repayment requirements. Management has performed forecasts and based on these forecasts the expectation is that the group will continue to be profitable for the 2024 financial year. The company and group will therefore be solvent and liquid for at least the 12 months from the date of this report.

Management has the full support of the holding company, MBAG, for its operations. This is reviewed annually and additional support is provided, if required. To this extent, MBGAG issued a guarantee with regards to the notes issued under the DMTN programme.

7. Events after the reporting period

At the date of finalisation of the financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements.

Bonds and bank loans issued and redeemed

Subsequent to year end, no bonds and bank loans have been issued. Bonds and bank loans with a value of R 2.5 billion have matured and been redeemed with issue dates between 26 February 2019 and 26 March 2021. These bonds and loans have maturity dates between 26 February 2024 and 27 March 2024.

Directors' Report

Approval of consolidated financial statements

The consolidated financial statements set out on pages 19 to 74, which have been prepared on the going concern basis, were approved by the audit committee on 17 April 2024, and were signed on its behalf by:

Wilfried Porth **Signed by:** Wilfried Porth **EMail:** wilfried.porth@web.de **Signing time:** 18-04-2024 10:35:13 (+02:00) **IP address:** 176.2.149.85	Andreas Brand **Signed by:** Andreas Friedrich Brand **EMail:** andreas.brand@mercedes-benz.com **Signing time:** 18-04-2024 08:22:11 (+02:00) **IP address:** 165.165.139.138
Mr W Porth Chairperson Independent non-executive	Mr A Brand Chief Executive Officer Executive director: Manufacturing

KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193,
Private Bag 9, Parkview, 2122, South Africa
Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex 472 Johannesburg
Web http://www.kpmg.co.za

Independent Auditor's Report

To the shareholders of Mercedes-Benz South Africa Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Mercedes-Benz South Africa Limited (the Group) set out on pages 19 to 74, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 31 December 2023, 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 Mercedes-Benz South 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.

FV

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

Refer to note 3.3.1 material accounting estimates, judgements and assumptions and note 4 Revenue and income from financial services and other in the consolidated financial statements.</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The group recognises income from the sale and leasing at a point and over time of motor vehicles with a maintenance and service obligation to customers.

Whilst the sale of the motor vehicle is recognised immediately as revenue, the maintenance and service revenue are 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 considerations relating to revenue recognition were:

• Satisfaction of the performance obligations occurs when control of the goods is transferred to the customer; and

• Rendering of services is recognised over time with reference to the following: proportion of the cost to total cost taking into account historical trends and time and material at the contractual rates; and

• Appropriateness of the identification of the multiple elements and performance obligations by management.</td><td>Our audit procedures performed included the following:

• We evaluated the design and implementation of the control environment around the initiation and processing of sales transactions to understand the generation of revenue into its separately identifiable performance obligations;

• We inspected and agreed a sample of sales transactions throughout the year to underlying source documents and cash receipts, to ensure that revenue was appropriately recognised when the performance obligations were satisfied;

• We inspected a sample of vehicle sales transactions before and after year end to assess whether revenue had been recognised in the appropriate period;

• We assessed the reasonableness of contract revenue and maintenance contract profit or loss, related to sales of service and maintenance contracts, recognised in terms of the stage of completion method, by analysing the portfolio of contracts for the identification of performance obligations and the appropriateness of the recognition of revenue in accordance with the performance obligations identified;

• Performed a recalculation over the interest received on finance leases and operating leases instalment revenue, generated by the group's</td></tr>
</table>

FV

Revenue recognition Refer to note 3.3.1 material accounting estimates, judgements and assumptions and note 4 Revenue and income from financial services and other in the consolidated financial statements.	
Key audit matter	**How the matter was addressed in our audit**
• Recognition of the group's revenue is complex due to the volume of transactions and the various revenue streams from the sales and leasing of vehicles, the related services, as well as income from financial services. This resulted in significant audit work effort and revenue to be a key audit matter.	contract management systems. • We assessed the appropriateness of the disclosures in the consolidated financial statements in accordance with IFRS 15, Revenue from contracts with customers.

Valuation and completeness of provision for maintenance and service contracts Refer to notes 3.3.1 material accounting estimates, judgements and assumptions, 23 Contract Liabilities and note 22 Premium Drive Provisions in the consolidated financial statements.	
Key audit matter	**How the matter was addressed in our audit**
The group is exposed to the risk that the contract liability for service and maintenance contracts is incorrectly calculated due to the complexity of the estimates and the calculations involved. Due to the application of complex and subjective judgements over the timing of recognition and the estimation of size of this provision, specifically related to the significance of the exposure of the company to the service and maintenance contracts provision. Assumptions that affect the group's estimates include: • distribution costs; • discount rate; • inflation rate; • parts sales; • labour, parts and repair factors; and • profit margin on parts. Accordingly due to the service and maintenance contract liability for service and maintenance contracts includes estimation uncertainty in determining the appropriate amount to be	Our audit procedures performed included the following: • We evaluated the design and implementation of the initiation and processing of sales transactions to understand the generation of revenue into its separately identifiable performance obligations, and the apportionment from the sales transaction of the contract liability performance obligation. • We evaluated the accuracy and completeness of the data used to determine the contract liability by inspecting supporting documentation of a sample of the population; • With involvement of our own internal valuation specialist, we: ○ Evaluated, based on the data provided from the group's provisioning tool, whether the service and maintenance contract liability recognised was reasonable by recalculating the contract liability, using an independent model and comparing our results to those calculated by the Group; ○ Evaluated whether the methodology applied in determining the provision by the

FV

Valuation and completeness of provision for maintenance and service contracts Refer to notes 3.3.1 material accounting estimates, judgements and assumptions, 23 Contract Liabilities and note 22 Premium Drive Provisions in the consolidated financial statements.	
Key audit matter	**How the matter was addressed in our audit**
recognised, the adequacy of the service and maintenance contract liability for service and maintenance contracts is considered to be a key audit matter requiring significant audit effort.	Group is aligned with IFRS 15 by assessing whether the recognition criteria has been met, ○ Challenged management's 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; ○ Evaluated whether the methodology applied in determining the provision by the group is aligned with IAS 37 by assessing the onerous contracts recognised. ○ We evaluated the appropriateness of the disclosures in the consolidated financial statements, in accordance with IFRS 15 and IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

Accuracy of the impairment of the loans and advances to customers Refer to notes 3.3.1 Material accounting estimates, judgements and assumptions, note 16 Loans and advances to customers and note 29.3.2 Credit risk in the consolidated financial statements.	
Key audit matter	**How the matter was addressed in our audit**
The Group is exposed to credit risk on loans and advances to customers relating to retail portfolio financing ("instalment sale receivables" and "finance lease receivables"), as well as wholesale vehicle financing receivables. The group's expected credit loss model (ECL) includes certain key estimates, judgements and assumptions such as: • The probability of a loan or advance becoming past due and subsequently defaulting (probability of default ("PD")) which is a measure of the expectation of how likely the customer is to	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 non-performing retail portfolio, using an ECL model and

FV

Accuracy of the impairment of the loans and advances to customers Refer to notes 3.3.1 Material accounting estimates, judgements and assumptions, note 16 Loans and advances to customers and note 29.3.2 Credit risk in the consolidated financial statements.	
Key audit matter	**How the matter was addressed in our audit**
default; • The expected exposure in the event of default (exposure at default ("EAD")) which is the expected amount outstanding at the point of default; and • The loss given default ("LGD") which is the expected loss that will be realised at default after taking into account recoveries through collateral and guarantees. Accordingly due to the significance of the loans and advances to customers balance on the consolidated statement of financial position of the group and the level of estimation uncertainty and the level of judgement applied in determining the adequacy of the ECL, the ECL on loans and advances to customers is considered to be a key audit matter.	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 by recalculating the ECL allowance and comparing our results to those calculated by group; • We assessed the accuracy of the data used to determine the ECL allowance by inspecting a sample of correspondence with customers, current market value estimates of the underlying vehicle and other supporting documents; • We challenged management's key estimates and assumptions in relation to the allowance recognised in the current year, by comparing it to the allowance recognised in prior years, as well as through our own expectations based on our knowledge of the group and experience of the industry in which it operates; • We evaluated the appropriateness of the disclosures in the consolidated financial statements in accordance with IFRS 7, Financial Instruments Disclosures.

Accuracy of uncertain tax treatments Refer to notes 3.3.2 key sources of estimation uncertainty, note 9 Taxation and note 22 Provisions	
Key audit matter	**How the matter was addressed in our audit**
At the end of the financial year, the Group received a letter of findings from the South African Revenue Service relating to its ongoing transfer pricing review for the periods 2016 to 2018. The uncertain tax treatment relates to the interpretation of how the tax legislation applies to the company's transfer pricing arrangements. Due to the uncertainty involved, the Group is exposed to the risk that there is a possible, understatement of income taxes including penalties and additional interest.	Our audit procedure performed included the following: • We obtained an understanding of the nature of the possible different interpretations of the transfer pricing tax legislation and how it applies in these particular circumstances and evaluated detailed calculations provided by management and their specialists. This included consideration of the possible exposure to an understatement of income tax, penalties and interest.

FV

Accuracy of uncertain tax treatments Refer to notes 3.3.2 key sources of estimation uncertainty, note 9 Taxation and note 22 Provisions	
Key audit matter	**How the matter was addressed in our audit**
Since the estimation of the income tax exposure, penalties and additional interest is a complex process involving a number of judgements, estimates and interpretation of the legislation, this is considered to be a key audit matter.	• Evaluated the competence and capabilities of management's specialists. • We involved our own internal transfer pricing specialists and we assessed the following. ○ Based on the data provided from the company's transfer pricing master file, local file documentation and supporting benchmarking exercises for the years 2016 to 2018 and thereafter, we reviewed for the purposes of understanding the company's cross-border intragroup transactions and whether these complied with the relevant legislation. ○ We reviewed the calculations provided by management for additional income tax, dividends tax as well as a possible understatement of penalties and interest for the years 2016 to 2018 and thereafter. ○ We reviewed the calculations and the estimates and judgements supporting the liability and provision raised in accordance with IFRIC 23. ○ We have assessed the appropriateness of the disclosure in terms of uncertain tax treatments and significant estimates and judgements in the consolidated financial statements in accordance with IFRIC 23

KPMG

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled Mercedes-Benz South Africa Limited audited consolidated Financial Statements for the year ended 31 December 2023, which includes the Directors' Report, the Audit Committee's Report, the Company Secretary's Certificate as required by the Companies Act of South Africa, General information, Preparation of Consolidated Financial Statements, Simplified Organogram and Appendix 1 - employment Equity Progress Report 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.

FV

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Mercedes-Benz South Africa Limited for 39 years.

Fee-related disclosures

Pursuant to requirements of the IRBA and IESBA Code, we report that the fees related to the services provided by our firm and network firms are the following:

Category of services	Fee
Financial statement audits	R 9 080 000
Non-audit services	R 5 000 000

KPMG Inc.

Fred von Eckardstein

Signed by: Fred Von Eckardstein
EMail: fred.voneckardstein@kpmg.co.za
Signing time: 18-04-2024 18:14:42 (+02:00)
IP address: 156.155.161.176

Per Fred von Eckardstein
Chartered Accountant (SA)
Registered Auditor
Director
18 April 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2023 R mil	2022 R mil
Continuing operations			
Income from sale of vehicles and related services			
Revenue	4	74 932	68 787
Cost of goods sold	5	(66 118)	(64 173)
		8 814	**4 614**
Income from financial and other services			
Interest received	4	1 339	1 000
Reversal of impairment losses on loans and advances to customers	4	14	13
Non-interest revenue	4	734	691
Interest paid	4	(1 058)	(1 198)
Non-interest expenditure	4	(332)	(285)
Income other than from contracts with customers	4	-	22
		697	**243**
Net income before other income and expenses		**9 511**	**4 857**
Other income		502	1 402
Movement in allowance for impairment of loans and advances to customers		(38)	3
Movement in allowance for impairment of trade and receivables		8	(6)
Operating expenses		(1 534)	(1 433)
Selling expenses		(1 124)	(1 192)
Operating profit	6	**7 325**	**3 631**
Finance income	7	313	121
Finance costs	8	(565)	(87)
Profit before taxation		**7 073**	**3 665**
Taxation	9	(2 587)	(1 199)
Profit from continuing operations		**4 486**	**2 466**
(Loss)/profit from discontinued operations	11	(39)	824
Profit for the year		**4 447**	**3 290**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on net defined benefit liability/asset	18	6	(14)
Items that may be reclassified to profit or loss			
Movement in cash flow hedges	14	-	(13)
Other comprehensive income/(loss) for the year, net of taxation		**6**	**(27)**
Total comprehensive income for the year		**4 453**	**3 263**
Profit/(loss) attributable to			
Owners of the parent			
From continuing operations		4 486	2 466
From discontinued operations		(39)	824
		4 447	**3 290**
Total comprehensive income attributable to			
Owners of the parent		4 453	3 263

The notes on pages 23 to 74 form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position as at 31 December 2023

	Note	2023 R mil	2022 R mil
Assets			
Cash and cash equivalents	10	156	1 862
Assets held for sale	11	66	56
Trade and other receivables	12	7 890	7 167
Inventories	13	10 993	11 872
Derivatives and other financial assets	14	80	79
Current tax receivable		-	100
Amounts receivable from group companies	15	8 957	7 354
Loans and advances to customers	16	10 525	10 993
Deferred initial direct costs		93	98
Right-of-use assets	17	293	358
Assets leased under operating leases	17	1 919	1 964
Property, plant and equipment	17	8 204	10 379
Intangible assets		109	121
Retirement benefit asset	18	214	179
Total Assets		**49 499**	**52 582**
Equity and Liabilities			
Liabilities			
Bank overdraft	10	24	19
Trade and other payables	20	4 026	4 224
Current tax payable		739	-
Amounts payable to group companies	21	5 457	6 232
Provisions	22	925	771
Contract liabilities	23	3 454	3 289
Interest-bearing borrowings	24	12 227	16 488
Post-retirement medical aid benefit obligation	18	406	398
Deferred tax	19	1 112	503
Total Liabilities		**28 370**	**31 924**
Equity			
Share capital	26	1 417	5 417
Reserves		143	(386)
Retained income		19 569	15 627
Total Equity		**21 129**	**20 658**
Total Equity and Liabilities		**49 499**	**52 582**

The notes on pages 23 to 74 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital and premium R mil	Actuarial reserve R mil	Capital reserve* R mil	Total reserves R mil	Retained income R mil	Attributable to equity holders R mil	Total equity R mil
Balance at 01 January 2022	**5 417**	**151**	**(510)**	**(359)**	**12 337**	**17 395**	**17 395**
Profit for the year	-	-	-	-	3 290	3 290	3 290
Other comprehensive income	-	(14)	(13)	(27)	-	(27)	(27)
Total comprehensive income for the year	**-**	**(14)**	**(13)**	**(27)**	**3 290**	**3 263**	**3 263**
Balance at 31 December 2022	**5 417**	**137**	**(523)**	**(386)**	**15 627**	**20 658**	**20 658**
Balance at 01 January 2023	**5 417**	**137**	**(523)**	**(386)**	**15 627**	**20 658**	**20 658**
Profit for the year	-	-	-	-	4 447	4 447	4 447
Other comprehensive income	-	6	-	6	18	24	24
Total comprehensive income for the year	**-**	**6**	**-**	**6**	**4 465**	**4 471**	**4 471**
Transfer between reserves	-	-	523	523	(523)	-	-
Capital reduction	(4 000)	-	-	-	-	(4 000)	(4 000)
Balance at 31 December 2023	**1 417**	**143**	**-**	**143**	**19 569**	**21 129**	**21 129**
Note	26	18	14				

The notes on pages 23 to 74 form an integral part of the consolidated financial statements.

* MBSA ceded the capital reserve in 2023 after completing the disposal of SMH.

Consolidated Statement of Cash Flows

	Note	2023 R mil	2022 R mil
Cash flows from operating activities			
Cash flows from the sale of vehicles and related services			
Cash received from customers before changes in operating assets and liabilities		74 546	67 477
Changes in operating assets and liabilities			
Decrease/(increase) in trade and other receivables*		454	(1 428)
Increase in amounts receivable from group companies		(1 604)	(3 656)
Increase in contract liabilities		762	963
Cash received from customers		**74 158**	**63 356**
Cash paid to suppliers and employees before changes in operating assets and liabilities		(67 515)	(65 042)
Changes in operating assets and liabilities			
Decrease in inventories		627	3 637
(Decrease)/increase in trade and other payables		(92)	872
(Decrease)/increase in amounts payable to group companies		(775)	3 383
Cash paid to suppliers and employees		**(67 755)**	**(57 150)**
Cash flows from financing and investing services			
Interest received		1 339	1 000
Interest paid		(1 058)	(1 198)
Non-interest revenue		748	704
Non-interest expenditure		(332)	(285)
Decrease/(increase) in loans and advances to customers		430	(947)
Purchase of motor vehicles for operating leases		(889)	(772)
Proceeds on disposal of rental and operating lease assets		660	894
Cash inflow/(outflow) from financial services		**898**	**(604)**
Other cash flows			
Finance income received		253	95
Finance costs paid		(484)	(36)
Dividend income		21	-
Taxation (paid)/refunded		(1 141)	80
Net cash inflow from operating activities		**5 950**	**5 741**
Cash flows from investing activities			
Purchase of property, plant and equipment		(310)	(749)
Proceeds from disposal of property, plant and equipment		6	25
Receipts of government grants*		1 010	1 400
Disposal of portion of business		-	18
Proceeds on disposal of subsidiary		-	255
Net cash inflow from investing activities		**706**	**949**
Cash flows from financing activities			
Interest-bearing borrowings raised	24	5 111	2 500
Interest-bearing borrowings repaid	24	(9 400)	(7 850)
Capital repaid on lease liabilities		(78)	(58)
Capital reduction		(4 000)	-
Net cash outflow from financing activities		**(8 367)**	**(5 408)**
(Decrease)/increase in cash and cash equivalents for the year		**(1 711)**	**1 282**
Cash and cash equivalents at the beginning of the year		1 843	561
Net cash and cash equivalents at the end of the year	10	**132**	**1 843**

The notes on pages 23 to 74 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Corporate information

Reporting entity	Mercedes-Benz South Africa Limited is the holding company of the Mercedes-Benz South Africa group
Reporting period	Financial year ended 31 December 2023
Domicile	The Republic of South Africa
Authorised by the board of directors	18 April 2024

2. Basis of preparation

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

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 JSE Listings Requirements and the Companies Act;
- the principle of going concern; and
- the historical cost and fair value basis of accounting, where applicable.

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

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

2.1 Functional and presentation currency

The functional currency of Mercedes-Benz South Africa Limited group and the presentation currency of the group is South African Rand ("Rand").

2.2 Rounding policy

All amounts in the consolidated financial statements are presented in Rand million ("R mil").

The group has a policy of rounding in increments of R 500 000. Amounts less than R 500 000 will therefore round to R nil and are presented as a dash.

2.3 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 assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined; and
- 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 unless they relate to qualifying cash flow hedges, in which case they are recognised in other comprehensive income to the extent that the hedges are effective.

Notes to the Consolidated Financial Statements

3. Presentation of financial statements

3.1 Group accounting

Group structure

Holding company	Mercedes-Benz South Africa Limited
Subsidiaries	Mercedes-Benz Financial Services South Africa Proprietary Limited
	Mercedes-Benz Risk Management Solutions South Africa Proprietary Limited
	Koppieview Property Proprietary Limited

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.

Non-controlling interest

NCI is measured at its proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Subsequently changes in the group's interest in a subsidiary that to not result in a loss of control are accounted for as equity transactions.

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 earnings

Retained earnings comprises of accumulated profits or losses less dividends to equity holders. Dividends are included in the statement of changes in equity in the year in which they are declared.

3.3 Accounting estimates, judgements and assumptions

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

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

3. Presentation of financial statements (continued)

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

3.3.1 Material accounting estimates, judgements and assumptions

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

Revenue from contracts with customers (note 4)

The group sells motor vehicles with a maintenance and service obligation to customers as two separate performance obligations. Whilst the sale of the motor vehicle is recognised immediately as revenue, the maintenance and service revenue is recognised as contract liabilities and released into revenue upon the performance of a maintenance and service obligation. These maintenance and service obligations are completed within the lesser of 100 000 kilometres or five years. Prior to 18 February 2019, all maintenance and service obligations sold were completed within the lesser of 100 000 kilometres or six years, which will be honoured as per the agreements. Subsequent to 18 February 2019 all new additions to maintenance and service obligations carry the lesser of 100 000 kilometres or five year period of obligation. Contract liabilities and prepaid expenses are not financial instruments because they are settled by the delivery or receipt of goods and services.

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

Assets leased under operating leases (note 17)

Lease classification

The group leases motor vehicles to external customers. The factors that have been taken into consideration in determining the classification as operating leases are:
- ownership of the underlying motor vehicle is retained by the holding company 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 material risks and rewards incidental to ownership of the underlying motor vehicles in these lease arrangements have not transferred to the customer. Additionally, the residual value of the motor vehicle is guaranteed by MBSA.

MBSA has granted the guarantee to MBFS and will bear any losses below the residual value.

The requirement to recognise a sale with a residual value guarantee by MBSA as a lease, only applies if the respective residual value guarantee is material. A residual value guarantee is considered to be material if the present value of the residual value guarantee is greater than 10% of the original selling price of the motor vehicle.

Residual values

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

Assumptions have been made regarding the future supply of, and demand for, motor vehicles; as well as trends in future motor vehicle prices. These assumptions are, in part, informed by publications provided by expert third parties, and supported by internal information.

Management updates residual value estimates quarterly based on calculations which use a combination of externally obtained market data which is enhanced with actual trade and retail values, as well as internal data obtained locally as well as from MBGAG. A Residual Value Steering Committee meets and approves the revised residual values on a quarterly basis. 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. Changes in residual values lead either to prospective adjustments of the depreciation charge or, in the case of a material decline in expected residual values, to impairment.

Notes to the Consolidated Financial Statements

3. Presentation of financial statements (continued)

If depreciation is prospectively adjusted, changes in the estimates of residual values do not have a direct effect, but are equally distributed over the remaining periods of the lease contracts.

Depreciation

The depreciation rates applied to manufactured lease assets is consistent with the lease terms, and ranges from approximately 2 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. 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 company.

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 company. The determination of present value is based on a market related interest rate for similar leases.

Production incentives receivables (note 12)

Production incentives are recognised as a receivable when all of the conditions relating to the underlying incentive scheme have been complied with, even though the physical certificates may not yet have been received from the issuing authority. Management believe this treatment to be appropriate as the process of receiving the certificates is, for the most part, clerical and there are seldom cases where certificates are withheld.

Production incentives receivables are measured based on the planned utilisation of the incentives. It also considers the planned sales to the external market. The utilisation plan considers the method of realisation of the incentive, the planned production of the plant and the planned future import of parts and fully built up motor vehicles.

Furthermore the measurement takes into account, among others, the industry from which the incentive was derived and the export location to which the incentive will be applied (e.g. EU versus non-EU country).

These factors each have an impact on the value of the certificate as they affect:
- whether the incentive can be used or will expire and become void;
- whether the incentive should be sold, thus realising a different value;
- at what value the incentive is raised as the originating industry drives its creation value; and
- at what value the incentive can be realised, as the use of the incentive for imports from different locations drives its value on realisation.

When determining the valuation of the incentives management apply a weighting to each of the factors and using this weighting determine an overall recognition percentage of the value of the incentive based on the prescribed legislation.

VALA

The portion expected to be used to rebate future custom's accounts is valued at the applicable percentage subject to discounting over the expected recovery period.

Any excess VALA that will be converted to a PRC should be impaired by the penalty on conversion and then valued as a PRC.

PRC's

These are financial instruments and are valued in accordance with the expected manner of recovery. The portion is used to rebate future CBU imports at the weighted average customs duty.

The remaining portion is expected to be sold at the agreed contractual rates or current market values, as applicable. The values are subject to discounting and impairment.

Notes to the Consolidated Financial Statements

3. Presentation of financial statements (continued)

Allowance for impairment of loans and advances to customers (note 16)

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.

Material 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: material financial difficulty of the borrower, a rising probability that the borrower will become bankrupt, delinquency in their installment payments, and restructured or renegotiated contracts to avoid immediate default.

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

3.3.2 Key sources of estimation uncertainty

These judgements and estimates may not individually have a material 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 material to amounts recognised across the consolidated 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.

Taxation

The calculation of the group's tax charge and provision for income taxes may in some instances involve a degree of challenge by the tax authorities. The group follows a robust process which includes, where appropriate, the use of external advice to ensure full compliance with tax laws. Although a robust process is followed, there may be transactions where the ultimate tax treatment or result may be challenged by the tax authorities.

In the case of a challenge by the tax authorities, the final tax charge cannot be determined until a resolution has been reached with the relevant tax authority. The group recognises liabilities for anticipated tax issues and challenges in line with IFRS 23. Where the final outcome is different from the amounts that were initially recorded, such difference will impact the current and deferred income tax in the reporting period in which such determination is made.

Property, plant and equipment (note 17)

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.

Notes to the Consolidated Financial Statements

3. Presentation of financial statements (continued)

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
Motor vehicles	5 – 10
Assets leased under operating leases	3 – 5
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.

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 (note 22)

Guaranteed residual value provision

The group is exposed to the risk that leased motor vehicles 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 motor vehicles 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 ensure satisfactory coverage of motor vehicles' 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.

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 MBAG.

Plant production related provisions

This provision relates to provisions for supplier volume reduction and onerous contracts as a result of production related activities.

Transfer pricing

During the 2023 financial year, MBSA received an opinion from SARS in relation to its ongoing tax review opened in October 2020. The uncertain tax treatment relates to the interpretation of how the tax legislation applies to the group's transfer pricing arrangements. Due to the uncertainty involved, there is a possibility that the outcome of the tax review is materially different from the amount currently recognised.

Notes to the Consolidated Financial Statements

3. Presentation of financial statements (continued)

Employee benefits defined benefit schemes (note 18)

Defined benefit schemes

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

Actuarial assumptions for defined benefit schemes

	2023	2022
Discount rates used		
Pre-retirement discount rate	12.81 %	12.45 %
Post-retirement discount rate	6.63 %	6.40 %
Inflation rates used		
General inflation rate	7.24 %	7.11 %
Salary inflation rate	7.24 %	7.11 %
Average age		
Average age (in years)	56	56
Average age of pensioners (in years)	71	71

Post-retirement medical aid benefit

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

Actuarial assumptions for post-retirement medical aid benefit

	2023	2022
Health care cost inflation	9.85 %	9.57 %
Mortality		
Pre-expected retirement age	SA 1985 - 90 light	
Post-retirement age	PA(90) - 2	

	2023 R mil	2022 R mil
4. Revenue and income from financial services and other		
4.1 Revenue allocation		
Income from sale and leasing of vehicles and related services		
Vehicles and spare parts	74 932	68 787
Income from financial and other services		
Interest received		
Instalment sales	1 163	912
Finance leases	14	11
Wholesale funding and other	162	77
	1 339	**1 000**
Recovery of losses previously written off		
Reversal of impairment losses on loans and advances to customers	14	13

	2023 R mil	2022 R mil
4. Revenue and income from financial services and other (continued)		
Non-interest revenue		
Operating lease instalments	587	604
Remarketing revenue	78	15
Agent income	25	29
Insurance commission	32	31
Acceptance and initiation fee	10	11
Other revenue	2	1
	734	**691**
Interest paid		
Interest-bearing borrowings at amortised cost	(1 058)	(1 198)
Non-interest expenditure		
Remarketing cost of sales	(78)	(42)
Direct costs from financial services	(254)	(243)
	(332)	**(285)**
Other income		
Other	-	22

4.2 Disaggregation of revenue

The group disaggregates revenue from customers as follows:

	2023 R mil	2022 R mil
Sale of goods		
Manufacturing and component parts export	63 512	56 302
Wholesale and retail vehicles and parts	10 793	11 788
	74 305	**68 090**
Rendering of services		
Financial services		
Non-interest revenue*	734	691
Interest received*	1 339	1 000
Legal loss recovery	14	13
	2 087	**1 704**
Other services		
Maintenance and service contracts	627	697
	2 714	**2 401**
	77 019	**70 491**

* These items include lease income.

4.3 Timing of revenue recognition

	2023 R mil	2022 R mil
At a point in time		
Sale of goods	74 305	68 090
Non-interest revenue	147	87
Legal loss recovery	14	13
	74 466	**68 190**
Over time		
Interest received	1 339	1 000
Operating lease instalments	587	604
Maintenance and service contracts	627	697
	2 553	**2 301**
Total revenue from contracts with customers	**77 019**	**70 491**

Notes to the Consolidated Financial Statements

4. Revenue and income from financial services and other (continued)

4.4 Income from contracts with customers

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

This income includes 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, after-sale services and other related income.

MBSA uses a variety 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 cash offers to dealers and customers, as well as lease subsidies or loans at reduced interest rates.

Revenue is recognised as control is passed, either over time or at a point in time.

Recognition and measurement

Sale of vehicles, service parts and other related products:

Revenues from the sale of products are recognised when the performance obligations are met and ownership of the goods are transferred to the customer depending on the terms and conditions of the contract. Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and costs incurred or to be incurred in respect of the sale can be measured reliably. Revenue is recognised net of sales reductions such as cash discounts and sales incentives granted.

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

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 service and maintenance contracts for certain products. Revenue from these contracts is deferred and recognised over the contract period in proportion to the costs expected to be incurred based on historical information.

Lease of vehicles:

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

Lease income is measured at the fair value of the operating lease instalments received adjusted for the effect of straight-lining and excluding any contingent rentals received. Revenue is generated from lease payments on the basis of the underlying leasing contracts and is materially impacted by the residual value as determined in note 17, Assets leased under operating leases.

Initial direct costs:

Any Initial direct costs incurred by MBSA in obtaining an operating lease are added to the carrying amount of the underlying asset and cannot be recognised immediately as an expense. These initial direct costs are recognised as an expense on the same basis as the lease income. This will not necessarily be consistent with the basis on which the underlying asset is depreciated.

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 MBSA 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.

Notes to the Consolidated Financial Statements

4. Revenue and income from financial services and other (continued)

Interest paid

Interest paid consists of external interest cost associated with the financial services activities of the group.

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

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

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.

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 mil	2022 R mil
5. Cost of goods sold		
Cost of goods sold	**66 118**	**64 173**

Notes to the Consolidated Financial Statements

5. Cost of goods sold (continued)

Cost of goods sold includes the following:

- costs incurred in relation to the rendering of services included in revenue;
- depreciation on plant, equipment and manufacturing facilities as well as operating leased assets;
- overheads incurred as part of the production activities;
- inventories utilised in the manufacture and sale of vehicles, parts and components;
- write down of inventories to net realisable value and any loss of inventory or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs; and
- reduced by the value of PRC and VALA grants received which are set off against the cost of the inventories or materials to which they relate. Refer to government grant policy for further details.

Income and expense based grants

PRC

PRC's for vehicles and components are recognised on the sale of manufactured vehicles and components.

These PRC's are then utilised to offset the import duties payable on the sale of locally sold vehicles. Excess PRC's are sold into the market at a discounted rate.

The measurement of PRC's is dependent on the utilisation factors applied. PRC's are recognised as a reduction in the cost of the inventories or material to which they relate, and measured at the value of the costs avoided.

VALA

VALA is recognised on sale as a reduction in the cost of the inventories or materials to which it relates.

VALA is measured at the value of the costs avoided.

AIS

Reasonable assurance exists when conditions for the receipt of government grants are actually met and the grant will be received.

AIS is measured at the value of the grant amount received from the issuing authority, presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

The receivables relating to the various production incentives are recognised in note 12.

6. Operating profit

Operating profit for the year includes:

Staff costs

	2023 R mil	2022 R mil
Cost of goods sold	2 153	1 974
Operating expenses	270	231
Selling expenses	191	191
Total staff costs	**2 614**	**2 396**

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.

Notes to the Consolidated Financial Statements

6. Operating profit (continued)

Long–term service benefits

The group’s net obligation in respect of long–term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method, is discounted to its present value and the fair value of any related assets is deducted. The discount rate used is based upon the rate for high quality corporate bonds at the valuation date. Remeasurements are recognised in profit or loss in the period when they arise.

	Note	2023 R mil	2022 R mil
Other expenses/(income) included in operating profit			
Expenses			
Loss on sale of property, plant and equipment and assets leased under operating leases		6	37
Legal fees		3	5
Foreign exchange losses - unrealised		-	4
Impairment of operating assets		29	29
Defined contributions plans		168	151
Non-audit fees		5	12
Income			
Income from recharge cost		(398)	(560)
Production support income		-	(812)
Foreign exchange gains - realised	17	(54)	(16)
Foreign exchange gains - unrealised		(26)	-

Production support income relates to support received from MBAG for support of local operations.

7. Finance income

	2023 R mil	2022 R mil
Dividend income		
Related parties	21	-
Interest income		
Bank accounts	246	92
Retirement benefit assets	39	26
Tax authorities	7	3
Total interest income	**292**	**121**
Total investment income	**313**	**121**

Finance income consists of interest earned on bank deposits, short term cash investments and on defined benefit plan assets.

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

The effective interest rate 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

8. Finance costs

	2023 R mil	2022 R mil
Interest expense on/to		
Interest-bearing borrowings - non-financial activities	87	(11)
Related parties	26	30
Retirement benefit obligations	51	40
Tax authorities	366	-
Other interest	35	28
Total finance costs	**565**	**87**

Interest paid represents the external interest cost of the group excluding the interest cost of funding the financial services activities and includes the interest cost on defined benefit liabilities.

Notes to the Consolidated Financial Statements

8. Finance costs (continued)

Interest paid is accrued on a time basis, by reference to the principal amount using the effective interest method, as the interest rate that exactly discounts the estimated future cash payments through the expected life of the underlying financial instrument.

	2023 R mil	2022 R mil
9. Taxation		
Major components of the tax expense		
Current		
Charge for the current year	1 369	18
Under provision from the previous periods	623	20
	1 992	**38**
Deferred		
Charge for the current year	620	1 184
Changes in tax rates	-	(18)
Over provision from the previous periods	(25)	(5)
	595	**1 161**
	2 587	**1 199**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2023	2022
Applicable tax rate	27 %	28 %
Non-deductible expenses		
Discontinued operations	- %	4 %
Interest and fines paid on taxes	1 %	- %
Prior year adjustment - current taxation	9 %	1 %
	37 %	**33 %**

Of the group’s current tax provision, R 624 million (2022: R nil) relates to management’s estimation of the amount of tax payable by MBSA for the ongoing tax review, which SARS opened in October 2020. The uncertain tax treatment relates to the interpretation of how the tax legislation applies to the group’s transfer pricing arrangements. Due to the uncertainty involved, there is a possibility that the outcome of the tax review is materially different from the amount currently recognised.

In February 2022 the South African finance minister announced that the corporate income tax rate will be reduced from 28% to 27% for years of assessment ending on or after 31 March 2023.

The calculation of the group's tax charge and provision for income taxes may in some instances involve a degree of challenge by the tax authorities. The group follows a robust process which includes, where appropriate, the use of external advice to ensure full compliance with tax laws. Although a robust process is followed, there may be transactions where the ultimate tax treatment or result may be challenged by the tax authorities.

In the case of a challenge by the tax authorities, the final tax charge cannot be determined until a resolution has been reached with the relevant tax authority. The group recognises liabilities for anticipated tax issues and challenges in line with IFRIC 23. Where the final outcome is different from the amounts that were initially recorded, such difference will impact the current and deferred income tax in the reporting period in which such determination is made.

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

The calculation of the group’s tax charge and provision for income taxes necessarily involves a degree of estimation and judgement. There are transactions and tax computations for which the ultimate tax treatment or result is uncertain, or in respect of which the relevant tax authorities may or could indicate disagreement with the group’s treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

9. Taxation (continued)

The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due, based on appropriate external advice. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made.

The group considered the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses can be utilised whether:

- the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses can be utilised;
- it is probable that the entity will have taxable profits before the unused tax losses expire; and
- the unused tax losses result from identifiable causes which are unlikely to recur.

To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised. To determine the probability that taxable profit will be available against which the unused tax losses can be utilised, the group reviewed its forecasts for the foreseeable future and compared that to its total tax losses.

	2023 R mil	2022 R mil
10. Cash and cash equivalents		
Statement of financial position disclosure:		
Cash and cash equivalents	156	1 862
Bank overdraft	(24)	(19)
Cash and cash equivalents in the statement of cash flows	**132**	**1 843**

Cash and cash equivalents comprise coins and bank notes, money at call and short notice and balances with commercial banks. Cash and cash equivalents also includes bank overdrafts.

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. Bank overdrafts are repayable on demand and form an integral part of the group's cash management.

These instruments are considered financial assets or financial liabilities carried at amortised cost.

11. Assets held for sale

The group classifies non-current assets or disposal groups as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. In this case, the assets or disposal groups are no longer depreciated but measured at the lower of carrying amount and fair value less costs to sell.

Immediately before classification as held for sale, the carrying amount of the asset is determined in accordance with the applicable individual requirements. If fair value less costs to sell subsequently increases, any impairment loss previously recognised is reversed. This reversal is restricted to the impairment loss previously recognised for the assets or disposal group concerned.

The group generally discloses these assets or disposal groups separately in the consolidated statement of financial position.

Koppieview

As of the end of 2021 the MBSA group embarked on the process of selling all of the properties that were owned by Koppieview. Two of the properties were sold subsequently with one property (Zwartkops, previously MBSA head office) in the process of being sold.

As all these properties were actively marketed or in the process of sale, management decided to classify these properties according to IFRS 5 *Assets held for sale*.

As at 31 December 2023, a bond registered on the property, that has been fully repaid, was never cancelled at the deeds office and therefore the property could not transfer to the new owner. The case is currently with the High Court, upon which the property would be transferred after successful cancellation of the bond.

Other

During 2023 both MBRS and Clidet were liquidated. Both companies have been dormant for the past five years.

Notes to the Consolidated Financial Statements

	2023 R mil	2022 R mil

11. Assets held for sale (continued)

11.1 Assets held for sale

Koppieview assets held for sale

	2023 R mil	2022 R mil
Land and buildings	66	55
Other equipment, factory and office equipment	-	1
	66	**56**

11.2 Profit/(loss) from discontinued operations

SMH discontinued operations

	2023 R mil	2022 R mil
Revenue	-	4 127
Cost of goods sold	-	(3 085)
Gross profit	**-**	**1 042**
Other income	-	182
Operating expenses	-	(407)
Profit before net finance costs and taxation	**-**	**817**
Finance income	-	1
Finance expenses	-	(26)
Profit before taxation	**-**	**792**
Tax	-	(88)
Profit from discontinued operations	**-**	**704**

	2023 R mil	2022 R mil
Other disclosure in the statement of profit or loss and other comprehensive income		
Gain on disposal of subsidiary	-	120

Impairment on liquidation of discontinued operations

	2023 R mil	2022 R mil
MBRS	(21)	-
Clidet	(18)	-
	(39)	**-**

11.3 Cash flows from discontinued operations

	2023 R mil	2022 R mil
Net cash flows from operating activities	-	704
Net cash flows from investing activities	-	120
	-	**824**

Fair value determination

Koppieview sale of properties

The fair values of the properties being sold were determined based on the offers received from potential buyers. Based on the offers received the fair values of the properties were considered Level 3 fair values in terms of IFRS 13.

Notes to the Consolidated Financial Statements

12. Trade and other receivables

	2023 R mil	2022 R mil
Financial instruments		
Trade receivables, net of allowance for impairment	1 299	2 034
Production incentives	4 563	3 676
Government grant	640	350
Other receivables	114	137
Trade receivables at amortised cost	**6 616**	**6 197**
Non-financial instruments		
VAT	1 146	903
Prepayments	128	67
Total trade and other receivables	**7 890**	**7 167**

Loss allowance

Trade receivables inherently expose the group to credit risk, being the risk that the group 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 group 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 material 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.

The provision matrix has been developed by making use of past default experience of debtors, but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

	2023 R mil	2022 R mil
Reconciliation of loss allowances		
Opening balance	14	8
Additional allowance raised	6	11
Unused amounts reversed	(14)	(5)
Closing balance	**6**	**14**

Financial assets at amortised cost

These instruments include cash and cash equivalents and trade and other receivables, which comprise short term receivables from customers and group companies arising from the day to day trading activities.

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

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

Notes to the Consolidated Financial Statements

12. Trade and other receivables (continued)

Financial assets - Business model management

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. This information includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate portfolio, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the group's management;
- the risk that affects the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reason for such sales and expectations about future sales activity.

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

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

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

For the purpose of this assessment, the "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative cost), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal, interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that is would not meet the condition. In making this assessment, the group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayments and extension features; and
- terms that limit the group'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 immaterial 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

13. Inventories

	2023 R mil	2022 R mil
Raw materials	5 180	6 851
Work in progress	643	1 410
Finished goods	5 528	3 717
	11 351	**11 978**
Allowance for impairment of inventories	(358)	(106)
	10 993	**11 872**
Inventories expensed during the year	60 493	56 825
Inventories written down/(back) during the year	35	(32)

Inventories are measured at the lower of cost or net realisable value on a first in first out basis. For manufactured inventories 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.

14. Derivatives and other financial assets

	2023 R mil	2022 R mil
Other financial assets	80	79

In the normal course of business, the MBGAG group, on behalf of MBSA, enters into commodity swap contracts for hedging financial risks that arise from its commercial business activities related to the procurement of precious metals used in production. These derivative transactions are measured at fair value and designated as cash flow hedges. The maturities of the cash flow hedges correspond with those of the underlying transactions. These derivatives will mature within one year. The cash flows relating to these hedges occur during the manufacturing process.

These derivatives are managed, as a whole, from a group level by MBGAG. The group does not have any influence over the transactions, all information and agreements are managed from MBGAG and pushed down to the group. Hedging activities and instruments held are insignificant to MBSA's operations.

For derivatives used in fair value hedges, changes in the fair value of the derivatives are recorded in profit or loss as part of other operating expenses, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

For derivatives used in cash flow hedges, the effective portion of changes in the fair value of derivatives is recognised in the hedging reserve in other comprehensive income and reclassified to cost of goods sold in profit or loss in the periods in which the hedged item affects profit or loss; the ineffective portion is recognised immediately in profit or loss as part of other operating expenses.

The group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions at the inception of the transaction. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

The effective hedging portion is recognised in other comprehensive income.

The group manages its credit risk exposure in connection with derivative financial instruments through a limit system, which limits and diversifies the credit risk. The group is, therefore, only exposed to credit risk with respect to its derivative financial instruments.

Notes to the Consolidated Financial Statements

	2023 R mil	2022 R mil

14. Derivatives and other financial assets (continued)

Reconciliation of the movement in the capital reserve

	2023 R mil	2022 R mil
Balance at the beginning of the year	(523)	(510)
Other comprehensive income, net of tax		
Effective portion of the changes in fair value recognised directly in OCI	-	(18)
Deferred taxation	-	5
Transferred to retained income	523	-
	523	**(13)**
Balance at the end of the year	**-**	**(523)**

Other financial assets

Other financial assets consist of insurance cell assets measured at fair value.

MBSA consolidates its attributable share of an insurance cell captive managed on behalf of MBSA by Centriq Insurance. The net assets reserved within the cell captive are to be utilised against insurance claims arising within MBSA not covered by third-party insurances.

The value of the insurance cell asset is equal to the balance held by Centriq Insurance. This is a level 1 fair value.

Financial instruments (assets and liabilities) at fair value through profit or loss

Financial instruments (assets and liabilities) are initially measured at fair value including transaction costs, except for those classified at 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.

The carrying value of these assets approximates the fair value of the assets.

Fair value items are measured at fair value at reporting date. The fair value gains or loss are recognised in profit or loss. The effective hedging portion is recognised in other comprehensive income.

15. Amounts receivable from group companies

Fellow subsidiaries

	2023 R mil	2022 R mil
Mercedes-Benz AG	8 149	7 077
Mercedes-Benz Group AG	770	266
Mercedes-Benz Malaysia Sdn. Bhd.	8	3
Mercedes-Benz Vietnam	6	2
Mercedes-Benz Japan Co Ltd	5	-
Mercedes Benz Otomotiv Ticaret ve Hizmetler A.S.	4	-
Mercedes-Benz Mexico, S de R.L de C.V	3	-
Cooperation Manufacturing Plant Aguascalientes S.A.P.I de C.V	2	-
Mercedes-Benz India Private Limited	2	-
Mercedes-Benz Manufacturing (Thailand) Limited	2	-
Mercedes-Benz Mexico International, S de R.L de C.V	2	-
Mercedes-AMG GmbH	1	-
Mercedes-Benz Manufacturing Poland sp. z o. o.	1	-
Mercedes-Benz US International	1	3
Star Assembly SRL	1	-
Mercedes-Benz Financial Services India Private Limited	-	2
Mercedes-Benz USA, LLC	-	1
	8 957	**7 354**

No allowance for non-collectable amounts was raised as the amounts carry minimal credit risk. Credit risk is minimal as current group policies manage intergroup debts. In 2023 the interest rates on these "on-demand" trade receivables are between 7.02% and 9.1% (2022: 3.82% and 7.90%).

15. Amounts receivable from group companies (continued)

Financial assets at amortised cost are initially measured at fair value including transaction costs, except for those classified at fair value through profit or loss, in which case transaction costs are expensed upfront in profit or loss, usually as part of other operating expenses.

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.

Fair value of group loans receivable

The fair value of group loans receivable approximates their carrying amounts, due to the short-term nature of these instruments.

	2023 R mil	2022 R mil
16. Loans and advances to customers		
Instalment sale receivables	8 884	9 010
Finance lease receivables	507	533
Wholesale vehicle financing receivables	1 528	1 806
Gross loans and advances to customers	**10 919**	**11 349**
Impairment losses	(394)	(356)
	10 525	**10 993**

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

Maturity profile for instalment sale and lease receivables

	2023			2022		
	Gross investment R mil	Unearned finance income R mil	Net advances R mil	Gross investment R mil	Unearned finance income R mil	Net advances R mil
Less than one year	2 916	(615)	2 301	3 156	(610)	2 546
Between one and five years	9 184	(2 094)	7 090	8 903	(1 906)	6 997
	12 100	**(2 709)**	**9 391**	**12 059**	**(2 516)**	**9 543**

Summary of loss allowance

At 31 December 2023, loans and advances to customers of R 394 million (2022: R 356 million) were impaired and provided for.

Classification	**Stage 1**	**Stage 2**	**Stage 3**	
2023	**12-month ECL R mil**	**Lifetime ECL not credit impaired R mil**	**Lifetime ECL credit impaired R mil**	**Total R mil**
Loan retail	67	53	268	388
Finance leases	1	1	3	5
Loan retail - corporate dealers	-	-	-	1
	68	**54**	**271**	**394**

Notes to the Consolidated Financial Statements

16. Loans and advances to customers (continued)

2022	Stage 1 12-month ECL R mil	Stage 2 Lifetime ECL not credit impaired R mil	Stage 3 Lifetime ECL credit impaired R mil	Total R mil
Loan retail	65	73	186	324
Finance leases	1	2	4	7
Wholesale vehicle financing receivables	-	-	-	24
Loan retail - corporate dealers	-	-	-	1
	66	**75**	**190**	**356**

Loss allowance per category

2023	Finance lease R mil	Loan and retail R mil	Wholesale R mil	Total R mil
Corporate dealers	-	1	1	2
Corporate financing	-	4	-	4
Retail portfolio financing	2	170	-	172
Retail small business	3	213	-	216
	5	**388**	**1**	**394**

2022	Finance lease R mil	Loan and retail R mil	Wholesale R mil	Total R mil
Corporate dealers	-	1	-	1
Corporate financing	-	5	-	5
Retail portfolio financing	4	172	24	200
Retail small business	3	147	-	150
	7	**325**	**24**	**356**

Loss allowance movement - 2023	Stage 1 12-month ECL R 'mil	Stage 2 Lifetime ECL not credit impaired R 'mil	Stage 3 Lifetime ECL credit impaired R 'mil	Total R 'mil
Balance at beginning of the year	81	76	199	356
- Transfer to stage 1	27	(14)	(13)	-
- Transfer to stage 2	(3)	9	(6)	-
- Transfer to stage 3	(3)	(34)	37	-
Change in remeasurement	(18)	30	158	170
Additions (new financial assets originated or purchased)	26	6	13	45
Derecognition (write-off, disposal or repayment)	(31)	(19)	(49)	(99)
Utilisation (write-off)	(1)	(2)	(75)	(78)
	78	**52**	**264**	**394**

Notes to the Consolidated Financial Statements

16. Loans and advances to customers (continued)

2022	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL R 'mil	**Lifetime ECL not credit impaired R 'mil**	**Lifetime ECL credit impaired R 'mil**	**Total R 'mil**
Balance at beginning of the year	75	52	232	359
- Transfer to stage 1	19	(6)	(13)	-
- Transfer to stage 2	(2)	12	(10)	-
- Transfer to stage 3	(2)	(13)	15	-
Change in remeasurement	(15)	39	74	98
Additions (new financial assets originated or purchased)	26	11	18	55
Derecognition (write-off, disposal or repayment)	(20)	(14)	(34)	(68)
Utilisation (write-off)	-	(5)	(83)	(88)
	81	**76**	**199**	**356**

The following table provides information about the exposure to credit risk and ECL's for contract assets for retail customers:

Credit risk rating - 2023	**Gross exposure R 'mil**	**Loss allowance R 'mil**
R1 - R3: Good	5 035	115
R4 - R6: Fair	4 490	212
R7 - R10: Risky	703	67
	10 228	**394**
2022		
R1 - R3: Good	5 971	122
R4 - R6: Fair	4 364	174
R7 - R10: Risky	741	60
	11 076	**356**

	2023 R mil	**2022 R mil**
Movement in allowance for impairment losses on loans and advances to customers		
Opening balance	356	359
Additional allowance raised	192	128
Amounts written off	(154)	(131)
Closing balance	**394**	**356**

Impairment of loans and advances to customers

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

Specific impairments

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

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

16. 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 are subject to a continuing legal debt collection process.

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

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

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

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

Non-performing advances cannot be reclassified as re-negotiated but current unless the arrears balance has been repaid.

Re-negotiated advances are considered as part of the collective evaluation of impairment where advances are grouped on the basis of similar credit risk characteristics. The adherence to the new terms and conditions is closely monitored.</td></tr>
</table>

17. Property, plant and equipment

	2023			2022		
	Cost R mil	Accumulated depreciation/ impairment losses R mil	Carrying value R mil	Cost R mil	Accumulated depreciation/ impairment losses R mil	Carrying value R mil
Land and buildings	2 833	(722)	2 111	2 910	(644)	2 266
Plant and equipment	10 522	(4 550)	5 972	11 360	(3 516)	7 844
Other factory equipment and furniture	40	(37)	3	50	(46)	4
Motor vehicles	32	(16)	16	25	(15)	10
Assets under construction	102	-	102	255	-	255
Property, plant and equipment	**13 529**	**(5 325)**	**8 204**	**14 600**	**(4 221)**	**10 379**
Assets leased under operating leases	**2 290**	**(371)**	**1 919**	**2 318**	**(354)**	**1 964**
Right-of-use assets (refer note 17.1)	**293**	**-**	**293**	**570**	**(212)**	**358**

Reconciliation of the movement in property, plant and equipment and assets leased under operating leases - 2023

	Opening balance R mil	Additions R mil	Disposals or scrap-pings R mil	Transfers R mil	Govern-ment grants R mil	Depre-ciation R mil	Impair-ment (loss)/ reversal R mil	Closing balance R mil
Land and buildings	2 266	-	-	11	(88)	(78)	-	2 111
Plant and equipment	7 844	301	(6)	142	(1 211)	(1 098)	-	5 972
Other factory equipment and furniture	4	-	-	-	-	(1)	-	3
Motor vehicles	10	9	-	-	(1)	(2)	-	16
Assets under construction	255	-	-	(153)	-	-	-	102
Property, plant and equipment	**10 379**	**310**	**(6)**	**-**	**(1 300)**	**(1 179)**	**-**	**8 204**
Assets leased under operating leases	**1 964**	**889**	**(660)**	**-**	**-**	**(245)**	**(29)**	**1 919**
Right-of-use assets (refer note 17.1)	**358**	**42**	**(19)**	**-**	**-**	**(88)**	**-**	**293**

Reconciliation of the movement in property, plant and equipment and assets leased under operating leases - 2022

	Opening balance R mil	Additions R mil	Disposal of operations R mil	Dispo-sals or scrap-pings R mil	Trans-fers R mil	Govern-ment grants R mil	Depre-ciation R mil	Impair-ment (loss)/ reversal R mil	Closing balance R mil
Land and buildings	2 647	20	-	(7)	23	(322)	(95)	-	2 266
Plant and machinery	9 192	599	-	(54)	401	(1 077)	(1 217)	-	7 844
Other factory equipment and furniture	13	2	(8)	(1)	-	-	(2)	-	4
Motor vehicles	19	3	(10)	-	-	(1)	(1)	-	10
Assets under construction	554	125	-	-	(424)	-	-	-	255
Property, plant and equipment	**12 425**	**749**	**(18)**	**(62)**	**-**	**(1 400)**	**(1 315)**	**-**	**10 379**
Assets leased under operating leases	**2 293**	**772**	**-**	**(894)**	**-**	**-**	**(177)**	**(30)**	**1 964**
Right-of-use assets (refer note 17.1)	**294**	**150**	**(3)**	**-**	**-**	**-**	**(83)**	**-**	**358**

Notes to the Consolidated Financial Statements

17. Property, plant and equipment (continued)

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 they 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 factory equipment

Motor vehicles

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. Refer to note 3.3.2.</td></tr>
<tr><td>Assets under construction</td><td>Cost less accumulated impairment losses.</td><td>Not depreciated.</td></tr>
</table>

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

Operating leases (company as lessor)

Assets held under operating leases are recognised, at inception, as a separate category of property and equipment (assets leased under operating leases) and depreciated.

Rental income is recognised as revenue from sale and leasing of vehicles and related services on a straight-line basis over the lease term.

Government grants - AIS

A government grant of R 1 300 million (2022: R 1 400 million) was due in terms of AIS and recognised against the cost of relevant categories of property, plant and equipment. Of the R 1 300 million, R 660 million was actually received as well as the outstanding amount of R 350 million relating to the 2022 claim. The remaining R 640 million of the 2023 claim, is outstanding as at 31 December 2023. There are no fulfillment conditions and no other contingencies attached to these government grants.

Government grants related to AIS are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

Capital expenditure

At 31 December 2023 the group authorised the acquisition of property, plant and equipment amounting to R 287 million (2022: R 604 million) as capital expenditure. This related to the production of the W206 model.

This capital expenditure will be financed from internally generated funds.

Notes to the Consolidated Financial Statements

17. Property, plant and equipment (continued)

17.1 Right-of-use assets

2023	Land and buildings R mil	Factory and office equipment R mil	Total R mil
Opening balance	322	36	358
Additions	31	11	42
Disposals	-	(19)	(19)
Depreciation	(71)	(17)	(88)
	282	**11**	**293**

2022	Land and buildings R mil	Factory and office equipment R mil	Total R mil
Opening balance	235	59	294
Additions	149	1	150
Depreciation	(59)	(24)	(83)
Transfer to assets held for sale	(3)	-	(3)
	322	**36**	**358**

Right-of-use assets are presented within property, plant and equipment on the consolidated statement of financial position. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

	Note	2023 R mil	2022 R mil
Future minimum lease income			
Future minimum lease receipts under non-cancellable operating leases:			
Within 1 year		627	470
Within 2 years		505	412
Within 3 years		287	304
Within 4 years		105	207
Within 5 years		50	39
		1 574	**1 432**
18. Retirement benefit plan assets and post-retirement medical aid benefit obligations			
Net retirement benefit plan asset	18.1	214	179
Post-retirement medical aid benefit obligation	18.2	(406)	(398)

	2023 R mil	2022 R mil

18. Retirement benefit plan assets and post-retirement medical aid benefit obligations (continued)

18.1 Retirement benefit plan asset

Defined benefit schemes

	2023 R mil	2022 R mil
Present value of obligations	(1 932)	(2 108)
Fair value of plan assets	2 146	2 287
Net defined benefit asset	**214**	**179**
Less: impact of application of asset ceiling	-	-
Net defined benefit asset after application of asset ceiling	**214**	**179**

The policy of the group is to provide retirement benefits for its employees. All employees are 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. The schemes are governed by the Pension Funds Act.

The fund was last actuarially valued in October 2023. 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.

MBSA and MBFS are under common control and participate in a benefit plan that shares risks. There is no policy or contractual agreement for charging the net defined benefit cost.

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

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

The defined benefit plans expose the group to actuarial risk, such as longevity risk and currency risk, interest rate risk and market risk (investment risk).

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 obligation	
	2023 R mil	2022 R mil	2023 R mil	2022 R mil
Opening balance	2 287	2 400	2 108	2 216
Included in profit or loss				
Current service cost	-	-	19	23
Interest	257	233	218	206
	257	**233**	**237**	**229**
Included in OCI				
Actuarial (gains)/losses				
Financial assumptions	-	-	(49)	(203)
Experience adjustment	-	-	-	25
Other	(7)	(15)	(6)	(15)
Remeasurements	(86)	(189)	-	-
	(93)	**(204)**	**(55)**	**(193)**
Other				
Benefits paid	(168)	(151)	(168)	(151)
Contributions received	17	18	-	-
Employee contributions	6	7	6	7
Transfers between entities	(196)	-	(196)	-
Adjustment to asset ceiling	36	(16)	-	-
	(305)	**(142)**	**(358)**	**(144)**
Closing balance	**2 146**	**2 287**	**1 932**	**2 108**

	2023 R mil	2022 R mil

18. Retirement benefit plan assets and post-retirement medical aid benefit obligations (continued)

The projected employer and employee contributions and the benefit for the next year are as follows:

	2023 R mil	2022 R mil
Employer contributions	17	19
Employee contributions	6	7

	2023 R mil	2022 R mil
Fair value of plan assets comprises		
Bonds	1 840	1 803
Equities	321	371
Property	6	6
Alternative investments	35	-
Derivatives net of cash	41	43
	2 243	**2 223**

The value placed on the total assets are equal to the full market value of the investments as at the date of measurement, adjusted for assets attributable to defined contribution members, benefits due not yet paid and unclaimed benefits.

The bank account balances in the funds were included in the total assets value.

Sensitivity analysis

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

Assumption	**Change applied**	**Resulting % change in defined benefit obligation**	
		2023	**2022**
Discount rate	0.25 %	(2.40)%	(1.15)%
	(0.25)%	2.45 %	1.25 %
General inflation rate	0.10 %	0.95 %	0.95 %
	(0.10)%	(0.90)%	(0.95)%
Average age	+1 year	(1.85)%	(1.90)%
	-1 year	1.85 %	1.85 %

	2023 R mil	2022 R mil
18.2 Post-retirement medical aid benefit obligation		
Present value of portfolio obligation	406	398

Portfolio

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

The post-retirement medical aid obligation and the annual cost of those benefits were determined by the independent actuaries of the fund in December 2023. The actuarially determined liability is allocated to provisions. 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 individual company's experiences.

Notes to the Consolidated Financial Statements

	2023 R mil	2022 R mil

18. Retirement benefit plan assets and post-retirement medical aid benefit obligations (continued)

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

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

	2023 R mil	2022 R mil
Opening balance	398	379
Included in profit or loss		
Current service cost	9	9
Interest cost	53	42
	62	**51**
Included in OCI		
Actuarial gains	(34)	(7)
Other		
Contributions	(20)	(19)
Derecognition of consolidated companies	-	(6)
Closing balance	**406**	**398**

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:

Assumption	Change applied to assumption	Resulting % change in past service contractual liability		Resulting % change in service cost and interest cost	
		2023	2022	2023	2022
Health care cost inflation	1.00 %	(9.45)%	(9.95)%	(4.45)%	(4.85)%
	(1.00)%	11.30 %	12.00 %	5.15 %	5.75 %
Mortality	+1 year	(2.50)%	(2.60)%	(2.50)%	(2.50)%
	-1 year	2.50 %	2.60 %	2.50 %	2.50 %

18.3 Post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

Defined benefit obligation

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

The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit 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. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

18. Retirement benefit plan assets and post-retirement medical aid benefit obligations (continued)

Plan assets

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

Profit or loss

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

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

Other comprehensive income

Actuarial gains or losses excluding interest on long term employee benefits are recognised in other comprehensive income. All other re-measurements in respect of the obligation and plan assets are included in other comprehensive income 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 mil	2022 R mil
19. Deferred tax		
Reconciliation of movement in net deferred tax liability		
At beginning of year	(503)	677
Disposal of subsidiary (discontinued operation)	-	(29)
Change in tax rate	-	18
Current year charge through profit or loss	(620)	(1 184)
Current year charge through OCI		
Retirement benefit assets and liabilities	(14)	10
Prior year over provision	25	5
	(1 112)	**(503)**
Deferred tax asset		
Deferred revenue	917	885
Provisions	502	502
Retirement benefit assets	290	268
Lease liability	160	179
Allowance for uncollectable lease payments	88	79
Income received in advance	28	22
Customer overpayments	8	-
Accrual for acceptance fees	5	4
Deferred employment expenses	4	4
Allowance for impairment of receivables	1	3
Cash flow hedge through profit or loss	-	1
Prior period over provision	-	1
Assessed loss carried forward	-	141
	2 003	**2 089**

	2023 R mil	2022 R mil
19. Deferred tax (continued)		
Deferred tax liability		
Government grants	(1 232)	(992)
Capital allowances	(1 554)	(1 283)
Retirement benefit obligation - prepaid pension	(174)	(156)
Right-of-use asset	(79)	(98)
Retirement benefit obligation - OCI	(63)	(50)
Prepayments	(11)	(10)
Leased assets	(2)	(3)
	(3 115)	**(2 592)**
Total net deferred tax liability	**(1 112)**	**(503)**
20. Trade and other payables		
Financial instruments		
Trade payables	2 780	3 032
Lease liability (refer note 20.1)	344	399
Other payables	340	244
	3 464	**3 675**
Non-financial instruments		
VAT	6	18
Employee related liabilities	556	531
	4 026	**4 224**
20.1 Lease liability		
Items recognised in statement of financial position		
Lease liability	344	399
Items recognised in profit or loss		
Interest on lease liability	26	24
Expense relating to short-term leases	2	5
Expense relating to low value assets, excluding short-term leases of low value assets	7	5
Other		
Cash outflows from leases	113	101

Maturity profile of lease liabilities

31 December 2023	**Within1 year R mil**	**Within 2 years R mil**	**Within 3 years R mil**	**Within 4 years R mil**	**5 years or more R mil**	**Total R mil**
Lease liability	97	76	70	58	136	437
31 December 2022						
Lease liability	82	75	51	45	177	430

Leases

The group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

20. Trade and other payables (continued)

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets.

The lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at 1 January 2023. The weighted average incremental borrowing rate was 8.01% (2022: 8.58%). The respective right-of-use asset is generally recognised at an amount equal to the lease liability.

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.

Liabilities at amortised cost

Includes interest-bearing borrowings, trade and other payables, and bank overdrafts:

- 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.

	2023 R mil	2022 R mil
21. Amounts payable to group companies		
Fellow subsidiaries		
Mercedes-Benz AG	5 345	6 153
Mercedes-Benz Group AG	45	49
Mercedes-Benz Singapore Pte. Ltd.	31	16
Mercedes-Benz Mobility AG	25	6
Mercedes-Benz Malaysia Sdn. Bhd.	5	-
Mercedes-Benz Romania S.R.L.	2	-
Mercedes-Benz US International Inc	2	-
Mercedes Benz Otomotiv Ticaret ve Hizmetler A.S.	1	-
Mercedes-Benz Parts Logistics UK Limited	-	6
Mercedes-Benz Cars & Vans Brasil - Industria E Comercio De Veiculos Ltda.	-	1
Mercedes-Benz Korea Limited	-	1
	5 456	**6 232**

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.

21. Amounts payable to group companies (continued)

Subsequently group payables are recognised at amortised cost using the effective interest method.

These are repayable on demand and settled in the ordinary course of business.

Fair value of group loans payable

The fair value of trade payables to group companies approximates their carrying amounts, due to the short-term nature of the instruments.

22. Provisions

Reconciliation of provisions - 2023

	Opening balance R mil	Additional provision R mil	Amounts utilised R mil	Closing balance R mil
Transfer pricing	-	367	-	367
Plant production related provisions	408	312	(446)	274
Warranty claims	101	114	(31)	184
Premium drive	239	69	(239)	69
Residual value	23	15	(7)	31
	771	**877**	**(723)**	**925**

Transfer pricing

Detail relating to the provision raised for taxation applicable on the transfer pricing is due to uncertain tax implications as disclosed in note 9.

Plant production related provisions

This provision relates to provisions for supplier volume reduction and onerous contracts as a result of production related activities.

Warranty claims

The provision for warranty claims represents the amount not recovered from MBGAG that is paid locally. The provision is calculated monthly for the warranty period based on estimates made from historical warranty claim experience associated with the products. The utilisation date of product warranties depends on the incidence of the warranty claims and can span the entire term of the product warranties.

Premium drive

Provision for the future expected cost of maintenance and service agreements. MBSA group took a strategic decision to review the insurance contracts on maintenance and service reimbursement and, as a result, raised a provision on premium drive. This provision is utilised as and when maintenance and service claims are are settled.

Residual value risk

MBSA entered into a "residual value risk agreement" with MBFS whereby the company is liable for all residual value losses incurred by MBFS in realising residual values on Mercedes-Benz branded products.

The exposure is periodically reviewed to the underwritten portfolio to adjust for changes in market conditions. Where risks are identified, the company develops strategies to manage the risk position of the particular assets and a provision is raised to this effect.

Notes to the Consolidated Financial Statements

	2023 R mil	2022 R mil

23. Contract liabilities

Summary of contract liabilities

	2023 R mil	2022 R mil
Maintenance and service contracts	3 096	3 019
Finance services contracts	94	82
Rebates and discounts	264	188
	3 454	**3 289**

Reconciliation of contract liabilities

	2023 R mil	2022 R mil
Opening balance	3 289	3 042
Additions to contracts	704	916
Maintenance contracts released to revenue	(627)	(697)
Additions to rebates and discounts	264	188
Utilisation of rebates and discounts	(188)	(160)
Additions to financial services contracts	57	47
Utilisation of financial services contracts	(45)	(47)
	3 454	**3 289**

Expected release deferred revenue to revenue

	2023 R mil	2022 R mil
Within 1 year	982	831
Within 2 years	661	596
Within 3 years	700	631
Within 4 years	742	669
Within 5 years	369	562
	3 454	**3 289**

Contract liabilities consist of liabilities from maintenance and service contracts with customers. The group sells motor vehicles with a maintenance and service obligation to customers. Whilst the sale of the motor vehicle is recognised immediately as revenue, the maintenance and service revenue is recognised as deferred revenue and released into revenue upon the performance of a maintenance and service obligation. These maintenance and service obligations are completed within the lesser of 100 000 kilometres or five years. Prior to 18 February 2019, all maintenance and service obligations sold were completed within the lesser of 100 000 kilometres or six years, which will be honoured as per the agreements. Subsequent to 18 February 2019 all new additions to maintenance and service obligations carry the lesser of 100 000 kilometres or five year period of obligation. Deferred revenue and prepaid expenses are not financial instruments because they are settled by the delivery or receipt of goods and services.

24. Interest-bearing borrowings

	2023 R mil	2022 R mil
Bonds issued under MBSA DMTN Programme	11 500	14 400
Bank loans	-	2 000
Overnight facility	611	-
Interest accrued	116	88
	12 227	**16 488**

Details of movement

	2023 R mil	2022 R mil
Opening balance	16 488	21 828
Bonds issued	4 500	2 500
Bonds repaid	(7 400)	(7 350)
Overnight facility received	611	-
Bank loans facilities repaid	(2 000)	(500)
Interest capitalised	28	10
	12 227	**16 488**

24. Interest-bearing borrowings (continued)

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

The group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Instruments which have been written down and conversion features are classified based on the nature of the instrument and the definitions of debt and equity; compound instruments are those financial instruments that have components of both financial liabilities and equity such as preference shares. At initial recognition the instrument and the related transaction costs are split into their separate components in terms of the definitions and criteria of IAS 32 and are subsequently accounted for as a financial liability or equity.

Funding liabilities are generally measured at amortised cost but may be measured at fair value through profit or loss if they are managed on a fair value basis or the fair value designation reduces or eliminates an accounting mismatch.

For the presentation of the fair value of the interest-bearing borrowings, refer to note 30.

Bank loans

MBSA obtains bank loans and overnight facilities from various financial institutions for the funding requirements of the group entities. The loans are held to maturity, which are up to 3 years with the final settlement being made on 14 April 2023 and bear interest at market related rates of interest, referenced off the 3-month JIBAR with spreads between 1.150% to 1.250%.

Bonds issued under MBSA DMTN Programme

MBSA has issued bonds under its DMTN Programme, which are listed on the JSE. Bonds are issued periodically as funding requirements arise. The bonds are held to maturity, which ranging between 1 to 5 years with the final settlement being made on 8 November 2026 and are issued at market related rates of interest, referenced off the 3-month JIBAR with spreads between 0.70% to 1.15% (2022: 0.95% to 1.30%).

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

The following table lists the bonds issued under the DMTN Programme:

31 December 2023

Code	Listed	Issue amount R mil	Issue date	Maturity date	Rate	Spread %
MBP047	Yes	500	26/02/2019	26/02/2024	Floating	1.15 %
MBP049	Yes	1 500	27/03/2019	27/03/2024	Floating	1.15 %
MBP052	Yes	500	26//03/2021	26/03/2024	Floating	0.98 %
MBF070	Yes	1 000	28/05/2021	28/05/2024	Floating	1.05 %
MBF071	Yes	1 000	17/09/2021	17/09/2024	Floating	0.99 %
MBF072	Yes	1 000	31/05/2022	31/05/2025	Floating	1.09 %
MBF073	Yes	1 500	30/09/2022	30/09/2025	Floating	1.08 %
MBF074	Yes	500	31/05/2023	31/05/2026	Floating	0.82 %
MBF075	Yes	1 000	31/05/2023	10/08/2024	Floating	1.05 %
MBF076	Yes	500	10/08/2023	10/08/2026	Floating	0.73 %
MBF077	Yes	1 000	10/08/2023	10/08/2024	Floating	1.00 %
MBP053	Yes	500	08/11/2023	08/11/2024	Floating	0.70 %
MBP054	Yes	1 000	08/11/2023	08/11/2026	Floating	0.90 %
Total listed bonds		**11 500**				

24. Interest-bearing borrowings (continued)

31 December 2022

Code	Listed	Issue amount R mil	Issue date	Maturity date	Rate	Spread %
MBF068	Yes	900	17/11/2020	17/11/2023	Floating	0.95 %
MBF070	Yes	1 000	28/05/2021	28/05/2024	Floating	1.05 %
MBF071	Yes	1 000	17/09/2021	17/09/2024	Floating	0.99 %
MBF072	Yes	1 000	31/05/2022	31/05/2025	Floating	1.09 %
MBF073	Yes	1 500	30/09/2022	30/09/2025	Floating	1.08 %
MBP040	Yes	500	23/02/2018	23/02/2023	Floating	1.30 %
MBP043	Yes	1 000	27/07/2018	27/07/2023	Floating	1.18 %
MBP045	Yes	1 000	27/09/2018	27/09/2023	Floating	1.15 %
MBP045	Yes	500	27/09/2018	27/09/2023	Floating	1.15 %
MBP047	Yes	500	26/02/2019	26/02/2024	Floating	1.15 %
MBP049	Yes	1 500	27/03/2019	27/03/2024	Floating	1.15 %
MBP051	Yes	3 500	12/03/2020	12/03/2023	Floating	1.08 %
MBP052	Yes	500	26/03/2021	26/03/2024	Floating	1.08 %
Total listed bonds		**14 400**				

25. Segmental information

Basis for segmentation

The group is organised into four segments for operational and management purposes, being wholesale and retail vehicles, manufacturing and component exports, financial services and fleet management and other. The group reports its primary business segment information on this basis.

The principal offering for each division is as follows:
- Wholesale and retail vehicles – passenger vehicles and commercial vehicle wholesale business including the retail business; and
- Manufacturing and component exports – manufacturing plant based in East London and component exports.
- Financial services and fleet management – variety of leasing and specialised leasing products and fleet management; and
- Other – residual of the operations, which does not constitute its own separate segment. This includes the property company.

Geographical information

All segments are managed in South Africa. All revenues and assets from financial services and fleet management segments are domiciled in South Africa.

	2023		2022	
	Revenue from sale of vehicles R mil	**Non-current assets R mil**	**Revenue from sale of vehicles R mil**	**Non-current assets R mil**
Europe	60 429	-	52 377	-
Africa	16 590	17 922	18 114	20 096
Total	**77 019**	**17 922**	**70 491**	**20 096**

Majority of sales to Europe R 60 429 million (2022: R 52 377 million) relate to MBAG and MBGAG, the parent and ultimate holding company.

Notes to the Consolidated Financial Statements

25. Segmental information (continued)

Information about reportable segments

Information related to each reportable segment is set out below:

2023	**Wholesale and retail vehicles R mil**	**Manufacturing and component exports R mil**	**Financial Services and Fleet management R mil**	**Other R mil**	**Total R mil**
Revenue from sale of vehicles	11 420	63 512	-	-	74 932
Revenue from financial services	-	-	2 087	-	2 087
Total income from sales and financing activities	**11 420**	**63 512**	**2 087**	**-**	**77 019**
Interest paid	-	-	(1 058)	-	(1 058)
Finance cost	(565)	-	-	-	(565)
Impairment	-	-	(29)	-	(29)
Depreciation	(116)	(1 225)	(12)	-	(1 353)
Staff cost	(222)	(2 318)	(75)	-	(2 615)
Segment EBIT	**395**	**6 605**	**323**	**2**	**7 325**
Segment assets	**3 902**	**32 381**	**13 016**	**200**	**49 499**
Segment liabilities	**(12 444)**	**(3 937)**	**(11 988)**	**(1)**	**(28 370)**

2022	**Wholesale and retail vehicles R mil**	**Manufacturing and component exports R mil**	**Financial services and Fleet management R mil**	**Other R mil**	**Total R mil**
Revenue from sale of vehicles	12 485	56 302	-	-	68 787
Revenue from financial services	-	-	1 704	-	1 704
Total income from sales and financing activities	**12 485**	**56 302**	**1 704**	**-**	**70 491**
Income other than from contracts with customers	-	-	-	22	22
Interest paid	-	-	(1 198)	-	(1 198)
Finance cost	(87)	-	-	-	(87)
Impairment	-	-	(30)	-	(30)
Depreciation	(97)	(1 365)	(12)	(15)	(1 489)
Staff cost	(199)	(2 119)	(78)	-	(2 396)
Segment EBIT	**(506)**	**4 387**	**(272)**	**22**	**3 631**
Segment assets*	**5 826**	**33 083**	**13 472**	**201**	**52 582**
Segment liabilities*	**(15 596)**	**(3 759)**	**(12 555)**	**(14)**	**(31 924)**

* 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.

Segment assets - 2022	**Wholesale and retail vehicles R mil**	**Manufacturing and component exports R mil**	**Financial services and Fleet management R mil**	**Other R mil**	**Total R mil**
As previously reported	18 645	33 083	854	-	52 582
Currently reported	5 826	33 083	13 472	201	52 582
Difference	**12 819**	**-**	**(12 618)**	**(201)**	**-**

Notes to the Consolidated Financial Statements

25. Segmental information (continued)

Segment liabilities - 2022	**Wholesale and retail vehicles R mil**	**Manufacturing and component exports R mil**	**Financial services and Fleet management R mil**	**Other R mil**	**Total R mil**
As previously reported	(28 066)	(3 759)	(82)	(17)	(31 924)
Currently reported	(15 596)	(3 759)	(12 555)	(14)	(31 924)
Difference	**(12 470)**	**-**	**12 473**	**(3)**	**-**

26. Share capital

	2023 Number	**2022 Number**
Authorised		
Ordinary shares	46 840 000	46 840 000
Issued		
Ordinary shares	46 810 100	46 810 100

	2023 R mil	**2022 R mil**
Composition of issued share capital and premium		
Ordinary shares at par value	47	47
Share premium	1 370	5 370
Total issued capital and premium	**1 417**	**5 417**
Reconciliation of share premium		
Balance at 1 January	5 370	5 370
Capital reduction	(4 000)	-
	1 370	**5 370**

Stated capital issued by the group is recorded at the proceeds received, net of issue costs. Stated capital comprises share capital and share premium. The shares are fully paid up.

All ordinary shares rank equally with regards to the group's residual assets. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at annual general meetings.

During the 2023 financial year, MBSA paid a capital reduction of R 4 billion to its holding company, MBAG. Management is satisfied that the company met all the solvency and liquidity requirements prescribed by the Companies Act.

27. Related parties

Relationships

Ultimate holding company	Mercedes-Benz Group AG
Holding company	Mercedes-Benz AG

The ultimate holding company of MBSA is MBGAG. Various transactions are entered into between MBSA and companies within the global MBGAG group. The transactions listed below are conducted between MBSA Limited and its ultimate holding company, holding company as well as fellow subsidiaries.

For related party balances refer note 15, amounts receivable from group companies and note 21, amounts payable to group companies.

Notes to the Consolidated Financial Statements

27. Related parties (continued)

	Sales to group companies		Purchases from group companies	
	2023 R mil	**2022 R mil**	**2023 R mil**	**2022 R mil**
Mercedes-Benz AG	60 429	52 377	54 308	47 591
Mercedes-Benz US International	-	-	1	-
Mercedes-Benz Group AG	-	-	155	71
Mercedes-Benz Manufacturing Hungary Kft.	-	-	1	1
Mercedes-Benz Italia S.P.A.	-	-	2	2
Mercedes-Benz Parts Logistics UK Limited	-	-	6	-
Mercedes Benz Otomotiv Ticaret ve Hizmetler A.S.	-	-	1	-
Daimler Greater China Ltd.	-	-	-	2

	Other income received from group companies		Other expenses paid to group companies	
	2023 R mil	**2022 R mil**	**2023 R mil**	**2022 R mil**
Selling costs				
Mercedes-Benz Singapore Pte. Ltd.	-	-	27	28
Mercedes-Benz AG	-	-	71	8
Mercedes-Benz Cars Netherlands B.V.	-	-	-	1
Mercedes-Benz Romania S.R.L	-	-	4	-
Interest				
Mercedes-Benz Group AG	14	5	15	26
Administration and management fees				
Mercedes-Benz AG	-	814	14	12
Mercedes-Benz Singapore Pte. Ltd.	-	-	5	6
Mercedes-Benz Cars & Vans Brasil - Industria E Comercio De Veiculos Ltda.	-	-	1	-
Recharge cost				
Mercedes-Benz AG	317	237	-	-
Mercedes-Benz India Private Limited	2	-	-	-
Mercedes-Benz Japan Co Ltd	5	-	-	-
Mercedes-Benz Korea Limited	5	-	-	-
Mercedes-Benz Manufacturing Hungary Kft.	1	-	-	-
Mercedes-Benz U.S. International, Inc.	8	3	-	-
Mercedes-Benz Vietnam Ltd.	5	2	-	-
Mercedes-AMG GmbH	5	2	-	-
Mercedes-Benz Manufacturing (Thailand) Limited	6	2	-	-
Mercedes-Benz Manufacturing Poland sp. z o. o.	1	-	-	-
Mercedes-Benz Malaysia Sdn. Bhd.	9	8	-	-
Mercedes-Benz Mexico International, S de R.L de C.V	5	-	-	-
Mercedes Benz Otomotiv Ticaret ve Hizmetler A.S.	4	-	-	-
Mercedes-Benz Singapore Pte. Ltd.	1	-	-	-
Mercedes-Benz Thailand Limited	2	-	-	-
Mercedes-Benz USA, LLC	-	1	-	-
Star Assembly SRL	1	-	-	-
Cooperation Manufacturing Plant Aguascalientes S.A.P.I de C.V	4	-	-	-

Notes to the Consolidated Financial Statements

	2023 R mil	2022 R mil

27. Related parties (continued)

Compensation to directors and other key management

	2023 R mil	2022 R mil
Short-term employee benefits	81	69
Post-employment benefits	1	1
	82	**70**

28. Directors' and prescribed officers' emoluments

Executive directors

2023

	Short-term employee benefits			Other long-term benefits	
	Salaries R mil	Bonus related R mil	Other benefits R mil	Pension fund contributions R mil	Total R mil
Mr A Brand	3.4	1.3	11.2	0.2	16.1
Mr M Raine	3.2	0.8	8.8	0.2	13.0
Mr AM Kgotle	3.6	3.4	6.4	0.3	13.7
Ms T Woodbridge	2.3	1.2	2.8	0.3	6.6
	12.5	**6.7**	**29.2**	**1.0**	**49.4**

2022

	Salaries R mil	Bonus related R mil	Other benefits R mil	Pension fund contributions R mil	Total R mil
Mr A Engling	1.3	1.5	4.6	0.1	7.5
Mr A Brand	2.0	-	3.7	0.1	5.8
Mr KM Eser	2.9	1.5	8.1	0.1	12.6
Ms T Woodbridge	1.9	0.9	1.5	0.2	4.5
Mr AM Kgotle	3.4	2.9	3.3	0.3	9.9
Mr M Raine	2.6	0.3	5.8	0.1	8.8
	14.1	**7.1**	**27.0**	**0.9**	**49.1**

Prescribed officers

2023

	Short-term employee benefits			Other long-term benefits	
	Salaries R mil	Bonus related R mil	Other benefits R mil	Pension fund contributions R mil	Total R mil
Ms N Trimmel	1.9	0.9	2.5	0.2	5.5
R Hoffmann	3.8	1.8	19.0	0.2	24.8
	5.7	**2.7**	**21.5**	**0.4**	**30.3**

2022

	Salaries R mil	Bonus related R mil	Other benefits R mil	Pension fund contributions R mil	Total R mil
Ms N Trimmel	1.7	0.8	1.4	0.2	4.1
Mr R Hoffmann	3.0	1.4	8.3	0.2	12.9
	4.7	**2.2**	**9.7**	**0.4**	**17.0**

* Other benefits comprise incentives, car and travel allowance and medical benefits.

Included in the directors' remuneration is R 1 million (2022: R 1 million) relating to the MBGAG Performance Phantom Share Plan.

Notes to the Consolidated Financial Statements

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

Non-executive directors

	Directors' fees for services as directors of subsidiaries 2023 R mil	2022 R mil
Dr JW Schmidt	-	0.2
Ms N Mbhele	0.9	0.8
Ms S Zilwa	0.8	0.9
Mr W Porth	0.3	-
Amb N January-Bardill	1.0	0.8
Ms FT Dludlu	1.0	1.0
	4.0	**3.7**

None of the directors or prescribed officers hold any shares in MBSA.

29. Financial instruments and risk management

29.1 Categories and analysis of assets and liabilities

Assets - 2023

	Financial instruments				
	Designated at fair value R mil	At amortised cost R mil	Other assets R mil	Total R mil	Non-current portion of total R mil
Cash and cash equivalents	-	156	-	156	-
Assets held for sale	-	-	66	66	-
Trade and other receivables	-	6 616	1 274	7 890	-
Inventories	-	-	10 993	10 993	-
Derivatives and other financial assets	80	-	-	80	-
Amounts receivable from group companies	-	8 957	-	8 957	-
Loans and advances to customers	-	10 525	-	10 525	7 090
Deferred initial direct costs	-	-	93	93	93
Right-of-use assets	-	-	293	293	293
Assets leased under operating leases	-	-	1 919	1 919	1 919
Property, plant and equipment	-	-	8 204	8 204	8 204
Goodwill and intangible assets	-	-	109	109	109
Retirement benefit asset	-	-	214	214	214
	80	**26 254**	**23 165**	**49 499**	**17 922**

Notes to the Consolidated Financial Statements

29. Financial instruments and risk management (continued)

Assets - 2022

	Financial instruments				
	Designated at fair value R mil	At amortised cost R mil	Other assets R mil	Total R mil	Non-current portion of total R mil
Cash and cash equivalents	-	1 862	-	1 862	-
Assets held for sale	-	-	56	56	-
Trade and other receivables	-	6 197	970	7 167	-
Inventories	-	-	11 872	11 872	-
Derivatives and other financial assets	79	-	-	79	-
Current tax receivable	-	-	100	100	-
Amounts receivable from group companies	-	7 354	-	7 354	-
Loans and advances to customers	-	10 993	-	10 993	6 997
Deferred initial direct cost	-	-	98	98	98
Right-of-use assets	-	-	358	358	358
Assets leased under operating leases	-	-	1 964	1 964	1 964
Property, plant and equipment	-	-	10 379	10 379	10 379
Goodwill and intangible assets	-	-	121	121	121
Retirement benefit asset	-	-	179	179	179
	79	**26 406**	**26 097**	**52 582**	**20 096**

Liabilities - 2023

	Financial instruments			
	At amortised cost R mil	Other liabilities R mil	Total R mil	Non-current portion of total R mil
Bank overdraft	24	-	24	-
Trade and other payables	3 464	562	4 026	268
Amounts payable to group companies	5 457	-	5 457	-
Provisions	-	925	925	-
Contract liabilities	-	3 454	3 454	2 472
Current tax payable	-	739	739	-
Interest-bearing borrowings	12 227	-	12 227	5 500
Post-retirement medical aid benefit obligation	-	406	406	406
Deferred tax	-	1 112	1 112	1 112
	21 172	**7 198**	**28 370**	**9 758**

Liabilities - 2022

Bank overdraft	19	-	19	-
Trade and other payables	3 675	549	4 224	331
Amounts payable to group companies	6 232	-	6 232	-
Provisions	-	771	771	-
Contract liabilities	-	3 289	3 289	2 457
Interest-bearing borrowings	16 488	-	16 488	6 995
Post-retirement medical aid benefit obligation	-	398	398	398
Deferred tax	-	503	503	503
	26 414	**5 510**	**31 924**	**10 684**

29.2 Capital risk management

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

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

29. Financial instruments and risk management (continued)

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 structure and gearing ratio of the group at the reporting date was as follows:

	2023 R mil	2022 R mil
Total assets	49 499	52 582
Total equity	21 129	20 658
Debt equity ratio	42.69 %	39.29 %

29.3 Financial risk management

29.3.1 Objectives and policies

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework,including the implementation and monitoring of these policies.

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 upon which the group's risk management processes for financial risks are designed to identify and analyse these 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.

29.3.2 Credit risk

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

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

Cash and cash equivalents	156	1 862
Trade and other receivables	6 616	6 197
Financial assets and derivatives	80	79
Loans and advances to customers	10 525	10 993
Amounts receivable from group companies	8 957	7 354
	26 334	**26 485**

The group is exposed to credit risk through the following instruments:

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are mostly receivables from sales activities of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, as well as other corporate and private customers. The group manages its credit risk from trade receivables using appropriate IT applications and databases on the basis of internal guidelines. In order to minimise credit risk, the group assesses the creditworthiness of the counterparties. All receivables are regularly reviewed and impairments are recognised if there is any objective indication of non-performance or other contractual violations. The group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade receivables.

29. Financial instruments and risk management (continued)

Derivatives and other financial assets

The group's exposure to credit risk on financial assets is not material in relation to the overall credit risk of the group. Given the nature of these financial assets, management does not expect any counterparty to default on meeting its obligations.

The group uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business activities related to the procurement of precious metals used in production. The group manages its credit risk exposure in connection with derivative financial instruments through a limit system, which is based on the review of each counterparty's financial strength. This system limits and diversifies the credit risk. As a result, the group is exposed to credit risk only to a small extent with respect to its derivative financial instruments. In accordance with the group's risk policy, most derivatives are contracted with counterparties which have an external rating of “A” or better. The exposure to this risk is facilitated through the Mercedes-Benz group and not directly through the MBSA group.

Amounts receivable from group companies

The group's exposure to credit risk on trade receivables from group companies is managed within the Mercedes-Benz group and according to MBAG policy and credit terms. Given the nature of these receivables, management does not expect any counterparty to default on meeting its obligations.

The maximum risk positions of financial assets, generally subject to credit risk, are equal to their carrying amounts, except for lease instalments from operating leases, which is considered to be future minimum contractual amounts receivable under the lease contract.

Loans and advances to customers

The group's financing and leasing activities are primarily focused on supporting the sales of the group's automotive products. The group is therefore exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. MBFS manages its credit risk irrespective of whether it is related to an operating lease or a finance lease contract. For this reason, statements concerning the credit risk of MBFS refer to the entire financing and leasing business, unless specified otherwise.

Exposure to credit risk from financing and lease activities is monitored based on the portfolio subject to credit risk. The portfolio subject to credit risk is an internal control quantity that consists of wholesale and retail receivables from financial services and the portion of the operating lease portfolio that is subject to credit risk. Receivables from financial services comprise claims arising from finance lease contracts and repayment claims from financing loans.

In addition, the Financial Services and Fleet Management segment is exposed to credit risk from commitments to retailers and end customers. This segment has guidelines setting the framework for effective risk management. In particular, these rules deal with minimum requirements for all risk-relevant credit processes, the definition of financing products offered, the evaluation of customer quality, requests for collateral as well as the treatment of unsecured loans and non-performing claims.

In general, these segments manage risk on retail receivables by placing limits on acceptable risk exposure to individual borrowers or groups of borrowers, and to industry segments. Lending limits are also put in place for officers of the segments to grant credit and a series of committees oversee the approval of large credit facilities both at inception and on an annual review basis. By nature, the retail receivables mostly consist of individual contracts.

Wholesale receivables consist of large groups of dealer companies with high value exposure. The group follows the DAG group policies under which each new dealer is analysed for creditworthiness before standard payment, delivery terms and conditions are offered. Depending on the amount of the exposure to risk, the application will be assessed by either the local credit committee, the regional credit committee or the DAG credit committee (based in Berlin, Germany), or a combination of these. Ownership of the vehicles lies with the group until the loan balance is settled.

Geographically, the credit risk concentration is predominantly concentrated to the South African market.

Notes to the Consolidated Financial Statements

29. Financial instruments and risk management (continued)

The ageing of loans and advances to customers and the mitigation of exposure to the balances at reporting date were as follows:

2023	Gross maximum exposure R mil	Not past due R mil	Past due and impaired R mil
Retail and wholesale receivables	10 919	10 525	394
Allowance for impairment	(394)	-	(394)
	10 525	**10 525**	**-**

2022	Gross maximum exposure R mil	Not past due R mil	Past due and impaired R mil
Retail and wholesale receivables	11 349	10 993	356
Allowance for impairment	(356)	-	(356)
	10 993	**10 993**	**-**

As the group retains title to the underlying vehicles financed, collateral is assessed at the inception of the loan and on an ongoing basis for material concentrations of credit risk by reference to the underlying value of the vehicles financed. Management's assessment of the impairment of receivables considers the underlying collateral available for a class of customers/vehicles and is determined on a portfolio basis. Any concentration risk is managed through the group's credit policy.

The gross maximum exposure and concentration of credit risk exposure per geographical region at year end was as follows:

2023	Gross maximum exposure R mil	Loans and advances to customers R mil	Financial assets and derivatives R mil	Trade and other receivables R mil	Trade receivable from group companies R mil	Cash and cash equivalents R mil
South Africa	17 748	10 919	80	6 616	-	133
Europe	8 933	-	-	-	8 926	7
Americas	24	-	-	-	8	16
Asia	23	-	-	-	23	-
	26 728	**10 919**	**80**	**6 616**	**8 957**	**156**

2022	Gross maximum exposure R mil	Loans and advances to customers R mil	Financial assets and derivatives R mil	Trade and other receivables R mil	Trade receivable from group companies R mil	Cash and cash equivalents R mil
South Africa	18 985	10 993	79	6 197	-	1 716
Europe	7 470	-	-	-	7 344	126
Americas	23	-	-	-	3	20
Asia	7	-	-	-	7	-
	26 485	**10 993**	**79**	**6 197**	**7 354**	**1 862**

The ageing profile of the trade receivables at reporting date is as follows:

2023	Gross amount R mil	Expected credit loss R mil	Carrying amount R mil
Not past due	878	-	878
30 - 90 days	364	(3)	361
91 - 180+ days	63	(3)	60
	1 305	**(6)**	**1 299**

Notes to the Consolidated Financial Statements

29. Financial instruments and risk management (continued)

2022

	Gross amount R mil	Expected credit loss R mil	Carrying amount R mil
Not past due	1 596	-	1 596
30 - 90 days	387	(8)	379
91 - 180+ days	65	(6)	59
	2 048	**(14)**	**2 034**

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.

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:

At 31 December 2023	GDP change %	Interest rate %	Unemployment rate %
5 year average	(0.18)%	5.85 %	31.17 %
At 31 December 2022			
5 year average	0.50 %	5.55 %	30.17 %

Modified financial assets

Calculating impairment through the loss estimation for portfolio contracts is a basic requirement of the IFRS 9 principle based on quality segmentation for all financial assets upon origination. The standard requires that the measurement process should consider the determination of unbiased and probability weighted ECL amounts, the time value of money and the inclusion of data that displays information about past, current and future events.

The approach adopted by the group in order to estimate the ECL is a calculation for each financial asset with probability weighted sum of discounted period contributions.

Measurement of ECL

The key inputs into the measurement of ECL are the terms structure of the following variables:
- Probability of default ("PD")
- Loss given default ("LGD")
- Exposure at default ("EAD")

The generalised ECL model is based on a multi-period approach, where the assumption is that the contract will default during a certain period. If the contract defaults during a specific period, a loss occurs where LGD is multiplied by EAD.

29.3.3 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.

29. Financial instruments and risk management (continued)

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 group companies.

The Mercedes-Benz Group manages its liquidity by holding adequate volumes of liquid assets and by maintaining credit facilities in addition to the cash inflows generated by its business operations. Liquid assets comprise mainly cash and cash equivalents and marketable debt securities.

Funds raised are used to finance working capital and capital expenditure as well as the cash needs of the lease and financing business and unexpected liquidity needs. In accordance with internal guidelines, the refunding of the lease and financing business is generally carried out with matching maturities so that financing liabilities have the same maturity profile as the leased assets and the receivables from financial services.

From an operating point of view, the management of the group's liquidity exposures is managed by a daily cash-pooling process. This process enables the Mercedes-Benz Group to manage its liquidity surplus and liquidity requirements according to the actual needs of the group and each subsidiary. The group's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from business operations.

The following are the contractual maturities of financial liabilities based on contractual undiscounted payments:

2023

	0 - 12 Months R mil	1 to 2 years R mil	2 to 7 years R mil	Total R mil	Carrying amount R mil
Non-derivative financial liabilities					
Bank overdraft	24	-	-	24	24
Trade and other payables	3 216	76	264	3 556	3 464
Amounts payable to group companies	5 456	-	-	5 456	5 456
Interest-bearing borrowings	7 217	3 349	3 613	14 179	12 227
	15 913	**3 425**	**3 877**	**23 215**	**21 171**

2022

	0 - 12 Months R mil	1 to 2 years R mil	2 to 7 years R mil	Total R mil	Carrying amount R mil
Non-derivative financial liabilities					
Bank overdraft	19	-	-	19	19
Trade and other payables	3 344	331	-	3 675	3 675
Amounts payable to group companies	6 232	-	-	6 232	6 232
Interest-bearing borrowings	10 568	5 343	2 641	18 552	16 488
	20 163	**5 674**	**2 641**	**28 478**	**26 414**

29.3.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, residual values of motor 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 foreign exchange rates, interest rates as well as commodity and motor vehicle prices on its results. The group calculates its overall exposure to these market risks to provide the basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods.

29.3.4.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the 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 MBAG's general policy to match funding in terms of maturities and interest rates whenever economically feasible.

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.

29. Financial instruments and risk management (continued)

The new ZARONIA rate was published for observation during 2022 and was endorsed as a successor rate in 2023. The formal announcement of the cessation of JIBAR as a reference rate is expected in 2025, allowing the ZARONIA market to develop in derivative and cash products during 2023 and 2024.

Interest rate profile

The interest rate profile of interest-bearing financial instruments as reported to the management of the group is as follows:

	Variable rate instruments		Fixed rate instruments	
	2023 R mil	**2022 R mil**	**2023 R mil**	**2022 R mil**
Financial assets				
Cash and cash equivalents	156	1 862	-	-
Loans and advances to customers	10 525	10 993	-	-
Amounts receivable from group companies	-	-	8 957	7 354
	10 681	**12 855**	**8 957**	**7 354**
Financial liabilities				
Bank overdraft	24	19	-	-
Interest-bearing borrowings	12 227	16 488	-	-
	12 251	**16 507**	**-**	**-**

Interest rate sensitivity analysis

The following table demonstrates the sensitivity of the variable rate instruments to a reasonable possible change in interest rate, with all other variables held constant, on profit before taxation:

	2023		2022	
Sensitivity analysis	**Increase R mil**	**Decrease R mil**	**Increase R mil**	**Decrease R mil**
Net effect on profit before taxation and equity				
100 basis points	(16)	16	(37)	37

29.3.4.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The nature of the group's businesses exposes cash flows and earnings to risks due to fluctuations in exchange rates. These risks primarily relate to fluctuations between the Euro, the US Dollar ("USD") and the Singaporean Dollar ("SGD").

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

	2023			2022			
	Euro R mil	**USD R mil**	**SGD R mil**	**Euro R mil**	**USD R mil**	**SGD R mil**	**JPY R mil**
Cash and cash equivalents	7	16	-	126	20	-	-
Trade and other receivables	284	10	-	678	8	-	-
Trade and other payables	(32)	(1)	(31)	(284)	(8)	(1)	-
Net exposure	**259**	**25**	**(31)**	**520**	**20**	**(1)**	**-**
Relevant spot exchange rates	**20.35**	**18.41**	**13.95**	**18.10**	**16.97**	**12.66**	**-**

29. Financial instruments and risk management (continued)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in foreign exchange rates, with all other variables held constants, on the profit before taxation:

	2023		2022	
Increase or decrease in exchange rate of 10%	**Increase R mil**	**Decrease R mil**	**Increase R mil**	**Decrease R mil**
Impact on profit before taxation and equity				
Euro	26	(26)	52	(52)
USD	3	(3)	2	(2)
SGD	(3)	3	-	-

29.3.4.3 Residual value risk

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

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

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

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

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

	2023 R mil	2022 R mil
Financial liabilities subject to residual value risk		
Residual value provision	31	23

Price risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in the above mentioned residual values, with all other variables held constant, on the profit before taxation:

	2023		2022	
Increase or decrease in residual values with 10%	**Increase R mil**	**Decrease R mil**	**Increase R mil**	**Decrease R mil**
Impact on profit before taxation and equity	3	(3)	2	(2)

29.3.4.4 Commodity price risk

The group is exposed to the risk of changes in commodity prices in connection with procuring raw materials and manufacturing supplies used in production. A small portion of the raw material price risk, primarily relating to forecasted procurement of certain precious metals, is mitigated with the use of derivative financial instruments. Refer to credit risk section above as well as the derivative note 14.

Notes to the Consolidated Financial Statements

30. Fair value information

Financial assets and liabilities carried at fair value	2023 Carrying value R mil	2023 Fair value R mil	2023 Fair value level	2022 Carrying value R mil	2022 Fair value R mil	2022 Fair value level
Other financial assets (insurance cell asset)	80	80	Level 1	79	79	Level 1
Interest-bearing borrowings	(12 227)	(12 325)	Level 2	(16 488)	(16 602)	Level 2

Category of financial asset or liability	Includes	Valuation techniques and material inputs used
Financial assets and derivatives	Commodity swap contracts	The fair values of commodity hedging contracts (e.g. commodity forwards) are determined on the basis of current reference prices with consideration of forward premiums and discounts.
Interest-bearing borrowings	Bonds issued under MBSA 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 group 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 a material effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a material effect on the recorded fair value that are not based on observable market data.

31. 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 and for at least 12 months from the date of this report. The group recognised a net profit after tax of R 4 447 million (2022: R 3 290 million) for the year ended 31 December 2023 and, at that date, has a capital ratio of 42.69% (2022: 39.29%).

Management believes that the group will be able to meet all its obligations for at least the next 12 months from the date of this report. Management further believes that, proceeds received during 2024 will be sufficient to meet the repayment requirements. Management has performed forecasts and based on these forecasts the expectation is that the group will continue to be profitable for the 2024 financial year.

Management has the full support of the holding company, MBAG, for its operations. This is reviewed annually and additional support is provided, if required. To this extent, MBGAG issued a guarantee with regards to the notes issued under the DMTN programme.

32. Events after the reporting period

At the date of finalisation of the consolidated financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements.

Bonds and bank loans issued and redeemed

Subsequent to year end, no bonds and bank loans have been issued. Bonds and bank loans with a value of R 2.5 billion have matured and been redeemed with issue dates between 26 February 2019 and 26 March 2021. These bonds and loans have maturity dates between 26 February 2024 and 27 March 2024.

Notes to the Consolidated Financial Statements

33. New Standards and Interpretations

Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2024 or later periods:

Accounting standard	Effective date - on or after	Description of change	Description of impact
IAS 21 *The Effects of Changes in Foreign Exchange Rates*	1 January 2025	**Lack of Exchangeability** 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 determining the exchange rate to use and the disclosures to provide.	The amendment does not have any material impact on the company's profitability, liquidity and capital resources and financial position.
IFRS 7 *Financial Instruments: Disclosures*	1 January 2024	**Supplier Finance Arrangements** The amendment supplements existing disclosure requirements by requiring a company to disclose specific information about its supplier finance arrangements that enables users of 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 amendment does not have any material impact on the company's profitability, liquidity and capital resources and financial position.
IFRS 16 *Leases*	1 January 2024	**Lease Liability in a Sale and Leaseback** The narrow- scope amendment requires a seller-lessee in a sale and leaseback transaction to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of a gain or loss relating to the right of use retained by the seller-lessee. The new requirement does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.	The amendment does not have any material impact on the company's profitability, liquidity and capital resources and financial position.
IAS 1 *Presentation of Financial Statements*	1 January 2024	**Classification of Liabilities as Current or Non-current** Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. **Non-current liabilities with Covenants** The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current, with additional guidance to explain how an entity should disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months.	The amendments to the standard do not have any material impact on the company's profitability, liquidity and capital resources and financial position.

34. Changes in material accounting policy

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

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. Although these amendments did not result in any changes to the accounting policies themselves, they 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

34. Changes in material accounting policy (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.
- Under the new definition, 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.
- The IASB clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, 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.

Appendix 1 - Employment Equity Progress Report

Every designated employer is required in terms of Section 22 of the Employment Equity Act 55 of 1998 to publish a summary of their employment equity report in its annual report. The total number of employees within the company is 3 858. The table below provides the employment equity progress of the company for the total number of employees (including employees with disabilities) in each occupational level:

Occupational levels	**Male**				**Female**				**Foreign nationals**		**Total**
	A	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	
Top management	1	-	-	-	-	-	-	-	2	-	**3**
Senior management	2	3	1	3	-	1	-	3	8	-	**21**
Professionally qualified and experienced specialists and mid-management	7	11	11	18	12	2	6	13	5	-	**85**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	186	85	63	142	160	44	34	45	50	6	**815**
Semi-skilled and discretionary decision making	182	64	7	61	107	29	9	16	2	-	**477**
Unskilled and defined decision making	875	232	11	44	468	94	2	2	-	-	**1 728**
Total permanent	1 253	395	93	268	747	170	51	79	67	6	**3 129**
Temporary employees	269	41	23	17	305	47	14	9	4	-	**729**
Grand total	**1 522**	**436**	**116**	**285**	**1 052**	**217**	**65**	**88**	**71**	**6**	**3 858**

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	4	1	2	-	1	-	-	5	2	-	**15**
Semi-skilled and discretionary decision making	17	5	1	-	1	-	-	3	-	-	**27**
Unskilled and defined decision making	23	11	-	-	11	-	-	-	-	-	**45**
Total permanent	44	17	3	-	13	-	-	8	2	-	**87**
Temporary employees	33	3	1	-	20	2	-	-	-	-	**59**
Grand total	**77**	**20**	**4**	**-**	**33**	**2**	**-**	**8**	**2**	**-**	**146**

A - Africans C - Coloureds

I - Indians W - Whites


S MA 6310

Mercedes-Benz South Africa Ltd.

(Reg. No. 1962/000271/06)

210 Aramist Avenue
Waterkloof Glen
Pretoria
0010

Call Centre: 0861 324653
Tel: (012) 677 1500
Email: Email: infoza@mercedes-benz.com