# Motus

## Audited consolidated and separate annual financial statements

for the year ended 30 June 2020

## Key company information

Motus Holdings Limited
Incorporated in the Republic of South Africa
Motus Limited registration number: 2017/451730/06
ISIN: ZAE000261913

JSE Main Board: Specialty retailers
Listing date: 22 November 2018
Share code: MTH
(Motus, the Group or the company)

## Definition of COVID-19 in this report:

COVID-19 in the report refers to a new strain of the coronavirus that caused a global health crisis. This pandemic continues to impact most businesses negatively. The impact of COVID-19 continues to be felt across the world and in every country in which Motus continues to operate. In most cases in the report we only refer to COVID-19 to capture the above.

## Also available online is:

- Detailed information on Motus' sustainable development reporting, including the letter from the Chairman of the social, ethics and sustainability committee.
- The Group's King IV™* application register.
- The audited consolidated annual financial statements for the year ended 30 June 2020.

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## Detailed online information

Stakeholders can access the Group's interim and annual financial results announcements and presentations at
https://www.motus.co.za/investors/
or scan the QR code to be taken there directly.

### Feedback

We value feedback from our stakeholders and use it to ensure that we are reporting appropriately on the issues that are most relevant to them.

Please take the time to give us your feedback on this report.

Email: MotusIR@Motuscorp.co.za

# Contents

The reports and statements set out below comprise the consolidated and separate annual financial statements for the year ended 30 June 2020; which have been audited by Motus' independent external auditors, Deloitte & Touche.



# Preparer of the consolidated and separate annual financial statements

The consolidated and separate annual financial statements have been prepared under the supervision of Mr. OJ Janse van Rensburg CA(SA).

**OJ Janse van Rensburg**
*Chief Financial Officer*

15 September 2020

# Directors' responsibility and approval

The directors of Motus Holdings Limited ("Motus") are responsible for the maintenance of adequate accounting records and the preparation and integrity of the consolidated and separate annual financial statements for Motus. The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board in issue and effective for Motus at 30 June 2020 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Companies Act of South Africa, No. 71 of 2008, and the JSE (Johannesburg Stock Exchange) Listings Requirements.

Motus' independent external auditors, Deloitte & Touche have audited the consolidated and separate annual financial statements for 30 June 2020, in conformity with International Standards on Auditing. The unmodified report is on pages 12 to 15.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the consolidated and separate annual financial statements and to adequately safeguard, verify and maintain accountability for assets and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The consolidated and separate annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that they will not remain a going concern for the foreseeable future.

The consolidated and separate annual financial statements set out on pages 16 to 116 were approved by the board of directors, issued on 15 September 2020 and are signed on their behalf by:

**GW Dempster**
*Chairman*

**OS Arbee**
*Chief Executive Officer*

**OJ Janse van Rensburg**
*Chief Financial Officer*

The financial statements are available on the Motus website **www.motus.co.za.**

# Certificate by the Company Secretary

In my capacity as Company Secretary, I hereby confirm that, in respect of the year under review, the company has lodged with the Registrar of companies all such returns and notices as are required in terms of section 88(2)(e) of the Companies Act of South Africa, No. 71 of 2008, as amended and that all such returns are true, correct and up to date.

**JK Jefferies**
*Company Secretary*

15 September 2020

# Directors' report

## Nature of business

Motus Holdings Limited (the company) is a South African based holding company with a selected international presence mainly in the United Kingdom (UK), Australia, South East Asia and Southern Africa. Through its subsidiaries and associates, it operates as a diversified (non-manufacturing) business in the automotive sector. Motus participates in the entire automotive value chain through its four business segments, namely: Import and Distribution, Retail and Rental, Financial Services and Aftermarket Parts.

The activities of Motus' business segments are described below:

- **Import and Distribution:** Exclusive South African importer of international vehicle brands such as Hyundai, Kia, Renault and Mitsubishi.
- **Retail and Rental:** Retails and services passenger and commercial vehicles in South Africa, the UK and Australia. Rents vehicles through car rental outlets in South Africa and neighbouring countries.
- **Financial Services:** Manages and administers service, maintenance and warranty plans for vehicles and develops and sells value added products and services. Provides fleet management services, runs an innovation hub and operates a call centre.
- **Aftermarket Parts:** Distributor, wholesaler and retailer of accessories and aftermarket parts for vehicles through owned branches, retail stores, a network of franchised outlets and specialised workshops supported by distribution centres in South Africa.

## Listing

Motus listed on the main board of the JSE under the speciality retail sector under the share code MTH with effect from 22 November 2018.

## Financial results and review

Motus had a profitable year despite facing challenging economic and market conditions in South Africa and internationally. The last quarter of the financial year was impacted by COVID-19. The impact of COVID-19 continues to be felt across the world and in every country in which Motus operates. We experienced a significant decline in the demand for our products and services as a consequence of the implementation of national lockdowns, during which time the businesses and offices were closed in most of the countries in which we operate.

In response to the pandemic, Motus has taken a number of internal actions and utilised government schemes available to the business. Motus placed non-essential capital expenditure on hold including property developments and property upgrades, took advantage of deferring payments, implemented a redundancy and voluntary salary reduction programme, introduced cost reduction across all segments within the Group, negotiated no rental increases for certain renewed lease properties, temporarily accepted cancellations of vehicle orders, extension of floorplans, holding off on business acquisitions, suspension of the share buy-back programme and cancellation of the interim and final dividend. All other supplier payments continue to be made in accordance with the agreed terms.

In South Africa, as a result of the initial lockdown announced by President Ramaphosa, all non-essential operations (dealerships, stores, head offices and distribution centres) were closed from 27 March 2020 until 12 May 2020. The automotive industry was allowed to return to trading in a phased approach between May and June 2020. As the economy transitioned to level 3 lockdown with dealerships allowed to resume operations, an improvement in vehicle sales was experienced in June 2020. As a result of the extensive planning prior to the relaxation of restrictions, supported by our existing infrastructure and digital platforms, Motus was in a position to commence trading as soon as restrictions were eased. This readiness, coupled with the sufficient availability of vehicles, enabled Motus to successfully trade in June 2020 and up to the date of signing this report. Our vehicle rental business has been severely impacted by the lockdown. In order to right-size the business, we have reduced the vehicle rental fleet by 35%, commenced with an early retirement and retrenchment process under section 189 of the Labour Relations Act of South Africa, No. 66 of 1995, whereby the workforce in vehicle rental business will be reduced by 45% and we are in the process of closing branches. The value of the government support relating to the Temporary Employer-Employee Relief Scheme (TERS) in South Africa amounted to R86 million, this was received in April 2020 and Motus paid this directly to employees, in addition qualifying divisions took advantage of the deferral of the PAYE payments.

In the UK, the lockdown commenced on the 23 March 2020. The sales showrooms were closed, with workshops allowed to remain open. During the lockdown there were no sales of passenger vehicles and customers did not visit workshops either, however the commercial vehicle workshops continued operating. All showrooms and workshops reopened on 1 June 2020, with no restrictions on the number of staff allowed on the premises. The value of the government support relating to the furlough of staff, rates relief and retail government grants amounted to R150 million. In addition, VAT payments were deferred to March 2021. The trading in the UK has seen an improvement up to the date of signing this report.

In Australia, all our businesses remained open, albeit at significantly reduced sales and servicing of vehicles. We were not required to close any of our dealerships based on the Australian government's restrictions and regulations put in place commencing on the 27 March 2020. The value of the government support relating to the JobKeeper payment programme was R34 million. The trading in Australia has seen an improvement up to the date of signing this report.

The strategy remains to ensure the long-term sustainability of the business in the current turbulent and uncertain environment. The Group remains committed and determined in its efforts to manage the business, and remain within the current debt covenants despite the reduction in trading levels.

Net attributable profit to the owners of Motus for the year amounted to R306 million (2019: R1 868 million). Basic earnings per share for the year was 165 cents (2019: 953 cents).

The financial results of Motus are set out on pages 16 to 116 and the segment financial position and profit or loss appear on pages 22 to 27.

## Capital expenditure

As a result of acquisitions of property, plant and equipment, and intangible assets during the year, net capital expenditure amounted to R324 million (2019: R592 million), after proceeds on disposals of R180 million (2019: R306 million).

The above capital expenditure does not include vehicles for hire. Additions to vehicles for hire are included in operating cash flows and details are disclosed in the consolidated statement of cash flows. Net capital expenditure on vehicles for hire amounted to R795 million (2019: R318 million).

Details on future commitments, excluding vehicles for hire, are provided in note 10.2 – Capital expenditure commitments.

## Dividends

Details of dividends are set out in note 5.3 – Dividends paid.

The payment of interim dividends was cancelled due to the uncertainty created by COVID-19 and in the interest of preserving cash for the Group. As a precaution, Motus engaged with funders to relax the banking covenants. The funders agreed to the relaxation of the banking covenants until the next covenant reporting period which is 31 December 2020 on condition that there are no dividend payments. Refer to note 1.3 – Going concern, for further details on the relaxations of the banking covenants and conditions applicable.

## Directors

The composition of the board of directors for the year under review and up to the date of this report is as follows:

### Independent non-executive directors

| | Appointment date | Nationality |
|---|---|---|
| GW Dempster (Chairman) | 1 August 2018 | South African |
| P Langeni | 1 August 2018 | South African |
| S Mayet | 22 November 2018 | South African |
| K Moloko | 22 November 2018 | South African |
| MJN Njeke | 22 November 2018 | South African |

### Non-executive director

| | Appointment date | Nationality |
|---|---|---|
| A Tugendhaft | 1 August 2018 | South African |

### Executive directors

| | Appointment date | Nationality |
|---|---|---|
| OS Arbee | 12 October 2017 | South African |
| OJ Janse van Rensburg | 12 October 2017 | South African |
| KA Cassel | 1 July 2019 | South African |

The remuneration paid to directors and interests of directors are disclosed in notes 11.1 to 11.5.

The board of directors has satisfied itself that the Chief Financial Officer, Mr. OJ Janse van Rensburg has the appropriate qualifications, expertise and experience with which to fulfil his duties. In addition, the board has satisfied itself that the composition, expertise and skills set of the finance function are appropriate.

## Company Secretary

The Company Secretary is Mrs. JK Jefferies. The board of directors has satisfied itself that Mrs. JK Jefferies has the appropriate qualifications, expertise and experience with which to fulfil her duties.

The Company Secretary's contact details and the business and postal addresses of Motus appear on the inside back cover.

## Auditors

Deloitte & Touche were appointed as auditors of Motus and will continue in office in accordance with section 94(7) of the Companies Act of South Africa, No. 71 of 2008.

## Subsidiaries, associates and joint ventures

Details of interests in subsidiaries are shown in Annexure A – Interests in subsidiaries. Details of interests in associates and joint ventures are in note 2.3 – Investments in associates and joint ventures.

Motus acquired the following material businesses during the year ended 30 June 2020:

In July 2019 F&G Holdings Group and F&G Commercial dealerships were acquired in the United Kingdom, comprising of four DAF dealerships along with a commercial body-building operation as well as a vehicle repair centre.

In February 2020 the Group acquired dealerships in the city of Ballarat in Victoria, Australia consisting of eight dealerships.

The acquisitions related to the purchase of the underlying assets and liabilities of the businesses, which were absorbed into Motus as operating divisions.

Refer to note 2.5 – Business combinations for details on acquisitions.

## Stated capital

Further details of the authorised and issued stated capital of the company are provided in note 5.1 – Stated capital.

## Events after the reporting period

There were no material subsequent events that occurred from the year ended 30 June 2020 to the date of these consolidated and separate annual financial statements. Motus traded profitably in July and August 2020 and have sufficient banking facilities available to fund normal trading operations. Motus had an improvement in new and used vehicles sales for the months of July and August 2020 when compared to the average monthly sales for the last quarter of the financial year. In addition, our parts and service businesses experienced an improved demand for our goods and services with the exception of our car rental business which is still being impacted by the restrictions on international travel and limited local travel activity.

## Going concern

The consolidated statement of financial position as at 30 June 2020 reports a positive total equity balance of R12 452 million (2019: R11 838 million) and net interest-bearing debt of R7 442 million (2019: R6 618 million). The net interest-bearing debt excluding floorplans is covered by facilities of R13 681 million (R12 476 million committed) (2019: R12 092 million (R11 555 million committed).

The directors have reviewed and approved the Group and company budgets, cash flow forecasts and the solvency and liquidity positions and based on the budgets prepared by management, it is concluded that the Group will remain comfortably within the existing bank facility limits for at least the next 12 months from the date of approval of these annual financial statements with significant headroom available. Management prepared a detailed profit or loss, cash flow and balance sheet forecast. This forecast has been reviewed and approved by the board.

On the basis of this review, the Motus directors have concluded that there is a reasonable expectation that the Group and company will continue to meet its obligations as they fall due for at least the next 12 months from the date of approval of these consolidated annual financial statements.

Refer to note 1.3 – Going concern, for additional details regarding the considerations made regarding the assessment of going concern for the Group.

The directors consider it appropriate to adopt the going concern assumption in preparing the consolidated and separate annual financial statements.

# Directors' report (continued)

## Borrowing powers

In terms of the memorandum of incorporation (MOI), the borrowing powers of the company are unlimited. Any borrowings by the Group are subject to the provisions of Motus' treasury policy, being a target net debt to adjusted EBITDA[1] of less than 2,0 times and the Companies Act of South Africa, No. 71 of 2008, as amended.

Motus monitors capital on the basis of its target gearing ratio of net debt to equity of 55% to 75%.

The details of borrowings appear in note 6.1 – Interest-bearing debt.

## Special resolutions

The company passed the following special resolutions, the nature of which might be significant to the shareholders in their appreciation of the state of affairs of Motus:

- approving non-executive directors' fees payable for the periods July 2019 to June 2020 and July 2020 to the next annual general meeting (AGM);
- general authority to repurchase company securities;
- authority to provide financial assistance in terms of section 44 of the Companies Act of South Africa, No. 71 of 2008; and
- authority to provide financial assistance in terms of section 45 of the Companies Act of South Africa, No. 71 of 2008.

A register of special resolutions passed is available to the shareholders on request. There were no other special resolutions passed by subsidiary companies during the year under review that affect the understanding of the company and its subsidiaries.

[1] *Adjusted EBITDA is calculated as the earnings before interest, tax, depreciation and amortisation (EBITDA) less the profit attributable to non-controlling interests plus the EBITDA relating to acquisitions grossed up for a full year, if the underlying acquisitions only contributed for a portion of the year, less EBITDA relating to businesses disposed of during the current year; and adjustments relating to the impacts on the EBITDA that arose of the application of IFRS 16, adjustments include the reversal of profit on terminations of leases and includes lease payments..*

# Audit and risk committee report

The audit and risk committee has pleasure in submitting this report, which has been approved by the board and has been prepared incorporating the recommendations of the King Code of Corporate Governance™* (King IV).

In summary, this committee assists the board in its responsibilities covering the:
- internal and external audit processes for Motus, considering the significant risks;
- adequacy and functioning of the Motus' internal controls; and
- integrity of the financial reporting.

The audit and risk committee has performed all the duties required.

## Members of the audit and risk committee and attendance of the meetings

The audit and risk committee meets at least four times per annum in accordance with its charter. All members act independently as described in the Companies Act of South Africa No 71 of 2008. The members comprise Mr. S Mayet (Chairman), Mrs. K Moloko and Mr. MJN Njeke.

During the year under review, four meetings were held as set out in the table below:

| | Meetings attended |
|---|---|
| Mr. S Mayet (Chairman) | 4 |
| Mrs. K Moloko | 4 |
| Mr. MJN Njeke | 4 |

The head of the internal audit department and external auditors, attend and report at all audit and risk committee meetings. Motus' risk management function is also represented by the head of risk. Executive directors and relevant senior financial managers attend meetings by invitation.

## Qualifications and experience of the members of the audit and risk committee

- Mr. S Mayet is a Chartered accountant with well over 30 years of experience in the Anglo American Group in South Africa. He has held several listed and unlisted board positions and brings with him extensive experience across the full spectrum of corporate activities. He currently also serves as an independent non-executive director of Astral Foods Limited.
- Mrs. K Moloko is a Chartered accountant and a Quantity surveyor and started her career with Grinaker Building, Dawson & Frazer and CP De Leeuw Quantity Surveyors. She completed articles at KPMG working in the financial services and tax divisions. Thereafter worked as a development executive at Spearhead Properties and as a fixed interest credit analyst and a member of the credit committee of Coronation Fund Managers. She currently serves as an independent non-executive director of Attacq Limited, Brimstone Investment Corporation Limited and Long4Life Limited.
- Mr. MJN Njeke is the independent Chairman of MMI Holdings Limited, a non-executive director of Datatec Limited and Clicks Group Limited and the Chairman of the Hollard Foundation Trust. He holds numerous other board positions.

## Role of the audit and risk committee

The audit and risk committee has adopted a formal charter, approved by the board, setting out its duties and responsibilities as prescribed in the Companies Act of South Africa, No 71 of 2008 and incorporating additional duties delegated to it by the board.

The audit and risk committee:
- fulfils the duties that are assigned to it by the Companies Act of South Africa, No. 71 of 2008 and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies;
- assists the board in overseeing the quality and integrity of Motus' integrated reporting process, including the consolidated annual financial statements, sustainability reporting and announcements in respect of the financial results;
- ensures that an effective control environment in Motus is maintained;
- reviews and recommends to the board of directors, the interim and consolidated annual financial statements;
- provides the Chief Financial Officer, external auditors and the head of internal audit with unrestricted access to the audit and risk committee and its Chairman as is required in relation to any matter falling within the ambit of the audit and risk committee;
- meets with the senior managers, executive directors and external auditors as the audit and risk committee may elect;
- meets confidentially with the internal and external auditors without other executive board members and the company's Chief Financial Officer being present;
- oversees the activities of, and ensures co-ordination between the activities of the internal and external auditors;
- receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its consolidated annual financial statements or related matters;
- conducts annual reviews of the audit and risk committee's work and terms of reference; and
- assesses the performance and effectiveness of the audit and risk committee and its members on a regular basis.

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# Audit and risk committee report (continued)

## Execution of functions during the year

The audit and risk committee is satisfied that, for the 2020 financial year, it has performed all the functions required to be performed by an audit and risk committee as set out in the Companies Act of South Africa No 71 of 2008. The audit and risk committee's terms of reference are as follows:

### External audit

The audit and risk committee among other matters:

- nominated Deloitte & Touche and Mr. JM Bierman as the external auditor and designated auditor, respectively to the shareholders for appointment as auditor for the financial year ended 30 June 2020 and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- nominated the external auditor for each material subsidiary company for re-appointment;
- reviewed the audit effectiveness and evaluated the external auditors' internal quality control procedures;
- obtained an annual confirmation from the auditor that their independence was not impaired;
- maintained policies and controls setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services;
- approved non-audit services performed by Deloitte & Touche on an individual basis prior to any engagement, in accordance with the audit and risk committee's policy including an assessment of independence of the external auditors. Non-audit services are generally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of Motus is required. Fees for audit related services and non-audit services incurred during the year amounted to R2 million (2019: R2 million);
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- satisfied itself as to the qualifications and competence of Deloitte & Touche and audit engagement partner;
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its material subsidiaries;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act No 26 of 2005;
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment;
- considered the tenure of the external auditor and found it to be appropriate; and
- noted the requirement relating to mandatory audit firm rotation and that this will be implemented at the appropriate time.

The audit and risk committee is satisfied that Deloitte & Touche are independent of Motus after taking the following factors into account:

- representations made by Deloitte & Touche to the audit and risk committee;
- the auditor does not, except as external auditor or in rendering of permitted non-audit services, receive any remuneration or other benefits from the company;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors;
- there has not been any significant changes in management which may mitigate the attendant risk of familiarity between external audit and management;
- JM Bierman of Deloitte & Touche has been the designated audit partner of Motus Holdings Limited for three years before the current year. In terms of the International Federation of Accountants requirements, he may remain as the designated audit partner of Motus for a further year (due to his involvement in the audit of a major subsidiary of Motus prior to the unbundling of Imperial Holdings Limited), subject to reappointment on an annual basis. In terms of the rules issued by the Independent Regulatory Board of Auditors, Deloitte & Touche may remain as the auditors of Motus until at least 2023;
- the audit and risk committee obtained and considered all information listed in the Listings Requirements of the JSE in its assessment of the suitability of Deloitte & Touche, for reappointment;
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

### Internal audit

The audit and risk committee:

- reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit department and its compliance with the charter;
- considered the reports of the internal auditor on Motus' systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof; and
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings.

The head of internal audit reports functionally to the chair of the audit and risk committee and administratively to the Chief Financial Officer. The audit and risk committee considered and was satisfied with the effectiveness of the internal audit function and monitored adherence to the annual internal audit plan.

## Combined assurance and risk management oversight

The audit and risk committee has reviewed the combined assurance model and has satisfied itself as to its completeness. The audit and risk committee has obtained from management, external and internal assurance providers, that the combined assurance is appropriate for Motus.

The audit and risk committee has an interest in risk management as a result of its responsibility for internal controls. The audit and risk committee has therefore also satisfied itself that the level of unmitigated risks, both individually and in totality, are within the risk appetite of Motus, and that there is sufficient assurance provided to manage risks and the control environment through both internal and external assurance providers.

## Adequacy and functioning of the internal controls

The audit and risk committee reviewed the plans and work outputs of the internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

As noted above, it also reviewed the reporting around the adequacy of the internal controls and based on this concluded that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

## Financial reporting

The audit and risk committee ensures that the financial reporting to stakeholders fairly presents the state of affairs of Motus which includes the consolidated annual financial statements.

The audit and risk committee among other matters:

- confirmed the going concern as the basis of preparation of the annual financial statements;
- examined and reviewed the annual financial statements, as well as all other financial information including the effects of COVID-19 on the Group that was disclosed prior to the submission to the board for their approval and then for disclosure to stakeholders;
- ensured that the annual financial statements fairly present the financial position of the Motus Group and of the company itself as at the end of the financial year and the results of the operations and cash flows for the financial year and considered the basis on which the company and Motus was determined to be a going concern;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditors' audit report and key audit matters included;
- reviewed the representation letter relating to the annual financial statements which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the annual financial statements; and
- considered accounting treatments, significant unusual transactions and accounting judgements.

## Proactive monitoring

The audit and risk committee hereby confirms that it has considered the findings contained in the JSE's Proactive Monitoring reports and their IFRS 9 and IFRS 15 thematic review when preparing the consolidated annual financial statements for the year ended 30 June 2020.

The major points covered by the JSE that relate to the Group are:

- deferred tax asset – the disclosures around the recoverability are too generic and not specific enough around the nature of the assumptions about the future. The nature of the assumptions has been disclosed in notes 1.5 and 7.2;
- the classification of cash flows between operating, investing and financing must be correctly assessed – the material items have been assessed and have been properly allocated in the cash flow statement;
- assets classified as held-for-sale – assets under this category should be recovered through sale within one year. At 30 June 2019, R182 million was disclosed as properties for sale; while R43 million was sold during 2020. It is expected that the remaining properties held-for-sale will be realised within one year;
- tax rate reconciliation – generic terms are used with too much aggregation. The reconciliation has been assessed disclosing additional line items with specific descriptions and is dealt with in note 7.1;
- the implementation of IFRS 9 and IFRS 15 was considered together with the increased disclosure requirements and dealt with in notes 3.5.2 and 8.1;
- the implementation of IFRS 16 was considered together with the increased disclosure requirements and dealt with in notes 1.5, 1.8, 3.3 and 10.1;

- circular 1/2019 – the treatment of IFRS 16 on the Earnings per share and Headline earnings per share is dealt with in note 8.5;
- classification of liabilities between current and non-current is dealt with in the consolidated statement of financial position; and
- material judgement and estimations is dealt with in note 1.5.

## Key audit matters

The audit and risk committee has considered the key audit matters as outlined in the external auditors' report. These matters have been covered in the significant areas of judgement below:

### Significant areas of judgement

In arriving at the figures disclosed in the annual financial statements, there are many areas where judgement is required. These are outlined in note 1.5 – Critical accounting judgements, estimates and assumptions to the consolidated annual financial statements. The audit and risk committee has considered the quantum of the assets and liabilities on the consolidated statement of financial position and other items that require significant judgement. The following items were considered:

- Impairment of assets as follows:
  - Goodwill and Intangible assets;
  - Properties;
  - Right-of-use assets; and
  - Investments in subsidiaries held by Motus Holdings Limited.
- Residual value of tangible assets;
- Recoverability of deferred tax assets in respect of future taxable profits;
- Fair value measurement of financial instruments;
- Net realisable value assessment of inventory;
- Contract liabilities – measurement and related recognition of revenue;
- Extensions and terminations of lease agreements where Motus is the lessee; and
- Incremental borrowing rates on application of IFRS 16 – *Leases*.

Key sources of estimation and uncertainty relate to:

- Future cash flows.
- Growth rates.
- Forward looking information utilised in the expected credit loss model.

In making its assessment in each of the above areas, the finance risk review committee (FRRC) and the audit and risk committee questioned senior management and examined the external auditors' report in arriving at their conclusions. The audit and risk committee reviewed the disclosures, considered the procedures undertaken by the senior management and were satisfied that sufficiently robust processes were followed with regards to the judgements relating to the above items.

## Quality of earnings

The reconciliation of the attributable profits to headline earnings is outlined in note 8.5 – Earnings per share.

## Risk management and information technology (IT) governance

The audit and risk committee reviewed the policies on risk assessment, including fraud risks and IT risks as they pertain to financial reporting and the going concern assessment, and found them to be sound.

## Legal and regulatory requirements

To the extent that these may have an impact on the consolidated annual financial statements, the audit and risk committee:

- reviewed legal matters;
- reviewed the adequacy and effectiveness of Motus' procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities;
- monitored complaints received via Motus' whistleblowing service; and
- considered reports provided by management, internal audit and the external auditors regarding compliance with legal and regulatory requirements.

No significant matters were noted during the financial year.

## Expertise and experience of the Chief Financial Officer and the finance function

As required by the JSE Limited Listings Requirements, the audit and risk committee has satisfied itself that the Chief Financial Officer, Mr. OJ Janse van Rensburg, has the appropriate expertise and experience to fulfil his role and responsibilities. In addition, the audit and risk committee satisfied itself that the composition, experience and skills set of the finance function met Motus' requirements.

## Subsidiary companies

The functions of the audit and risk committee are also performed for each subsidiary company that has not appointed an audit and risk committee, by the delegation of such functions to sub-committees referred to as FRRC.

Divisional FRRCs have been constituted and these committees report significant issues to the Motus audit and risk committee. Each divisional FRRC is chaired by an independent Chairman with no operational role in that particular division.

## Approval

Having achieved its objectives, the audit and risk committee has recommended the consolidated and separate annual financial statements for the year ended 30 June 2020 for approval to the board. The board has subsequently approved the reports, which will be open for discussion at the forthcoming AGM.

**S Mayet**
*Chairman*

15 September 2020

# Independent auditors' report
# To the shareholders of Motus Holdings Limited

## Report on the audit of the consolidated and separate financial statements

### Opinion

We have audited the consolidated and separate financial statements of Motus Holdings Limited (the company) and its subsidiaries (the Group) set out on pages 16 to 114, which comprise the statements of financial position as at 30 June 2020, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company 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' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| **Valuation of service, maintenance and warranty contracts (Group)** | |
| The Group has contract liabilities for service, maintenance and warranty contracts, in terms of which they are obligated to provide maintenance and repair services over a future specified period. At 30 June 2020 the value of the liability is R2 797 million (2019: R2 818 million).<br><br>The determination of the adequacy of the maintenance and warranty contract reserves and the recognition of the related revenue in accordance with IFRS 15 *Revenue from Contracts with Customers* is complex. The values recognised are based on the expected earnings curves of the contracts, which are dependent upon forecast burn rates derived from key assumptions about the future, including:<br>• Vehicle parts inflation;<br>• Foreign currency devaluation;<br>• Policy sale dates; and<br>• Contract duration and mileage.<br><br>The directors have engaged specialists to assist with determining the adequacy of the liabilities for service, maintenance and warranty contracts.<br><br>Due to the complexity of the actuarial assumptions and the risk that the quantum of the reserves and consequential revenue recognised is inappropriate, the service, maintenance and warranty contracts have been identified as key audit matters.<br><br>The disclosure related to the service, maintenance and warranty contracts is contained in notes 1.5 and 3.6 of the consolidated financial statements. | We tested the design and implementation of controls which management has in place over the valuation of the service, maintenance and warranty contracts.<br><br>We assessed and challenged the key assumptions that the directors made in valuing the service maintenance and warranty contracts with a focus on the adequacy of the reserves and the appropriateness of the related revenue recognised. This included:<br>• Assessing the appropriateness of the financial models utilised by the directors' expert;<br>• Assessing the independence, objectivity, competence and experience of the directors' expert;<br>• Testing the assumptions used in the financial models and the reasonableness of the ranges to the sensitivity of the assumptions; and<br>• Assessing the adequacy of the disclosures in the consolidated financial statements.<br><br>We concur with the directors actuarial assumptions applied and consequently with the measurement of the contract liabilities at 30 June 2020. We are satisfied that the consequential revenue recognised in the year is appropriate.<br><br>The related disclosures of the service, maintenance and warranty contracts (contract liabilities) is contained in notes 1.5 and 3.6 of the consolidated financial statements is appropriate. |
| **Valuation of investments in subsidiaries (Company)** | |
| During the current year, Motus Holdings Limited experienced a decline in its share price resulting in the market capitalisation being lower than the value at which the investments in subsidiaries are recorded at in the separate financial statements.<br><br>The lower market capitalisation is an indicator of impairment in accordance with IAS 36 *Impairment of Assets* (IAS 36).<br><br>The directors performed a value in use calculation in order to assess whether an impairment should be recorded in terms of IAS 36, which included:<br>• Engaged external specialists to calculate the weighted average cost of capital rates; and<br>• Performing a discounted cash flow valuation based on future forecast cash flows (including operational cash flows, planned capital expenditure and terminal growth) and the calculated weighted average cost of capital rates.<br><br>Due to the complexities in performing the value in use calculation and the quantum of the impairment recorded in the current year, the valuation of investments is considered to be a key audit matter. | We tested the design and implementation of the control which management has in place in order to determine the valuation of the investments.<br><br>We engaged our internal specialists to:<br>• assess the valuation methodology used by the directors in performing the value-in-use calculation; and<br>• independently recalculate the weighted average cost of capital rates.<br><br>We evaluated the results of the discounted cash flow valuation model, taking into consideration other indicators of value in the underlying businesses.<br><br>We assessed the disclosure included in the separate financial statements.<br><br>We concur with the values at which the investments in subsidiaries have been recorded in the company financial statements. The related disclosure is considered appropriate. |

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Motus Audited Consolidated and Separate Annual Financial Statements for the year ended 30 June 2020"* which includes the Directors' Report, the Audit and Risk Committee Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors' report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate 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 and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the company'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 and/or the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 audit committee 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 audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Motus Holdings Limited for three years since inception. We further report that Deloitte & Touche has been the auditor of certain subsidiaries within Motus for 19 years.

Deloitte & Touche.

**Deloitte & Touche**
Registered Auditor
Per: Martin Bierman
Partner

15 September 2020

5 Magwa Crescent
Waterfall City
Waterfall
Johannesburg

# Consolidated statement of financial position

| as at June 2020 | Note | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | **13 613** | 10 286 |
| Goodwill | 2.1 | **1 556** | 1 020 |
| Intangible assets | 2.2 | **115** | 253 |
| Investments in associates and joint ventures | 2.3 | **232** | 258 |
| Property, plant and equipment | 3.1 | **7 625** | 7 023 |
| Investment properties | 3.2 | **159** | 175 |
| Right-of-use assets[1] | 3.3.1 | **2 279** | – |
| Investments and other financial instruments | 4.1 | **345** | 509 |
| Deferred tax | 7.2 | **1 302** | 1 048 |
| **Current assets** | | **29 919** | 28 404 |
| Vehicles for hire | 3.4 | **3 167** | 3 385 |
| Net investment in lease receivables[1] | 4.2 | **100** | – |
| Inventories | 3.5.1 | **20 179** | 19 069 |
| Trade and other receivables | 3.5.2 | **4 040** | 4 744 |
| Derivative financial assets | 4.5 | **259** | 34 |
| Taxation | 7.1 | **53** | 130 |
| Cash resources | 6.2 | **2 121** | 1 042 |
| Assets classified as held-for-sale | 12 | **146** | 182 |
| **Total assets** | | **43 678** | 38 872 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Stated capital | 5.1 | **22 672** | 22 985 |
| Shares repurchased | 5.2 | **(411)** | (435) |
| Common control reserve | | **(19 210)** | (19 191) |
| Hedge accounting reserve | | **701** | 30 |
| Other reserves | | **44** | (447) |
| Retained income | | **8 712** | 8 933 |
| **Attributable to owners of Motus** | | **12 508** | 11 875 |
| Non-controlling interests | 2.4 | **(56)** | (37) |
| **Total equity** | | **12 452** | 11 838 |
| **Liabilities** | | | |
| **Non-current liabilities** | | **11 674** | 6 716 |
| Contract liabilities | 3.6 | **1 633** | 1 649 |
| Deferred tax | 7.2 | **29** | 27 |
| Lease liabilities[1] | 3.3.2 | **2 085** | – |
| Interest-bearing debt | 6.1 | **7 612** | 4 640 |
| Provisions | 3.5.5 | **302** | 382 |
| Other financial liabilities | | **13** | 18 |
| **Current liabilities** | | **19 531** | 20 299 |
| Contract liabilities | 3.6 | **1 164** | 1 169 |
| Lease liabilities[1] | 3.3.2 | **573** | – |
| Trade and other payables | 3.5.3 | **8 385** | 9 716 |
| Floorplans from suppliers | 3.5.4 | **6 511** | 5 619 |
| Provisions | 3.5.5 | **555** | 415 |
| Other financial liabilities | | **17** | 35 |
| Derivative financial liabilities | 4.5 | **210** | 135 |
| Taxation | 7.1 | **165** | 190 |
| Interest-bearing debt | 6.1 | **303** | 1 179 |
| Floorplans from financial institutions | 6.1 | **1 648** | 1 841 |
| Liabilities classified as held-for-sale | 12 | **21** | 19 |
| **Total liabilities** | | **31 226** | 27 034 |
| **Total equity and liabilities** | | **43 678** | 38 872 |

[1] *Refer to note 1.8 – Adoption of new standards issued and effective for the impact of the initial application of IFRS 16.*

# Consolidated statement of profit or loss

| for the year ended 30 June 2020 | Note | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **Revenue** | 8.1 | **73 417** | 79 711 |
| Net operating expenses[1] | 8.2 | **(69 168)** | (74 852) |
| Movements in expected credit losses[1] | 3.5.2 | **(167)** | (53) |
| **Earnings before interest, taxation, depreciation and amortisation** | | **4 082** | 4 806 |
| Depreciation and amortisation | | **(1 946)** | (1 186) |
| **Operating profit** | | **2 136** | 3 620 |
| Impairment of properties, net of profit/(loss) on sale | | **(60)** | 15 |
| Net foreign exchange losses | | **(13)** | (14) |
| Once-off share-based equity costs | 8.3.1 | **–** | (160) |
| Once-off restructuring costs | 8.3.2 | **(186)** | – |
| Other non-operating costs[2] | 8.3.3 | **(242)** | (104) |
| **Profit before financing costs** | | **1 635** | 3 357 |
| Finance costs | 8.4 | **(1 175)** | (831) |
| Finance income | 8.4 | **59** | 57 |
| **Profit before shares of associates and joint ventures** | | **519** | 2 583 |
| Share of associates and joint ventures | | **22** | 27 |
| **Profit before tax** | | **541** | 2 610 |
| Income tax expense | 7.1 | **(356)** | (714) |
| **Attributable profit for the year** | | **185** | 1 896 |
| Net profit attributable to: | | | |
| **Owners of Motus** | | **306** | 1 868 |
| **Non-controlling interests** | | **(121)** | 28 |
| | | **185** | 1 896 |
| **Earnings per share (cents)** | | | |
| **Total earnings per share** | | | |
| **– Basic** | 8.5 | **165** | 953 |
| **– Diluted** | 8.5 | **160** | 929 |

[1] *The movements in expected credit losses is re-presented on the face of the statement of profit or loss. This is for disclosure comparability and enhancement purposes. The value disclosed in net operating expenses in the prior year was reduced as a result.*

[2] *Amortisation of intangible assets arising on business combinations (2019: R17 million) has been re-presented and is now included under other non-operating items. The re-presentation was to further aggregate all non-core operational items.*

# Consolidated statement of other comprehensive income

| for the year ended 30 June 2020 | 2020 Rm | 2019 Rm |
|---|---|---|
| **Attributable profit for the year** | **185** | 1 896 |
| Other comprehensive income/(loss) | **1 241** | (216) |
| **Items that may be subsequently reclassified to profit or loss** | | |
| Exchange gains/(losses) arising on translation of foreign operations | **570** | (48) |
| Movement in hedge accounting reserve (net of tax) | **671** | (168) |
| – Net change in the fair value of the cash flow hedges | **214** | (339) |
| – Deferred tax relating to the hedge accounting reserve movements | **(59)** | 94 |
| – Rolling of open hedging instruments | **516** | 77 |
| **Total comprehensive income for the year** | **1 426** | 1 680 |
| **Total comprehensive income attributable to:** | | |
| Owners of Motus | **1 523** | 1 653 |
| Non-controlling interests | **(97)** | 27 |
| | **1 426** | 1 680 |

# Consolidated statement of cash flows

| for the year ended 30 June 2020 | Note | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 74 885 | 79 725 |
| Cash paid to suppliers and employees | | (70 764) | (75 542) |
| **Cash generated by operations before interest, tax paid and capital expenditure on vehicles for hire** | 9.1 | 4 121 | 4 183 |
| Finance costs paid | 8.4 | (1 067) | (765) |
| Finance income received | 8.4 | 59 | 57 |
| Dividend income received | 8.2 | 462 | 496 |
| Taxation paid | 7.1 | (571) | (910) |
| **Cash generated by operations before capital expenditure on vehicles for hire** | | 3 004 | 3 061 |
| **Net replacement capital expenditure – vehicles for hire** | | (795) | (318) |
| – Additions | 3.4 | (4 960) | (4 367) |
| – Proceeds on disposals | 3.4 | 4 165 | 4 049 |
| | | 2 209 | 2 743 |
| **Cash flows used in investing activities** | | | |
| Cash outflow on acquisition of businesses | 2.6 | (583) | (367) |
| Cash inflow from disposals of businesses | 2.7 | 31 | 9 |
| Cash outflow on payment of contingent consideration | 4.6.2 | (9) | – |
| **Net capital expenditure – property, plant and equipment, investment properties and intangible assets** | | (324) | (592) |
| Expansion of property, plant and equipment, investment properties and intangible assets | 9.2 | (167) | (441) |
| **Net replacement capital expenditure – property, plant and equipment, investment properties and intangible assets** | 9.2 | (157) | (151) |
| Replacements of property, plant and equipment, investments properties and intangible assets | 9.2 | (337) | (457) |
| Proceeds on disposal of property, plant and equipment, investment properties and intangible assets | 9.2 | 180 | 306 |
| Movements in investments in associates | | 50 | 19 |
| Loans advanced | | (7) | (4) |
| Share of dividends | | 57 | 23 |
| Additions to investments | | (105) | (77) |
| Proceeds on sale of investments | | 16 | – |
| Cash received on net investment in lease receivables | 4.2 | 53 | – |
| Proceeds from other loans | | – | 14 |
| | | (871) | (994) |

| for the year ended 30 June 2020 | Note | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **Cash flows from operating and investing activities** | | 1 338 | 1 749 |
| **Cash flows used in financing activities** | | | |
| Repurchase of own shares | | (313) | (780) |
| Hedge cost premium received from Imperial | | – | 16 |
| Dividends paid to Imperial | | – | (567) |
| Dividends paid to equity holders of Motus | | (474) | (470) |
| Dividends paid to non-controlling interests | | (16) | (60) |
| Acquisition of non-controlling interests | | – | (29) |
| Advances/(repayments) of loans from non-controlling interests and associates | | 2 | (49) |
| Repayment of lease liabilities | 3.3.2 | (522) | – |
| Decrease in floorplan liabilities | | (193) | (52) |
| Advances of banking facilities | | 2 536 | 7 103 |
| Repayment of settled banking facilities | | (1 457) | – |
| Repayments of unsecured loans with Imperial | | – | (7 066) |
| | | (437) | (1 954) |
| **Net increase/(decrease) in cash and cash equivalents** | | 901 | (205) |
| Effects of exchange rate changes on cash and cash equivalents | | 144 | (42) |
| Cash and cash equivalents at the beginning of the year | | 940 | 1 187 |
| **Cash and cash equivalents at the end of the year** | 6.3 | 1 985 | 940 |

# Consolidated statement of equity

| for the year ended 30 June 2020 | Stated capital Rm | Shares repurchased Rm | Common control reserve Rm | Hedge accounting reserve Rm |
|---|---|---|---|---|
| **Opening balance as at 1 July 2018** | 23 358 | – | (19 753) | 198 |
| **Total comprehensive income for the year** | – | – | – | (168) |
| Attributable profit for the year | – | – | – | – |
| Other comprehensive loss | – | – | – | (168) |
| Additional share issued prior to unbundling | 167 | – | – | – |
| 6 289 200 shares repurchased and cancelled at an average of R85,83 per share | (540) | – | – | – |
| 1 853 342 shares acquired at an average price of R105,02 per share from Imperial at unbundling | – | (195) | 195 | – |
| 2 791 281 shares repurchased at an average price of R85,98 per share | – | (240) | – | – |
| Common control recognised on entity acquired at unbundling | – | – | 12 | – |
| Incremental interest purchased from non-controlling interests | – | – | – | – |
| Acquisition of non-controlling interests | – | – | – | – |
| Hedge premiums paid on share-based equity | – | – | – | – |
| Share-based equity costs charged to the statement of profit or loss (including the effects of taxation) | – | – | – | – |
| Issue of shares at a discount to a Broad-Based Black Economic Empowerment partner (B-BBEE) (Ukhamba) and modification of share appreciation rights (SARs) | – | – | – | – |
| Dividends paid to Imperial prior to unbundling | – | – | – | – |
| Dividends paid to Motus and non-controlling shareholders | – | – | – | – |
| Transfers between reserves | – | – | 370 | – |
| Other movements | – | – | (15) | – |
| **Closing balance as at 30 June 2019** | 22 985 | (435) | (19 191) | 30 |
| Modified retrospective adjustment of the cumulative effect on the initial application of IFRS 16 – *Leases* | – | – | – | – |
| **Closing balance post the cumulative effect on the application of IFRS 16 – *Leases* as at 1 July 2019** | 22 985 | (435) | (19 191) | 30 |
| **Total comprehensive income for the year** | – | – | – | 671 |
| Attributable profit for the year | – | – | – | – |
| Other comprehensive income | – | – | – | 671 |
| 4 723 000 shares repurchased and cancelled at an average of R66,26 per share | (313) | – | – | – |
| Issue of treasury shares as settlement of share-based equity | – | 24 | – | – |
| Incremental interest purchased from non-controlling interests | – | – | – | – |
| Costs paid on share-based equity | – | – | – | – |
| Share-based equity costs charged to the statement of profit or loss (including the effects of taxation) | – | – | – | – |
| Dividends paid to Motus and non-controlling shareholders | – | – | – | – |
| Transfers between reserves[*] | – | – | (19) | – |
| Other movements | – | – | – | – |
| **Closing balance as at 30 June 2020** | **22 672** | **(411)** | **(19 210)** | **701** |

[#] *Other reserves consist of the statutory reserve and valuation reserve.*
[*] *Transfers between reserves relate to:*
[1] *Shares that were originally obtained from Imperial, which resulted in common control on unbundling, were settled. This resulted in a pro rata R36 million decrease in common control and a resultant increase in retained income.*
[2] *The realisation of common control relating to an investment in associate that was disposed of, amounting to a R17 million increase in common control and a resultant decrease in retained income.*
[3] *The remaining portion of vested plans in share-based payment reserve of R39 million was transferred to retained earnings.*
[4] *Statutory reserve allocation of R5 million from retained earnings to other reserves in line with the regulatory requirements of Arco Motor Industry Company Limited.*

| | Share-based payment reserve Rm | Foreign currency translation reserve Rm | Other reserves# Rm | Premium paid on purchase of non-controlling interests Rm | Total other reserves Rm | Retained income Rm | Attributable to owners of Motus Rm | Non-controlling interests Rm | Total equity Rm |
|---|---|---|---|---|---|---|---|---|---|
| | (16) | (393) | – | (307) | (716) | 8 553 | 11 640 | 4 | 11 644 |
| | – | (47) | – | – | (47) | 1 868 | 1 653 | 27 | 1 680 |
| | – | – | – | – | – | 1 868 | 1 868 | 28 | 1 896 |
| | – | (47) | – | – | (47) | – | (215) | (1) | (216) |
| | – | – | – | – | – | – | 167 | – | 167 |
| | – | – | – | – | – | – | (540) | – | (540) |
| | – | – | – | – | – | – | – | – | – |
| | – | – | – | – | – | – | (240) | – | (240) |
| | – | – | – | – | – | – | 12 | – | 12 |
| | – | – | – | (19) | (19) | – | (19) | (10) | (29) |
| | – | – | – | – | – | – | – | 2 | 2 |
| | (6) | – | – | – | (6) | – | (6) | – | (6) |
| | 116 | – | – | – | 116 | – | 116 | – | 116 |
| | 160 | – | – | – | 160 | – | 160 | – | 160 |
| | – | – | – | – | – | (567) | (567) | – | (567) |
| | – | – | – | – | – | (470) | (470) | (60) | (530) |
| | (135) | 193 | 6 | – | 64 | (434) | – | – | – |
| | (11) | – | (3) | 15 | 1 | (17) | (31) | – | (31) |
| | 108 | (247) | 3 | (311) | (447) | 8 933 | 11 875 | (37) | 11 838 |
| | – | – | – | – | – | (105) | (105) | (3) | (108) |
| | 108 | (247) | 3 | (311) | (447) | 8 828 | 11 770 | (40) | 11 730 |
| | – | 546 | – | – | 546 | 306 | 1 523 | (97) | 1 426 |
| | – | – | – | – | – | 306 | 306 | (121) | 185 |
| | – | 546 | – | – | 546 | – | 1 217 | 24 | 1 241 |
| | – | – | – | – | – | – | (313) | – | (313) |
| | (24) | – | – | – | (24) | – | – | – | – |
| | – | – | – | (93) | (93) | – | (93) | 93 | – |
| | (1) | – | – | – | (1) | – | (1) | – | (1) |
| | 98 | – | – | – | 98 | – | 98 | 1 | 99 |
| | – | – | – | – | – | (474) | (474) | (16) | (490) |
| | (39) | – | 5 | – | (34) | 53 | – | – | – |
| | (1) | – | – | – | (1) | (1) | (2) | 3 | 1 |
| | **141** | **299** | **8** | **(404)** | **44** | **8 712** | **12 508** | **(56)** | **12 452** |

# Segment financial position

| as at 30 June 2020 | Group 2020 Rm | Group 2019 Rm | Import and Distribution 2020 Rm | Import and Distribution 2019 Rm |
|---|---|---|---|---|
| **Financial position** | | | | |
| **Assets** | | | | |
| Goodwill and intangible assets | 1 671 | 1 273 | 1 | 108 |
| Carrying value of associates and joint ventures (excluding loans to associates) | 145 | 177 | 16 | 10 |
| Property, plant and equipment | 7 625 | 7 023 | 555 | 579 |
| Right-of-use assets | 2 279 | – | 161 | – |
| Investment properties | 159 | 175 | 148 | 156 |
| Investments and other financial instruments | 345 | 509 | 4 | 4 |
| Net investment in lease receivables | 100 | – | 100 | – |
| Inventories | 20 179 | 19 069 | 4 596 | 5 680 |
| Vehicles for hire | 3 167 | 3 385 | 1 554 | 1 222 |
| Trade and other receivables[1] | 4 299 | 4 778 | 1 809 | 2 123 |
| **Operating assets** | 39 969 | 36 389 | 8 944 | 9 882 |
| – South Africa | 26 263 | 26 034 | 8 944 | 9 882 |
| – International | 13 706 | 10 355 | – | – |
| **Liabilities** | | | | |
| Contract liabilities | 2 797 | 2 818 | – | – |
| Lease liabilities[3] | 2 658 | – | 274 | – |
| Provisions | 857 | 797 | 164 | 134 |
| Trade and other payables[1] | 15 106 | 15 470 | 4 425 | 5 683 |
| Other financial liabilities | 30 | 53 | – | 10 |
| **Operating liabilities** | 21 448 | 19 138 | 4 863 | 5 827 |
| – South Africa | 12 434 | 12 934 | 4 863 | 5 827 |
| – International | 9 014 | 6 204 | – | – |
| **Net working capital** | 8 515 | 7 580 | 1 816 | 1 986 |
| – South Africa | 7 387 | 5 943 | 1 816 | 1 986 |
| – International | 1 128 | 1 637 | – | – |
| **Net interest-bearing debt[3]** | 7 442 | 6 618 | 1 330 | 2 281 |
| – South Africa | 5 024 | 4 808 | 1 330 | 2 281 |
| – International | 2 418 | 1 810 | – | – |
| **Net capital expenditure** | (1 119) | (910) | (703) | 170 |
| – South Africa | (1 005) | (662) | (703) | 170 |
| – International | (114) | (248) | – | – |
| **Non-current assets (including equity investment in associates, excluding investments, deferred tax and other financial instruments)** | 11 879 | 8 649 | 881 | 853 |
| – South Africa | 6 865 | 6 164 | 881 | 853 |
| – International | 5 014 | 2 485 | – | – |
| **Source of internationally based non-current assets** | 5 014 | 2 485 | – | – |
| – United Kingdom | 2 901 | 1 445 | – | – |
| – Other regions (Australia and South East Asia)[2] | 2 113 | 1 040 | – | – |

[1] *Includes amounts pertaining to derivative financial instruments.*
[2] *Retail and Rental and Head Office and Eliminations operates in Australia and Aftermarket Parts operates in South East Asia.*
[3] *In comparison to December 2019, we have separately disclosed the lease liabilities from the net interest-bearing debt.*

| Retail and Rental | | Financial Services | | Aftermarket Parts | | Head Office and Eliminations | |
|---|---|---|---|---|---|---|---|
| **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm |
| **1 159** | 656 | **23** | 16 | **474** | 468 | **14** | 25 |
| **26** | 37 | **10** | 41 | **88** | 82 | **5** | 7 |
| **6 448** | 5 831 | **129** | 113 | **438** | 447 | **55** | 53 |
| **1 921** | – | **1** | – | **196** | – | **–** | – |
| **11** | 19 | **–** | – | **–** | – | **–** | – |
| **–** | – | **338** | 490 | **–** | – | **3** | 15 |
| **–** | – | **–** | – | **–** | – | **–** | – |
| **13 382** | 11 514 | **261** | 316 | **1 976** | 1 594 | **(36)** | (35) |
| **1 613** | 2 161 | **1 628** | 1 289 | **–** | – | **(1 628)** | (1 287) |
| **2 738** | 3 089 | **477** | 339 | **627** | 702 | **(1 352)** | (1 475) |
| **27 298** | 23 307 | **2 867** | 2 604 | **3 799** | 3 293 | **(2 939)** | (2 697) |
| **14 208** | 13 199 | **2 867** | 2 604 | **3 183** | 3 046 | **(2 939)** | (2 697) |
| **13 090** | 10 108 | **–** | – | **616** | 247 | **–** | – |
| **123** | 121 | **2 674** | 2 697 | **–** | – | **–** | – |
| **2 156** | – | **3** | – | **225** | – | **–** | – |
| **139** | 78 | **268** | 286 | **3** | 2 | **283** | 297 |
| **11 735** | 10 449 | **525** | 541 | **1 042** | 1 119 | **(2 621)** | (2 322) |
| **7** | 11 | **–** | – | **22** | 30 | **1** | 2 |
| **14 160** | 10 659 | **3 470** | 3 524 | **1 292** | 1 151 | **(2 337)** | (2 023) |
| **5 400** | 4 536 | **3 470** | 3 524 | **1 038** | 1 070 | **(2 337)** | (2 023) |
| **8 760** | 6 123 | **–** | – | **254** | 81 | **–** | – |
| **4 246** | 4 076 | **(55)** | (172) | **1 558** | 1 175 | **950** | 515 |
| **3 347** | 2 507 | **(55)** | (172) | **1 329** | 1 107 | **950** | 515 |
| **899** | 1 569 | **–** | – | **229** | 68 | **–** | – |
| **7 065** | 5 404 | **(2 105)** | (2 231) | **1 247** | 1 131 | **(95)** | 33 |
| **4 720** | 3 520 | **(2 105)** | (2 231) | **1 180** | 1 204 | **(101)** | 34 |
| **2 345** | 1 884 | **–** | – | **67** | (73) | **6** | (1) |
| **(284)** | (969) | **(508)** | 281 | **(82)** | (55) | **458** | (337) |
| **(184)** | (724) | **(508)** | 281 | **(68)** | (52) | **458** | (337) |
| **(100)** | (245) | **–** | – | **(14)** | (3) | **–** | – |
| **9 565** | 6 543 | **163** | 170 | **1 196** | 997 | **74** | 86 |
| **4 738** | 4 156 | **163** | 170 | **1 011** | 899 | **72** | 86 |
| **4 827** | 2 387 | **–** | – | **185** | 98 | **2** | – |
| **4 827** | 2 387 | **–** | – | **185** | 98 | **2** | – |
| **2 901** | 1 445 | **–** | – | **–** | – | **–** | – |
| **1 926** | 942 | **–** | – | **185** | 98 | **2** | – |

# Summarised segment profit or loss

| for the year ended 30 June 2020 | Group 2020 Rm | Group 2019 Rm | Import and Distribution 2020 Rm | Import and Distribution 2019 Rm |
|---|---|---|---|---|
| **Profit or loss** | | | | |
| **Total revenue** | **73 417** | 79 711 | **17 411** | 18 949 |
| – South Africa | **48 351** | 53 176 | **17 411** | 18 949 |
| – International (see next page) | **25 451** | 26 652 | **–** | – |
| – Eliminations between geographical regions | **(385)** | (117) | **–** | – |
| **Operating profit** | **2 136** | 3 620 | **827** | 810 |
| – South Africa | **2 112** | 3 264 | **827** | 810 |
| – International | **24** | 356 | **–** | – |
| **Depreciation, amortisation, impairments net of recoupments** | **(2 018)** | (1 188) | **(419)** | (264) |
| – South Africa | **(1 653)** | (1 086) | **(419)** | (264) |
| – International | **(365)** | (102) | **–** | – |
| **Net finance costs** | **(1 116)** | (774) | **(310)** | (176) |
| – South Africa | **(883)** | (622) | **(310)** | (176) |
| – International | **(233)** | (152) | **–** | – |
| **Profit/(loss) before tax and non-trading items** | **773** | 2 690 | **487** | 645 |
| – South Africa | **1 048** | 2 504 | **487** | 645 |
| – International | **(275)** | 186 | **–** | – |
| **Non-trading items** | **(232)** | (80) | **(102)** | (30) |
| – South Africa | **(58)** | (80) | **(102)** | (30) |
| – International | **(174)** | – | **–** | – |
| **Profit/(loss) before tax** | **541** | 2 610 | **385** | 615 |
| – South Africa | **990** | 2 424 | **385** | 615 |
| – International | **(449)** | 186 | **–** | – |
| **Income tax expense** | **(356)** | (714) | **(257)** | (207) |

| Retail and Rental | | Financial Services | | Aftermarket Parts | | Head Office and Eliminations | |
|---|---|---|---|---|---|---|---|
| **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm |
| | | | | | | | |
| **59 898** | 65 041 | **2 173** | 2 172 | **6 050** | 6 442 | **(12 115)** | (12 893) |
| **35 099** | 38 759 | **2 173** | 2 172 | **5 783** | 6 189 | **(12 115)** | (12 893) |
| **24 799** | 26 282 | **–** | – | **652** | 370 | **–** | – |
| **–** | – | **–** | – | **(385)** | (117) | **–** | – |
| **332** | 1 578 | **931** | 937 | **322** | 496 | **(276)** | (201) |
| **370** | 1 291 | **931** | 937 | **260** | 431 | **(276)** | (205) |
| **(38)** | 287 | **–** | – | **62** | 65 | **–** | 4 |
| | | | | | | | |
| **(1 355)** | (830) | **(161)** | (145) | **(189)** | (52) | **106** | 103 |
| **(1 015)** | (732) | **(161)** | (145) | **(164)** | (51) | **106** | 106 |
| **(340)** | (98) | **–** | – | **(25)** | (1) | **–** | (3) |
| **(772)** | (586) | **(67)** | (61) | **(125)** | (113) | **158** | 162 |
| **(544)** | (440) | **(67)** | (61) | **(121)** | (108) | **159** | 163 |
| **(228)** | (146) | **–** | – | **(4)** | (5) | **(1)** | (1) |
| **(656)** | 991 | **866** | 878 | **117** | 371 | **(41)** | (195) |
| **(340)** | 867 | **866** | 878 | **76** | 309 | **(41)** | (195) |
| **(316)** | 124 | **–** | – | **41** | 62 | **–** | – |
| **(169)** | 22 | **16** | (5) | **23** | (57) | **–** | (10) |
| **5** | 22 | **16** | (5) | **23** | (57) | **–** | (10) |
| **(174)** | – | **–** | – | **–** | – | **–** | – |
| **(825)** | 1 013 | **882** | 873 | **140** | 314 | **(41)** | (205) |
| **(335)** | 889 | **882** | 873 | **99** | 252 | **(41)** | (205) |
| **(490)** | 124 | **–** | – | **41** | 62 | **–** | – |
| **115** | (201) | **(172)** | (153) | **(59)** | (101) | **17** | (52) |

# Summarised segment profit or loss (continued)

| for the year ended 30 June 2020 | Group 2020 Rm | Group 2019 Rm | Import and Distribution 2020 Rm | Import and Distribution 2019 Rm |
|---|---|---|---|---|
| **Additional segment information** | | | | |
| **Revenue by nature** | | | | |
| New motor vehicles sales | **32 979** | 36 708 | **13 393** | 14 159 |
| Used motor vehicles sales | **17 751** | 19 027 | **2 122** | 2 648 |
| Parts and other goods sales | **13 617** | 14 268 | **1 772** | 2 023 |
| **Sale of goods** | **64 347** | 70 003 | **17 287** | 18 830 |
| Vehicle workshop, maintenance, service and warranty | **5 166** | 5 435 | **72** | 74 |
| Motor vehicle rental | **2 139** | 2 564 | **2** | 9 |
| Fees on vehicles, parts and services sold | **1 765** | 1 709 | **50** | 36 |
| **Rendering of services** | **9 070** | 9 708 | **124** | 119 |
| **Total divisional revenue** | **73 417** | 79 711 | **17 411** | 18 949 |
| Inter-group revenue | **–** | – | **(11 458)** | (12 006) |
| **Total external revenue** | **73 417** | 79 711 | **5 953** | 6 943 |
| **Source of internationally derived revenue** | | | | |
| – United Kingdom | **19 172** | 20 395 | **–** | – |
| – Other regions (Australia and South East Asia)[1] | **6 279** | 6 257 | **–** | – |
| | **25 451** | 26 652 | **–** | – |
| **Analysis of depreciation, amortisation, impairments and recoupments** | **(2 018)** | (1 188) | **(419)** | (264) |
| Depreciation and amortisation | **(1 947)** | (1 176) | **(457)** | (267) |
| (Losses)/profits on disposals and impairments | **(59)** | 5 | **38** | 3 |
| Amortisation and impairment of intangible assets arising on business combinations | **(12)** | (17) | **–** | – |
| **(Costs)/income included in profit before tax and non-trading items** | | | | |
| Employee costs | **(6 633)** | (6 822) | **(447)** | (486) |
| Operating lease charges | **(106)** | (699) | **(10)** | (39) |
| Once-off restructuring costs | **(186)** | – | **(8)** | – |
| Issue of shares at a discount to a B-BBEE partner (Ukhamba) and modification of SARs | **–** | (160) | **–** | – |
| Net foreign exchange (losses)/gains | **(13)** | (14) | **(70)** | 4 |
| Associate income included in pre-tax profits | **22** | 27 | **–** | 4 |
| **Operating profit margin (%)** | **2,9** | 4,5 | **4,7** | 4,3 |

[1] *Retail and Rental operates in Australia and Aftermarket Parts operates in South East Asia.*

| | Retail and Rental | | Financial Services | | Aftermarket Parts | | Head Office and Eliminations | |
|---|---|---|---|---|---|---|---|---|
| | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm |
| | | | | | | | | |
| | | | | | | | | |
| | **28 448** | 31 437 | **–** | – | **–** | – | **(8 862)** | (8 888) |
| | **17 172** | 18 294 | **–** | – | **–** | – | **(1 543)** | (1 915) |
| | **7 016** | 7 398 | **–** | – | **5 985** | 6 415 | **(1 156)** | (1 568) |
| | **52 636** | 57 129 | **–** | – | **5 985** | 6 415 | **(11 561)** | (12 371) |
| | **3 719** | 3 986 | **1 534** | 1 525 | **2** | 2 | **(161)** | (152) |
| | **1 885** | 2 274 | **481** | 481 | **–** | – | **(229)** | (200) |
| | **1 658** | 1 652 | **158** | 166 | **63** | 25 | **(164)** | (170) |
| | **7 262** | 7 912 | **2 173** | 2 172 | **65** | 27 | **(554)** | (522) |
| | **59 898** | 65 041 | **2 173** | 2 172 | **6 050** | 6 442 | **(12 115)** | (12 893) |
| | **(248)** | (489) | **(388)** | (363) | **(21)** | (35) | **12 115** | 12 893 |
| | **59 650** | 64 552 | **1 785** | 1 809 | **6 029** | 6 407 | **–** | – |
| | | | | | | | | |
| | **19 172** | 20 395 | **–** | – | **–** | – | **–** | – |
| | **5 627** | 5 887 | **–** | – | **652** | 370 | **–** | – |
| | **24 799** | 26 282 | **–** | – | **652** | 370 | **–** | – |
| | | | | | | | | |
| | **(1 355)** | (830) | **(161)** | (145) | **(189)** | (52) | **106** | 103 |
| | **(1 309)** | (838) | **(161)** | (146) | **(128)** | (43) | **108** | 118 |
| | **(46)** | 13 | **–** | 1 | **(49)** | 3 | **(2)** | (15) |
| | **–** | (5) | **–** | – | **(12)** | (12) | **–** | – |
| | | | | | | | | |
| | **(4 539)** | (4 789) | **(516)** | (514) | **(820)** | (795) | **(311)** | (238) |
| | **(82)** | (566) | **(2)** | (6) | **(16)** | (85) | **4** | (3) |
| | **(159)** | – | **(3)** | – | **(8)** | – | **(8)** | – |
| | **–** | – | **–** | – | **–** | – | **–** | (160) |
| | **(4)** | – | **–** | – | **(21)** | (16) | **82** | (2) |
| | **3** | (1) | **6** | 2 | **12** | 15 | **1** | 7 |
| | **0,6** | 2,4 | **42,8** | 43,1 | **5,3** | 7,7 | | |

# Notes to the consolidated annual financial statements

## Index

## 1. Accounting framework and critical judgements

### 1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board in issue and effective for Motus at 30 June 2020 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, Financial Reporting Pronouncements (FRSC) as issued by the Financial Reporting Standards Council, the Companies Act of South Africa, No 71 of 2008, and the JSE Listings Requirements.

The preparation of the annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Motus' accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognised in the period in which the estimates are revised. The actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been disclosed in note 1.5 – Critical accounting judgements, estimates and assumptions.

The annual financial statements are presented in South African Rand (ZAR), the functional currency of the Group and the company and all amounts are rounded to the nearest million, except where otherwise indicated. Foreign currency exchange rates used in the preparation of converting into Rand are set out below:

| | Closing rates | | Average rates | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| US Dollar | **17,37** | 14,10 | **15,67** | 14,18 |
| British Pound | **21,46** | 17,95 | **19,73** | 18,35 |
| Australian Dollar | **11,96** | 9,90 | **10,49** | 10,14 |
| Euro | **19,51** | 16,06 | **17,31** | 16,18 |

The consolidated and separate financial statements have been prepared on the historical cost basis, except for the following material items included in the statement of financial position that are measured as described below:
- Derivative financial instruments are measured at fair value, refer to note 4.5 – Currency risk and hedge accounting reserve.
- Investments in preference shares (refer to note 4.1 – Investments and other financial instruments) measured at fair value.
- Common control on historical inter-group acquisitions which are measured as the differential in the purchase consideration paid and that of Motus.

### 1.2 Business combinations including common control transactions

Motus businesses prior to their unbundling from Imperial Holdings Limited (Imperial) did not historically constitute a combined legal group. The historical annual financial statements of Motus are prepared on the assumption that the company and its subsidiaries; Motus Capital Proprietary Limited, Motus Group Limited and Motus Corporation Proprietary Limited traded together as a separate legal group.

IFRS does not provide guidance on the accounting for common control transactions. In the absence of specific guidance relating to common control transactions, entities should select an appropriate accounting policy using the hierarchy described in IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. The hierarchy permits the consideration of pronouncements of other standard-setting bodies. The acquisition by Motus Holdings Limited of Motus Corporation Proprietary Limited, Motus Group Limited and Motus Capital Proprietary Limited in prior years meets the definition of a common control transaction as all the combining entities were ultimately controlled by the same party, being Imperial, before and after the combination, and that control was not transitory. The following principles of US GAAP have been applied to the transfer of assets between entities under common control and IFRS principals for business combinations:
- When accounting for a transfer of assets or exchange of shares between entities under common control, the entity that receives the net assets or the equity interests shall initially measure the recognised assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. If the carrying amounts of the assets and liabilities transferred differ from the of the parent of the entities under common control, for example, because fair value adjustments in business combinations have been recognised on consolidation; then the annual financial statements of the receiving entity shall reflect the transferred assets and liabilities at the historical cost of the transferring entity.
- As a result, the receiving entity effectively applies pushdown accounting in its consolidated annual financial statements.
- There is no change in the basis for the net assets received because there is no change in control over the net assets or equity interests from the parent's perspective. Any difference between any proceeds transferred and the carrying amounts of the net assets received is recognised in equity as a common control reserve arising on common control transactions in the receiving entity's consolidated annual financial statements. No additional goodwill is created.

# Notes to the consolidated financial statements (continued)

## 1. Accounting framework and critical judgements (continued)

### 1.2 Business combinations including common control transactions (continued)

- Transactions with parties external to Motus where a change in shareholding occurred have been accounted for at the effective date of the change in shareholding. Subsidiaries and associates which were sold to parties external to Motus had their share of assets and profits included in the consolidated results when legal ownership was held.
- The purchase price for the acquisitions of Motus Corporation Proprietary Limited, Motus Capital Proprietary Limited, and Motus Group Limited had been compared to their historical cost in Imperial in determining the common control for the periods 30 June 2015 to the date of unbundling.
- In the prior year, at the point of unbundling, Motus acquired the final divisions of Motus Group Limited that were under the control of Imperial. This adjusted the common control reserve recognised.
- Where businesses, that were acquired via common control, are disposed of, the attributable common control relating to the underlying assets will be derecognised directly through equity, this will result in the attributable common control reserve being transferred to retained earnings.
- At the acquisition date for business combinations not under common control, the identifiable assets acquired and liabilities assumed are measured at fair values except for deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 – *Income Taxes* and IAS 19 – *Employee Benefits* respectively.
- The excess of the aggregate of the consideration transferred, the non-controlling interest and the acquisition date fair value of previously held equity interest over the fair value of the identifiable net assets acquired is recognised as goodwill.
- The non-controlling interests are measured at their proportionate share of the fair value of the identifiable assets acquired and liabilities assumed.
- When the consideration transferred includes a contingent consideration, that contingent consideration is recognised as a liability and measured at its acquisition date fair value and included in the consideration transferred in a business combination. The contingent consideration is remeasured at subsequent dates to its fair value through profit or loss.
- When the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value with the resulting gain or loss recognised in profit or loss at the acquisition date.
- If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group reports provisional amounts for the items where the accounting is incomplete. Those provisional amounts are adjusted during the measurement period where applicable.
- Any increases or decreases in ownership interests in subsidiaries without a change in control are recognised as equity transactions. The carrying amounts of Motus' interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributed to owners of the company. These changes in ownership that have occurred in the respective historical financial years is reflected as such to present the legal ownership applicable for that period.
- The equity method of accounting for associates and joint ventures is adopted in the consolidated annual financial statements. In applying the equity method, account is taken of Motus' share of accumulated retained earnings and movements in reserves from the effective dates on which the companies became associates and up to the effective dates of disposal. In the event of associates making losses, Motus recognises the losses to the extent of Motus' exposure.

### 1.3 Going concern

Motus was significantly impacted by COVID-19 during the last quarter of the financial year. The business faced two significant risks, one being able to operate profitably once the lockdown ended and secondly converting our working capital and rental fleets into cash. The business reopened fully in June 2020 and the trading has been profitable except for our car rental division in the period from 1 June 2020 through to the date of signing and approving the consolidated annual financial statements. The operations are aligning the existing cost structures to the changing economic environment. We actively implemented various action plans and continued to embark on a number of initiatives focused on cash preservation.

Motus' objectives when managing its cash and banking resources are to safeguard its ability to continue as a going concern and strive to create long-term value for stakeholders through strategic clarity, financial discipline, operational excellence and strict cash utilisation.

The consolidated statement of financial position as at 30 June 2020 reports a positive total equity balance of R12 452 million (2019: R11 838 million) and net interest-bearing debt of R7 442 million (2019: R6 618 million). The net interest-bearing debt excluding floorplans is covered by facilities of R13 681 million (R12 476 million committed) (2019: R12 092 million (R11 555 million committed).

# 1. Accounting framework and critical judgements (continued)

## 1.3 Going concern (continued)

The directors have reviewed and approved the Group and company budgets, cash flow forecasts and the solvency and liquidity positions and based on the budgets prepared by management, it is concluded that the Group will remain comfortably within the existing bank facility limits for at least the next 12 months from the date of approval of these annual financial statements with significant headroom available. Management prepared a detailed profit or loss, cash flow and balance sheet forecast. This forecast has been reviewed and approved by the board.

Due to this inherent level of uncertainty over future financial performance and cash flows, as well as the importance of the key assumptions underpinning the Group's projections, sensitivity analysis has been performed to model the impact of more adverse trends compared to those included in the financial projections and the conclusion reached, was the Group and the company would remain a going concern.

The key judgements that were applied are the likely time period of restrictions on trading activity and the movement of people and social distancing. The projections assumed that Motus will continue to trade with no restrictions over the next 12 months from signing this report. Additionally, it was assumed that Motus would retain its market shares in the markets in which it operates.

The Group has access to both fixed and variable interest-bearing debt facilities with financial institutions and floorplan facilities with financial institutions and Original Equipment Manufacturers.

In terms of the banking agreements, the following covenants are in place:

- The net debt to adjusted EBITDA* must be below 3,0 times.
- The adjusted EBITDA to adjusted net interest* must be above 3,0 times.

* *Refer to note 1.7 – Other financial definitions, for the calculation of adjusted EBITDA and adjusted net interest.*

Motus has complied with these banking covenants as at June 2020 with net debt to adjusted EBITDA at 2,16 times and adjusted EBITDA to adjusted net interest at 3,57 times and this compliance is expected to continue into the foreseeable future. In addition, Motus has sufficient unutilised banking facilities available to fund normal trading operations.

As a precaution, Motus engaged with the funders during April 2020 to relax the debt covenants for the 30 June 2020 reporting period should this be required. The local and international syndicated funders have agreed to the relaxation with net debt to adjusted EBITDA to be below 4,5 times and adjusted EBITDA to adjusted net interest to be above 2,5 times. The relaxation of debt covenants allows Motus to make use of all the available facilities should it become necessary to do so.

The funders have agreed to the relaxation of the banking covenants until the next covenant reporting period which is 31 December 2020 on condition that there are no major business acquisitions, no major expansionary capital expenditure, share buy-backs or dividend payments.

On the basis of this review, the Motus directors have concluded that there is a reasonable expectation that the Group and company will continue to meet its obligations as they fall due for at least the next 12 months from the date of approval of these annual financial statements.

The directors consider it appropriate to adopt the going concern assumption in preparing the consolidated and separate annual financial statements.

## 1.4 Accounting polices

Accounting policies for which no choice is permitted in terms of International Financial Reporting Standards have been included only if management concluded that the disclosure would assist users in understanding the annual financial statements as a whole and considering the materiality of the item being discussed. Accounting policies which are not applicable from time-to-time, have been removed, but will be included if the type of transaction occurs in future or becomes material to the understanding of the annual financial statements. Accounting policies that refer to "consolidated" or "Group" apply equally to the separate annual financial statements where relevant.

The accounting policies applicable to each note are included in related notes to the annual financial statements.

The accounting policies adopted for this financial year are consistent with the previous financial year apart from the new accounting standards, which were adopted as outlined in 1.8 – Adoption of new standards issued and effective, on page 38.

# Notes to the consolidated financial statements (continued)

## 1. Accounting framework and critical judgements (continued)

### 1.5 Critical accounting judgements, estimates and assumptions

The following critical accounting judgements and assumptions are made in the preparation of these consolidated annual financial statements:

- Impairment of assets as follows:
  - Goodwill and Intangible assets;
  - Properties;
  - Right-of-use assets; and
  - Investment in subsidiaries.
- Residual value of tangible assets;
- Recoverability of deferred tax assets in respect of future taxable profits;
- Fair value measurement of financial instruments;
- Net realisable value assessment of inventory;
- Contract liabilities – measurement and related recognition of revenue;
- Extensions and terminations of lease agreements where Motus is the lessee; and
- Incremental borrowing rates on application of IFRS 16.

Key sources of estimation and uncertainty relate to:

- Future cash flows.
- Growth rates.
- Forward looking information utilised in the expected credit loss model.

#### Impairment of assets

*Goodwill and intangible assets*

Goodwill and other indeterminate useful life intangible assets are assessed annually for impairment. The key assumptions used are cash flow projections, growth rates and discount rates applied. The growth rates and cash flow projections are approved by senior management. The discount rates are established by an independent expert taking into account the geographical location and other risk factors relating to the particular cash-generating unit (CGU) being assessed. For the purpose of impairment testing, goodwill is allocated to each of Motus' CGUs (or groups of CGUs) that are expected to benefit from the synergies of the business combination.

Refer to note 2.1 – Goodwill for further details on the impairment of goodwill and to which CGU the impairments related to, as well as note 2.2 – Intangible assets for further details on the impairment of the distribution rights.

*Properties*

Properties are valued over a five-year cycle, or earlier should an impairment indicator arise, with approximately 20% of the property portfolio being valued annually. The valuation is done by an internal expert using the income approach method. Properties include those as owner occupied disclosed in property, plant and equipment as well as investment properties.

The model is utilised to assess indicators of impairment, residual values and if depreciation should be recorded.

Key inputs utilised to assess indicators of impairment include:

- Rental growth per annum: The property valuators approximated future escalations in rental income to 3,0% (2019: 5,4%), taking into account various micro-economic and macro-economic factors. The rental escalation rate of 3,0% was used in the current year as a conservative (and lower) rate.
- At the level of individual properties, the rate is adjusted for conditions contractual or other, that are specific to the building under consideration.
- Discount rate: An average pre-tax discount rate of 8,1% (2019: 5,3%), over the medium to long-term was used. The pre-tax incremental borrowing rate of 8,1% was used in the current year as a conservative (and higher) rate instead of the current inflationary rates.
- Capitalisation rate: Determined by taking into account the quality and location of the properties under consideration. This rate is determined with reference to market transactions of comparable properties and takes economic risk factors into consideration. The rates used vary between 9,3% and 15,0% (2019: 9,3% and 15,0%). The previous capitalisation rates of between 9,3% and 15,0% were maintained, in spite of the lower interest rates.

Other assumptions used:

- Net rental income used is the current pre-tax rental given normal arm's length market conditions, after deducting property maintenance and running costs;
- The useful life of refurbishments is considered to be five years; and
- Economic useful life: 20 to 25 years. Buildings occupied for five years or longer are assumed to have been occupied for five years.

# 1. Accounting framework and critical judgements (continued)

## 1.5 Critical accounting judgements, estimates and assumptions (continued)

### Impairment of assets (continued)

*Specific considerations regarding COVID-19*

When assessing the indicators of impairment of properties in the current year, conservative measures, as noted above, were taken into consideration with regards to rental growth, discount rates and capitalisation rates.

These measures resulted in lower valuation results which have led to higher impairments recognised in the current year.

Based on the calculations performed, the recoverable amount on certain properties was lower than the carrying value and an impairment loss of R112 million (2019: R23 million) on properties were recognised in the following segments:

- Import and Distribution – Rnil (2019: R4 million);
- Retail and Rental – R62 million (2019: R18 million);
- Aftermarket Parts – R50 million (2019: Rnil); and
- Head office and Eliminations – Rnil (2019: R1 million).

These impairments were offset by reversals of impairments of R11 million previously recognised in prior years. No individual property impairment reversal was considered to be material.

*Right-of-use assets*

Right-of-use assets are assessed for indicators of impairment. Indicators of impairment generally relate to the performance of the CGU and managements future expectation of the utilisation of the related asset.

The right-of-use asset is tested for impairment on a single standalone basis unless it generates cash inflows only in combination with other assets, together forming a CGU and as such, the right-of-use asset will be tested for impairment as a part of this larger CGU and included in the carrying amount. A CGU to which goodwill and intangibles with indeterminate useful life is tested for impairment annually, or when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than it carrying amount, the impairment loss is first allocated to the goodwill and then to the other assets including the right-of-use asset of the unit on a pro rata basis. Right-of-use assets that form part of a CGU will result in a value in use calculation being performed.

Refer to note 2.1 – Goodwill with regards to the assumptions relating to the cash flows, growth rates and discounts rates.

Where management decides to impair the related right-of-use asset as a result of there being no further economic benefit, the value of the right-of-use asset is impaired to Rnil and the liability remains on the statement of financial position.

*Investments in subsidiaries*

Investments in subsidiaries, including Motus Holdings Limited company's investments in its own subsidiaries, are assessed for impairment if there is an indicator of impairment. These indicators could include the share prices or net asset value of the underlying subsidiary, amongst other factors. If there is an indicator of impairment present, a recoverable amount is calculated based on the higher of the fair value less cost to sell and value in use. If the recoverable amount is lower than the carrying amount, the difference is deducted from the underlying investment. This has no impact on the consolidated profit or loss as the investment in subsidiaries are eliminated on consolidation.

The critical judgements utilised to determine value in use are as follows:

- Future cash flows of the CGUs for the Group in the case of Motus Holdings Limited company.
- The discount rate applicable to the underlying subsidiaries taking into consideration entity specific and geographical costs of debt, cost of leases and equity.
- The terminal growth rate based on current growth patterns applicable to the underlying.

Refer to note 2 – Investments in subsidiaries in the separate financial statements for further details and key sources of estimation and uncertainty.

### Residual value of tangible assets

To arrive at the residual value of a building in today's values, the usage of the building and its forecast residual value at the end of its useful life needs to be assessed and thereafter present valued. The assumptions and techniques utilised in determining the residual value of properties are consistent with those utilised in the impairment of properties.

Residual values are also assessed for plant, equipment and vehicles for hire. In arriving at estimated residual values, Motus considers the existing condition of the asset, the expected condition of the assets at the end of its useful life, technological innovations, product lifecycles, maintenance programs and projected disposal values.

Motus reassesses the residual values of its assets on an annual basis. Actual residual values can vary from those previously estimated.

# Notes to the consolidated financial statements (continued)

## 1. Accounting framework and critical judgements (continued)

### 1.5 Critical accounting judgements, estimates and assumptions (continued)

#### Recoverability of deferred tax assets in respect of future taxable profits

Future taxable profits are estimated based on business plans which include estimates and assumptions regarding the following:

- Economic growth;
- Interest rates;
- Inflation rates;
- Taxation rates;
- Currency risk; and
- Competitive forces.

The deferred tax assets are reviewed at the end of the reporting period and adjusted, taking into consideration the current and forecast future results. Deferred tax assets are impaired where entities do not show signs of profitability in the foreseeable future. Motus' deferred tax assets primarily arise from contract liabilities in Financial Services, provisions and other timing differences in profitable subsidiaries and an assessed loss recognised in Motus Group Limited, a subsidiary of Motus Holdings Limited. The profitability of these businesses has been assessed and the deferred tax asset is considered recoverable.

In the current year, recognised tax losses that gave rise to a deferred tax asset to the value of R107 million was written down in Renault South Africa Proprietary Limited as a result of the assessment of the profitability in the foreseeable future.

Refer to note 7.2 – Deferred tax, regarding the utilisation of assessed losses.

#### Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in an active market, their fair value is measured using the discounted cash flow valuation techniques. The inputs to these models are taken from observable markets, but where this is not feasible, a degree of judgement is required in establishing these fair values.

Discount rates are calculated with reference to observable market data. Assumed profitability is based on historical performances adjusted for expected growth (refer to note 4.6 – Fair value measurement of financial instruments).

Significant financial instruments referred to above are:

- Preference shares measured at fair value; and
- Derivative financial instruments measured at fair value.

Please refer to note 4.6 – Fair value measurement of financial instruments for the classification of the financial assets and liabilities of Motus.

#### Net realisable value assessment of inventory

A provision is raised against new, used, demonstration vehicles and parts for loss in the value of inventory held, likely to be incurred through obsolescence, damage, and future expected movement in net realisable value.

This is assessed as follows:

- New, used and demonstration vehicles – the carrying amount is compared to the expected sales value which is assessed based on the recent sales history and market acceptance for the vehicle less its cost to sell.
- Parts – the ageing of the parts is assessed and appropriate percentage write-downs are allocated based on past experience.

Additional considerations regarding the net realisable value of inventory as a result of COVID-19 are as follows:

*New vehicles*

The Motus retail Group policy is generally not to have a provision relating to new vehicle stock as various Original Equipment Manufacturers (OEMs) brands are highly invested in the selling of the vehicles. The OEMs all compete for market shares which are reported monthly by the National Association of Automobile Manufacturers of South Africa (NAAMSA), with the various brands being ranked and compared with each other. When inventory is moving slower than desired or anticipated due to market demand or other factors, OEMs often provide assistance to dealerships which essentially lowers the price to the customer to improve sales. This approach has proven to be an industry norm, which we expect to remain in place post lockdown and into the foreseeable future.

Where Motus is the importer of the vehicle, they provide assistance to the dealerships and therefore the provision is raised by the importers taking into account inventory ageing, which may require additional provisions to be recognised.

The additional factors that impact the NRV but not limited to include:

- Inventory shortages as a result of production delays (both local and overseas); and
- The depreciation of the Rand against most major trading currencies.

## 1. Accounting framework and critical judgements (continued)

### 1.5 Critical accounting judgements, estimates and assumptions (continued)

#### Net realisable value assessment of inventory (continued)

*Used and demonstration vehicles*

The Group's view is to apply the "priced right to sell" principle, which results in retailing vehicles at a reasonable margin in the open market. Therefore, where the cost of used vehicles is higher than this price, a provision must be raised accordingly. All businesses are required to assess the pricing versus the market using various methods, including the application of M&M Auto Dealer guide in respect of published trade and retail prices.

In the context of COVID-19, there is a concern that there will be an oversupply of used vehicles in the market. This potential oversupply of vehicles could result in lower selling prices, resulting in higher provisions required.

The two factors that were considered are:
- Rental companies may de-fleet higher than normal volumes of vehicles as rental companies were severely impacted by the lockdown and restrictions imposed on local and international travel; and
- The limited trading with respect to used vehicles during various lockdown periods.

The Group's view is that the used vehicle policy is adequate, due to the following key factors:
- The oversupply of used vehicle stock is expected to be temporary as the lockdown restrictions are eased.
- The rental companies de-fleeting of used vehicles is to re-size the businesses, which is a once-off exercise rather than a norm, albeit the impact on the rental business is expected to be longer term.
- New vehicle inflation is rising, it is also expected that there will be a shortage of new vehicles given the fact that factories were closed across the world. This will result in increased demand for used vehicles.

*Parts, accessories and finished goods*

The Group policy is generally to provide for parts, accessories and finished goods based on ageing. Parts generally do not have an expiry date like perishable products, but could possibly become obsolete where a new model of a certain make is released while the business has ageing parts. Parts stock is generally supplied by the various OEMs, who price the parts accordingly, which are mostly utilised in retail, maintenance and warranty repair jobs within our workshops, where the full cost is normally recouped including a reasonable margin. In addition, parts are utilised or sold through our panel beaters and our panelshops, where prices are generally accepted per OEM standard prices, however with some settlement discounts being required in some instances.

Based on the application of the Group provisions and through the application of appropriate stock management, the Group concludes that stock is adequately valued.

#### Contract liabilities – measurement and related recognition of revenue

Service, maintenance and warranty contracts are sold with vehicles to cover the cash cost of future expenditure over specified periods. Service, maintenance and warranty contracts can be sold on a standalone basis. Revenue from vehicle maintenance, service and warranty plans is long term in nature (two to five years) and is recognised as the work is performed over the life of the plan (over time). This means that the revenue is recognised when the vehicle is maintained, serviced or repaired in terms of the contract. Revenue recognised is the cost of the work done plus the estimated margin which is adjusted to cater for the cost of expected future expenditure based on historical trends and includes forecast inflationary adjustments on an annual basis. Significant assumptions made to determine the stage-of-completion of the plan, known as burn rates of contracts, include:
- Vehicles parts inflation;
- Foreign currency movements;
- Policy sale date; and
- Contract duration and mileage.

This contract liability is required to cover contractual costs of service, maintenance and warranty work to be carried out in the future and the unearned margin that will be recognised over the life of the plans. Actuarial experts are used to determine the inputs required to establish the adequacy of the reserve and the resulting revenue to be recognised and the final liability.

The balance of the unearned revenue is recognised in profit or loss on termination when the contract expires.

Funds for which there are insufficient claims history are recognised in profit or loss to the extent of the claims cost incurred without any profits being attributed. At the end of the plan, any remaining profits are recognised in profit or loss.

Due to the lockdown in South Africa in response to COVID-19, customers were unable to service their vehicles in line with the contractual requirements of the related plan, under the lockdown levels 4 and 5. The maintenance, service and warranty plans contract terms were not amended. However, services were allowed to customers on a deferred basis.

# Notes to the consolidated financial statements (continued)

## 1. Accounting framework and critical judgements (continued)

### 1.5 Critical accounting judgements, estimates and assumptions (continued)

*Other streams of revenue*

Please refer to note 8.1 – Revenue, for the timing and the valuation of other streams of revenue, which requires limited judgement.

#### Extensions and terminations of lease agreements where Motus is the lessee

Extension and termination options are included in various lease agreements in the Group. The Group has applied judgement to determine the lease term for some of the lease contracts. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, affecting the value of the right-of-use assets and the lease liabilities at initial recognition.

The judgements applied relate to the determination of economic incentive to extend or to terminate. This is determined on a lease-by-lease basis with reference to past experience as well as current and future performance indicators of the underlying businesses utilising the right-of-use asset. Further considerations are given to specific terms and clauses in the various underlying agreements as well as other factors that may be applicable to the segment or the geography in which the assets will operate in.

Examples of factors that influence the determination of the lease are:
- The current and future economic performance of the branch or depot to which the right-of-use asset relates to, if the branch or depot has a stable and beneficial financial performance outlook, it is more likely possible that extensions would be included in the lease term, the opposite is also true in that a negative outlook could result in early termination.
- The location of the right-of-use asset (specifically related to right-of-use properties) can play a factor if the current location is not deemed as ideal, and the expectation is to move the business to a new premises once the current lease expires (even with an extension clause in place), the likelihood is the extension will not be included, and if management is of the strong opinion to move premises as soon as possible, due to location, then any termination clauses may be included in the determination of the lease period.
- The cost versus benefit will also be considered, although the extension or terminations may make pure operational sense, the underlying costs associated may make it unfeasible to act on those options, and will likely mean that the original lease term is utilised to determine the lease period.

#### Incremental borrowing rates on application of IFRS 16

IFRS 16 defines an appropriate discount rate as either the rate implicit in the lease or the entity's incremental borrowing rate. The incremental borrowing rate is the amount that is defined as the interest rate at which the entity can borrow funds of a similar amount to the lease term; secured by the right-of-use asset associated with the lease; for a similar term to the lease and in a similar economic environment. Motus has elected to use the incremental borrowing rate.

The Group has applied judgement in assessing the incremental borrowing rate taking the following into account:
- the lease terms;
- nature of the lease;
- the geography and currencies in which the leases are denominated;
- an appropriate base risk-free rate; and
- credit spread and credit risk.

#### Key sources of estimation and uncertainty

*Future cash flows*

Motus tests its fixed assets for impairment when indicators of impairment exist, with goodwill and indeterminate assets tested annually. The recoverable amounts of assets (including goodwill), individual CGUs and groups of CGUs are based on Motus' best estimate of the future cash flows relating to those assets or CGUs, considering the following:
- Expected revenues, operating margins, working capital requirements and capital expenditure including replacement capital expenditure on right-of-use assets which are approved by directors using past experience but adjusting for the changes in the economic environment in which the CGU operates.
- Volume growth and price increases.
- Motus market share assumptions in which the CGU operates in.
- Exchange rates used are consistent with external sources of information
- The impact of COVID-19 on the related resizing of the businesses and the corresponding impact on cash flows.

*Growth rates*

Growth rates applied are determined on future trends within the industry and geographical location. The growth rates used are based on sustainable earnings and a conservative growth model into perpetuity. Motus used steady growth rates to extrapolate revenue beyond the forecast period in the value in use calculations.

Where publicly available information relating to long-term average growth rates are available management will utilise the information.

## 1. Accounting framework and critical judgements (continued)

### 1.5 Critical accounting judgements, estimates and assumptions (continued)

Key sources of estimation and uncertainty (continued)

*Forward looking information utilised in the expected credit loss model*

The following forward looking information was utilised to estimate the expected credit loss:

- The geography and industry in which the customers operate, sales to entities based in other African countries outside of South Africa as well as sales to panelshops are considered riskier.
- Period overdue and time taken to settle underlying receivables, the older accounts are considered a higher risk.
- Past default experiences of the operating segments, examples include the Financial Services operations, which have a very low default experience.
- The Group's view of the economic conditions over the settlement period of the underlying receivables, which has worsened in the current financial year as a result of COVID-19.

### 1.6 Basis of preparation of segment information

Operating segments are reported in a manner consistent with the internal reporting requirements of Motus as provided to the chief operating decision makers, being the Chief Executive Officer and the Chief Financial Officer. The chief operating decision makers are responsible for allocating resources and assessing the performance of the operating segments. The operations have been allocated to each operating business segment based on management's assessment of their core operating activities, nature of the revenue streams and where they participate in the automotive value chain. Due to the integrated businesses of Retail and Rental wherein vehicles are sold to the retail business at the end of the rental term, this is regarded as one operating segment and accordingly, no business segments have been aggregated. Central costs are allocated to the segment which derives the benefits from the costs.

Segment revenue reflects both sales to external parties and intragroup transactions across segments, which are eliminated under Head Office and Eliminations.

The products and services of each of the business segments are described below:

- Import and Distribution: The sale of imported international vehicle brands such as Hyundai, Kia, Renault and Mitsubishi.
- Retail and Rental: The sale of new, used and demonstration passenger and commercial vehicles, parts and after-sales servicing thereof. The rental of vehicles through various outlets.
- Financial Services: Manages and administers service, maintenance and warranty plans for vehicles and develops and sells value added products. Provides fleet management services and deploys an innovation hub.
- Aftermarket Parts: Distributor, wholesaler and retailer of accessories and aftermarket parts.

Revenue is recorded in the country where the sales occur. Revenue between geographical areas within the Group are eliminated.

### 1.7 Other financial definitions

Other financial definitions include:

- Core debt includes total interest-bearing debt (excluding the lease liabilities in terms of IFRS 16 and floorplans from financial institutions) less cash resources;
- Net debt includes total interest-bearing debt (excluding the lease liabilities in terms of IFRS 16 and includes floorplans from financial institutions) less cash resources;
- Net capital expenditure includes expansion and net replacement expenditure of property, plant, equipment, investment properties, intangible assets and vehicles for hire;
- Net working capital consists of inventories, trade and other receivables, derivative instruments, provisions and trade and other payables;
- Operating assets are all assets less loans receivable, taxation assets, cash and cash equivalents and assets classified as held-for-sale;
- Operating liabilities are all liabilities less all interest-bearing debt, taxation liabilities and liabilities directly associated with assets classified as held-for-sale;
- Depreciation, amortisation and impairments include depreciation, amortisation, impairments and profits on disposals of property, plant, equipment, investment properties and intangible assets. Impairment of goodwill and other intangible assets (distribution rights) is included under non-operating items in profit or loss;
- Non-trading items relate to the impairment of goodwill, other intangible assets (distribution rights) and investments in associates and joint ventures and profit or loss on the sale of investment in subsidiaries, associates, joint ventures and other businesses;
- Net asset value per share is the equity attributable to the owners of Motus divided by the total ordinary shares in issue net of shares repurchased;
- Tangible net asset value per share is the equity attributable to the owners of Motus less goodwill and other intangible assets divided by the total ordinary shares in issue net of shares repurchased;

# Notes to the consolidated financial statements (continued)

## 1. Accounting framework and critical judgements (continued)

### 1.7 Other financial definitions (continued)

- Adjusted EBITDA is calculated as EBITDA less the profit attributable to non-controlling interests plus the EBITDA relating to acquisitions grossed up for a full year, if the underlying acquisitions only contributed for a portion of the year, less EBITDA relating to businesses disposed of during the current year, and adjustments relating to the impacts on the EBITDA that arose on the application of IFRS 16, adjustments include the reversal of profit on terminations of leases and includes lease payments; and
- Adjusted net interest is calculated as the finance cost (excluding the finance cost on lease liabilities) less finance income (excluding interest earned on net investment in lease receivables).

### 1.8 Adoption of new standards issued and effective

#### 1.8.1 IFRS 16 – *Leases*

In the current year financial year, effective 1 July 2019, IFRS 16 became applicable to the Group for the first time. Details of the expected impact of this standard were outlined in the 30 June 2019 consolidated annual financial statements. Motus has also early adopted the amendment to IFRS 16, COVID-19-Related rent concessions and the impact of this application was immaterial.

IFRS 16 introduces new requirements with respect to lease accounting by removing the distinction between operating and finance leases for lessees, requiring the recognition of right-of-use assets and lease liabilities at the commencement of all leases with limited practical exceptions allowed by the standard. This further includes the net investment in lease receivables in appropriate circumstances.

Lessor accounting remains similar to former practice; ie lessors continue to classify leases as finance leases or operating leases. IFRS 16 provides additional disclosures for both lessees and lessors.

The Group adopted IFRS 16 using the modified retrospective approach. The comparative information for 2019 has not been restated, and the cumulative effect of the initial application of IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings and non-controlling interest as at 1 July 2019. The right-of-use assets are the carrying amount as if the standard had been applied since the lease commencement date, but discounted using an appropriate incremental borrowing rate at the date of initial application. Any lease smoothing liabilities, in terms of IAS 17 – *Leases*, were derecognised as part of the net adjustment to the opening balance of retained earnings as at 1 July 2019.

On initial application of IFRS 16, the Group used incremental borrowing rates which varied between 2,2% and 23,3%. The rates were dependent on the lease term as well as the geographical location.

Leases entered into post-1 July 2019 are recognised as follows:

- Lease liabilities are recognised as the sum of the discounted lease payments over the assessed lease term, discounted at an appropriate incremental borrowing rate.
- The right-of-use asset is equal to the lease liability plus any initial direct costs, if applicable.

The majority of the Group's long-term property, vehicles, equipment and other leases previously classified as operating leases under IAS 17 and were expensed to profit or loss on a straight-line basis are now recognised in the statement of financial position. Rental contracts are typically entered into for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. The impact of IFRS 16 is excluded in terms of the facility agreements from the bank covenant calculations and the right-of-use assets may not be used as security for borrowing purposes.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance lease receivable with reference to the right-of-use asset arising from the head lease. The Group recognised the present value of future lease payments under the head lease as a lease liability, and capitalised the present value of the future lease receivables under its sub-lease contracts as a net investment in lease receivables.

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard in the application of the initial accounting:

- Leases where the maximum lease term is 12 months or less are treated as operating leases and are expensed to profit or loss.
- Leases of low value assets are treated as an operating lease and are expensed to profit or loss.
- The Group has elected not to reassess whether a contract is, or contains a lease on the date of adoption 1 July 2019. Instead, if a contract was a lease in terms of IAS 17 and IFRIC 4 it will remain a lease in terms of IFRS 16.
- Where the contract contains an option to extend or terminate the lease, this will only be taken into account if it was reasonably certain that the option will be exercised or lease will be terminated.
- Initial direct costs were excluded from the measurement on initial application.

## 1. Accounting framework and critical judgements (continued)

### 1.8 Adoption of new standards issued and effective (continued)

#### 1.8.1 IFRS 16 – *Leases* (continued)

*Impact on the financial statements*

Impact on the consolidated statement of profit or loss

Operating expenses were decreased by the reduced rental expenses, offset by an increased depreciation on the right-of-use assets. Operating profits increased as a result of any lease terminations, as the right-of-use asset that was derecognised was lower than the related lease liability that was also derecognised.

Finance cost increased by the implied interest on the lease liabilities. Right-of-use assets that were impaired will reduce profit before tax. The related lease liability, in this case will remain and will not affect profit before tax.

The overall impact of the application of IFRS 16 on the profit before tax, earnings and headline earnings per share was immaterial. Where lease liabilities subject the Group to foreign currency exposure, it will result in foreign exchange differences.

Short-term and low value leases that have not been capitalised are expensed in profit or loss. Refer to note 10.1 – Short-term and low value leases for additional details thereon.

Impact on the consolidated statement of cash flows

Operating cash flows were higher as the principal portion of the cash payments against the lease liability are now classified within financing activities, with only the interest portion of the payment remaining in operating cash flows.

Short-term and low value leases that have not been capitalised are included in the cash generated from operations.

Impact on the consolidated statement of financial position

As at 1 July 2019, the right-of-use assets for the leases amounted to R2 036 million. The related lease liabilities amounted to R2 389 million.

| | July 2019 Increase/ (decrease) Rm |
|---|---|
| **Assets** | |
| Right-of-use assets | 2 036 |
| Net investment in lease receivables | 133 |
| | 2 169 |
| Deferred tax asset | 41 |
| **Total assets** | 2 210 |
| **Equity and liabilities** | |
| Retained income | (105) |
| Non-controlling interest | (3) |
| Lease liabilities | 2 389 |
| Operating lease smoothing liability | (71) |
| **Total equity and liabilities** | 2 210 |

Impact on operating lease commitments

As a result of the application of IFRS 16, the operating lease commitments have reduced (note 10.1 – Short-term and low value leases), this is as a result of the capitalisation of the operating leases to lease liabilities, the movement is as follows:

| | Rm |
|---|---|
| **Operating commitments as disclosed in the prior financial year (June 2019)** | 2 771 |
| Low value and short-term leases not recognised as lease liabilities | (16) |
| Effects of discounting the total lease commitments to net present value | (538) |
| Remeasurement adjustments relating to the lease liabilities on initial recognition | 172 |
| **Lease liabilities as recognised on 1 July 2019** | 2 389 |

# Notes to the consolidated financial statements (continued)

## 1. Accounting framework and critical judgements (continued)

### 1.8 Adoption of new standards issued and effective (continued)

#### 1.8.2 IFRIC 23 – *Uncertainty over Income Tax Treatments*

In the current year, effective 1 July 2019, IFRIC 23 became applicable to the Group for the first time. IFRIC 23 provides new guidance on how to account for uncertain tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a Group. The interpretation also requires an entity to assess whether it is probable that a tax authority will accept the tax treatment used or proposed by the entity in its income tax filings. If it is probable that the tax treatment will be accepted, the accounting tax position is to be determined consistently with the tax treatment used or proposed in the income tax filings. If it is not probable that the tax treatment will be accepted, the entity is required to reflect the effect of uncertainty in determining its accounting tax position. During the current financial year, the Group has assessed the impact of the new interpretation and has determined that the impact of adopting IFRIC 23 was not significant.

### 1.9 Update on previously disclosed impacts as a result of the application of IFRS 16

The table below discloses the impact of IFRS 16:

| | 30 June 2020 Rm | 31 December 2019 Rm | 30 June 2019 Rm |
|---|---|---|---|
| Right-of-use assets | **2 036** | 1 881 | 1 983 |
| Net investment in lease receivables | **133** | 133 | |
| Lease liability | **(2 389)** | (2 336) | (2 349) |
| **Net adjustment** | **(220)** | (322) | (366) |
| Allocated as follows: | | | |
| Retained income | **105** | 176 | 366 |
| Non-controlling interest | **3** | 2 | |
| Deferred tax asset | **41** | 71 | |
| Operating lease smoothing liability | **71** | 73 | |

Movements between opening balance as reported on 30 June 2019 and 31 December 2019:

As disclosed in the 30 June 2019 consolidated annual financial statements, the expectation was that the right-of-use assets that would be recognised on 1 July 2019 would be R1 983 million and the related lease liability would be R2 349 million, with the resultant difference being allocated to retained earnings.

Subsequent adjustments are as follows:

- The net investment in lease receivables relates to vehicles leased to the police by Nissan Kenya. This was accounted for as an operating lease as a lessor, and therefore the underlying assets were still included in the right-of-use assets. Subsequently, it was established that due to the fact that the underlying lease (where Motus is the lessor) is substantially similar to the head lease, the lease to the police should be treated as net investment in lease receivable. This resulted in the related right-of-use assets relating to the vehicles being derecognised and a net investment in lease receivable then recognised.
- The remaining differences on the net adjustment were considered to be immaterial, as they were due to the reassessment of lease terms and discount rates.
- The adjustments to the deferred tax, the derecognition of the lease smoothing liabilities and the impact on non-controlling interest were disclosed for the first time on 31 December 2019 in the unaudited interim financial statements.

## 1. Accounting framework and critical judgements (continued)

### 1.9 Update on previously disclosed impacts as a result of the application of IFRS 16 (continued)

Movements between opening balance as reported on 31 December 2019 and 30 June 2020

The adjustments subsequent to 31 December 2019, were as follows:

| | Right-of-use assets Rm | Lease liabilities Rm |
|---|---|---|
| As initially disclosed in the unaudited interim financial statements | 1 881 | (2 336) |
| Adjustments to leases in the UK | 146 | (46) |
| Immaterial movements | 9 | (7) |
| **As disclosed in the 30 June 2020 annual financial statements** | 2 036 | (2 389) |

The reason for the difference in the UK opening statement of financial position is due to a change in the lease start dates in terms of the guidance given in IFRS 3 – *Business Combinations*, where the Group acquired a business which was a lessee in a lease agreement, the right-of-use asset was measured as if it arose under a new lease on the date of the business combination (either through a trade and asset acquisition or share purchase).

Previously the lease was based on the contractual start date of the lease. The effect is the right-of-use asset now had a lower accumulated depreciation as at 1 July 2019, which resulted in a higher cost recognised as well as a decrease in the adjustment to retained earnings and in the deferred tax.

Due to the lease expiry dates remaining the same, there was a minimal impact on the related lease liability. Further, the discount rates were reassessed which resulted in further adjustments to the lease liability and the related right-of-use assets.

# Notes to the consolidated annual financial statements (continued)

## 2. Arising on consolidation

### 2.1 Goodwill

Goodwill is allocated to the CGU that is expected to benefit from the acquisition. Goodwill is measured and managed at an operating entity level.

None of the goodwill arising on the acquisitions during the year is expected to be deductible for tax purposes (2019: Rnil).

Movements in goodwill are as follows:

| 2020 | Opening balance Rm | Acquisition of subsidiaries Rm | Impair-ment charge Rm | Currency adjustments Rm | Re-allocations from customer lists, contracts and networks[7] Rm | Carrying value at end of year Rm |
|---|---|---|---|---|---|---|
| **Retail and Rental** | | | | | | |
| United Kingdom | | | | | | |
| Motus Commercials[1] | 68 | 133 | – | 39 | – | 240 |
| Mercedes Commercials[2] | 120 | – | (13) | 17 | 13 | 137 |
| Passenger division[3] | 235 | – | (75) | 46 | – | 206 |
| Australia | | | | | | |
| SWT Group Proprietary Limited | 194 | – | – | 41 | – | 235 |
| Ballarat Group[4, 5] | – | 340 | (85) | 66 | – | 321 |
| **Aftermarket Parts** | | | | | | |
| South Africa | | | | | | |
| Motus Aftermarket Parts | 231 | – | – | – | – | 231 |
| Vehicle Canopy Operations | 103 | – | – | – | – | 103 |
| Taiwan | | | | | | |
| ARCO Motor Industry Company Limited | 69 | – | – | 14 | – | 83 |
| **Significant goodwill** | 1 020 | 473 | (173) | 223 | 13 | 1 556 |
| Other goodwill[6] | – | 9 | (9) | – | – | – |
| **Carrying value of goodwill** | 1 020 | 482 | (182) | 223 | 13 | 1 556 |

[1] *The acquisition of F&G Holdings Group and F&G Commercial has been aggregated with the existing Motus Commercials businesses. This is in-line with the effective combined management structure. The acquired components are no longer divisible as a separate CGU.*

[2] *The impairment of goodwill in Motus Commercials was as a result of the discontinuation of sales of diesel taxis and the anticipated higher duties expected on imported products once Brexit is finalised.*

[3] *The impairment recognised in the current year is mainly as a result of an increased discount rate and the negative impact on the passenger market due to COVID-19 on the related cash flows.*

[4] *During the year Motus acquired assets and liabilities in the Ballarat Group. This group comprises multi-franchise businesses operating in Victoria, Australia.*

[5] *The impairment recognised in the current year is mainly as a result of the negative impact the exit of Holden had on the underlying operations.*

[6] *Motus examines all new goodwill that is recognised and routinely impairs all amounts lower than R10 million.*

[7] *The reallocation relates to an intangible asset relating to customer lists, on divisionalisation of the underlying assets into Motus Group (UK) Limited, the remaining customer lists were reallocated to goodwill.*

## 2. Arising on consolidation (continued)

### 2.1 Goodwill (continued)

| 2019 | Opening balance Rm | Reallocations of immaterial goodwill Rm | Acquisitions of subsidiaries Rm | Impair-ment charge Rm | Currency adjustments Rm | Carrying value at end of year Rm |
|---|---|---|---|---|---|---|
| **Retail and Rental** | | | | | | |
| United Kingdom | | | | | | |
| Motus Commercials | 67 | – | – | – | 1 | 68 |
| Mercedes Commercials | 120 | 1 | – | – | (1) | 120 |
| Passenger division | 158 | 31 | 50 | – | (4) | 235 |
| Australia | | | | | | |
| SWT Group Proprietary Limited | 212 | (13) | – | – | (5) | 194 |
| **Aftermarket Parts** | | | | | | |
| South Africa | | | | | | |
| Motus Aftermarket Parts | 231 | – | – | – | – | 231 |
| Vehicle Canopy Operations | 76 | – | 27 | – | – | 103 |
| Taiwan | | | | | | |
| ARCO Motor Industry Company Limited | 65 | 5 | – | – | (1) | 69 |
| **Significant goodwill** | 929 | 24 | 77 | – | (10) | 1 020 |
| Other goodwill | 24 | (24) | 34 | (37) | 3 | – |
| **Carrying value of goodwill** | 953 | – | 111 | (37) | (7) | 1 020 |

Goodwill relates to the operating segments below:

| | **2020 Rm** | 2019 Rm |
|---|---|---|
| Retail and Rental | **1 139** | 617 |
| Aftermarket Parts | **417** | 403 |
| | **1 556** | 1 020 |

### Goodwill impairment testing

Impairment of goodwill arises when the recoverable amount of the CGU, including goodwill, is less than the carrying value. The recoverable amount is determined as the greater of the fair value less costs to sell and the value in use. Motus has determined the recoverable amount using the value in use method in assessing goodwill for impairment purposes, the model uses cash flow projection based on budgets approved by the directors for a five-year period, with an appropriate terminal growth rate.

# Notes to the consolidated annual financial statements (continued)

## 2. Arising on consolidation (continued)

### 2.1 Goodwill (continued)

Summary of the related assumptions used in determining the recoverable amounts are:

| | Pre-tax discount rate | | Compound annual growth rate prior to terminal period[1, 2] | | Terminal growth rate[3] | |
|---|---|---|---|---|---|---|
| | **2020 %** | 2019 % | **2020 %** | 2019 % | **2020 %** | 2019 % |
| **Retail and Rental** | | | | | | |
| United Kingdom | | | | | | |
| Motus Commercials | **10,7** | 9,7 | **5,6** | 2,5 | **2,0** | 2,0 |
| Mercedes Commercials | **10,2** | 9,4 | **6,0** | 2,5 | **2,0** | 2,0 |
| Passenger division | **10,5** | 9,6 | **4,9** | 2,5 | **2,0** | 2,0 |
| Australia | | | | | | |
| SWT Group Proprietary Limited | **10,3** | 10,5 | **3,0** | 2,5 | **2,0** | 2,0 |
| Ballarat Group | **10,7** | | **2,1** | | **2,0** | |
| **Aftermarket Parts** | | | | | | |
| South Africa | | | | | | |
| Motus Aftermarket Parts | **19,8** | 20,2 | **5,0** | 5,0 | **5,0** | 5,1 |
| Vehicle Canopy Operations | **23,4** | 23,3 | **5,0** | 10,7 | **5,0** | 5,1 |
| Taiwan | | | | | | |
| ARCO Motor Industry Company Limited | **12,6** | 13,9 | **2,5** | 2,5 | **2,5** | 2,5 |

[1] *The increases in the compound annual growth rates in Retail and Rental year-on-year is as a result of the impact of COVID-19 on the trading results for the current year. This reduced the base on which the growth is measured and has resulted in higher growth rates compared to the prior year.*

[2] *The decrease in the compound annual growth rates in the Vehicle Canopy Operations year-on-year is as a result of lower growth prospects as a result of the impact of COVID-19.*

[3] *The terminal growth rates in the current year of entities outside of South Africa were based on publicly available information. The terminal growth rates for South African Aftermarket Parts operations factor in price increases, exchange rate fluctuations and expected volume growth.*

#### Key assumptions applied are as follows:

##### Cash flow projections

The value in use is calculated using the forecast cash inflows and outflows, which are expected to be derived from the continuing use of the CGU and its ultimate disposal. Cash flow projections for financial forecasts are based on expected revenue, operating margins, working capital requirements and capital expenditure, which were approved by the directors.

The expected revenues were based on market share assumptions, volume growth, right-sizing of the underlying business and price increases in response to the economic effects of COVID-19. The exchange rates used in the cash flow projections were consistent with external sources of information. Operating margins reflect past experience but are adjusted for any expected changes for the individual CGU arising from market shares, margins, working capital requirements and expected capital expenditure, including the replacement of right-of-use assets.

In arriving at the future cash flows, the assumptions applied are market share assumptions, operating margins, the impact of foreign exchange rates and the economic effects of COVID-19 and the related right-sizing of underlying businesses.

##### Growth rates

Growth rates applied are determined based on future trends within the industry and geographic location. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates. A conservative growth rate was applied and was based on sustainable earnings and a growth model into perpetuity.

Where publicly available information relating to the long-term average rates are available, management will utilise these when determining the appropriate growth rate for the respective CGUs.

Motus used steady growth rates to extrapolate revenues beyond the forecast period for each of the markets in which each of the respective CGUs operates.

## 2. Arising on consolidation (continued)

### 2.1 Goodwill (continued)

#### Discount rates

The discount rates present the current market assessment of the risks for each CGU, taking into consideration the time value of money and the individual risks of the underlying assets that have not been incorporated in the cash flow projections. The discount rate calculations are derived from the CGU's weighted average cost of capital (WACC) and takes into account both the cost of debt, the cost of leases, and the cost of equity.

Cost of equity was arrived at by using the capital asset pricing model (CAPM) which, where necessary, takes into account an equity risk premium and a small stock premium. The CAPM uses market betas of comparable entities in arriving at the cost of equity. The cost of debt is based on the interest-bearing debt the CGU is obliged to service and also includes the cost of leases.

The debt to equity ratio, including the effect of leases, was determined by applying market value weightings based on theoretical target gearing levels, giving consideration to industry averages and using data of comparable entities.

#### Sensitivity analysis

The estimated recoverable amounts of all CGUs, with the exception of the Vehicle Canopy Operations and entities that had impairments recognised, exceeded their carrying values and due to the significant headroom, they are not impacted by a 10% variation to management's estimates when comparing the carrying value to the recoverable amount.

Management have used a reasonable possible variation of 10% in the determination of the sensitivity of the key inputs, 10% has been deemed reasonable based on management's expectation analysis of the inputs to differ to those used and as such provides relevant and sufficient guidance on the sensitivity of goodwill.

#### Sensitivity in headroom

*Vehicle Canopy Operations*

The headroom on the Vehicle Canopy Operations as at 30 June 2020, using management assumptions as disclosed, is R14 million. The impact on the headroom as at 30 June 2020 of either a 10% increase or 10% decrease on the inputs is as follows:

| | Headroom | Movement in headroom | | Closing balance of headroom* | |
|---|---|---|---|---|---|
| | Rm | 10% increase Rm | 10% decrease Rm | 10% increase Rm | 10% decrease Rm |
| Discount rate | 14 | (19) | 26 | (5) | 40 |
| Terminal growth rate | 14 | 4 | (3) | 18 | 11 |
| Future cash flows | 14 | 20 | (20) | 34 | (6) |

* *A negative value indicates a possible impairment, however, the impact is considered immaterial.*

#### Sensitivity in the value of impairment

The sensitivities of goodwill impairments in the United Kingdom Passenger division and the Ballarat Group of either a 10% increase or 10% decrease is as follows:

| | Impairment value | Change in impairment | | Value of impairment recognised after changes in key assumptions | |
|---|---|---|---|---|---|
| | Rm | 10% increase Rm | 10% decrease Rm | 10% increase Rm | 10% decrease Rm |
| **United Kingdom Passenger division** | | | | | |
| Discount rate | (75) | (93) | 75 | (168) | – |
| Terminal growth rate | (75) | 16 | (12) | (59) | (87) |
| Future cash flows | (75) | 75 | (75) | – | (150) |
| **Ballarat Group** | | | | | |
| Discount rate | (85) | (42) | 54 | (127) | (31) |
| Terminal growth rate | (85) | 9 | (8) | (76) | (93) |
| Future cash flows | (85) | 44 | (44) | (41) | (129) |

Due to the conservative approach taken in the cash flow projections, management considers the impairments recognised adequate and appropriate in the United Kingdom Passenger division and the Ballarat Group.

The impairment recognised in Mercedes Commercials has sufficient headroom that it is not materially impacted by a 10% variation to management's estimates when comparing the carrying value to the recoverable amount.

# Notes to the consolidated annual financial statements (continued)

## 2. Arising on consolidation (continued)

### 2.2 Intangible assets

The assumptions regarding the estimated useful lives for the financial year were as follows:
- Customer lists, contracts and networks varies between one and 20 years.
- Computer software varies between two and 10 years.

| | Customer lists, contracts and networks Rm | Computer software Rm | Total Rm |
|---|---|---|---|
| **As at 30 June 2020** | | | |
| Cost | 291 | 206 | 497 |
| Accumulated depreciation and impairment | (236) | (146) | (382) |
| **Carrying amount** | 55 | 60 | 115 |
| Carrying value at the beginning of the year | 180 | 73 | 253 |
| **Movement during the year** | | | |
| Additions | 1 | 38 | 39 |
| Loss on disposal | – | (2) | (2) |
| Amortisation | (1) | (33) | (34) |
| Amortisation of intangible assets arising on business combinations | (12) | – | (12) |
| Impairments (refer below) | (107) | (17) | (124) |
| Currency adjustments | 7 | 1 | 8 |
| Reallocations to goodwill[1] | (13) | – | (13) |
| **Net carrying value at the end of the year** | 55 | 60 | 115 |

[1] *The reallocation relates to an intangible asset relating to customer lists, on divisionalisation of the underlying assets into Motus Group (UK) Limited, the remaining customer lists were reallocated to goodwill.*

#### Impairment of intangible assets

Previously included in customer lists, contracts and networks were the distribution rights relating to Renault South Africa Proprietary Limited of R107 million. The distribution rights were regarded as having an indeterminate useful life as there was no foreseeable limit to the period over which the operations of Renault South Africa Proprietary Limited will not generate net cash inflows.

In the current year, as part of the annual test of impairment, it was determined that due to the significant uncertainty as a result of the outbreak of COVID-19, specifically on future cash flows beyond five years (included in the terminal growth period), that the value of the distribution rights cannot be supported and therefore the value of the distribution rights are impaired to Rnil. The distribution rights and subsequent impairment were allocated to the Import and Distribution segment. The impairment will not be reversed in future periods.

The impairments on computer software primarily relate to capital expenditure on IT systems that were work-in-progress, and as a cancellation of non-essential capital expenditure due to COVID-19, these projects have been terminated and therefore the expenditure on these projects year to date was impaired as there is no future benefits are expected.

## 2. Arising on consolidation (continued)
### 2.2 Intangible assets (continued)

| | Customer lists, contracts and networks Rm | Computer software Rm | Total Rm |
|---|---|---|---|
| **As at 30 June 2019** | | | |
| Cost | 353 | 239 | 592 |
| Accumulated depreciation and impairment | (173) | (166) | (339) |
| **Carrying amount** | 180 | 73 | 253 |
| Carrying value at the beginning of the year | 197 | 80 | 277 |
| **Movement during the year** | | | |
| Additions | 1 | 45 | 46 |
| Proceeds on disposal | – | (4) | (4) |
| Loss on disposal | – | (13) | (13) |
| Amortisation | – | (34) | (34) |
| Amortisation of intangible assets arising on business combinations | (17) | – | (17) |
| Currency adjustments | (1) | (1) | (2) |
| **Net carrying value at the end of the year** | 180 | 73 | 253 |

### 2.3 Investments in associates and joint ventures

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Shares at cost | **74** | 65 |
| Share of post-acquisition reserves | **71** | 112 |
| **Carrying value of associates and joint ventures** | **145** | 177 |
| Indebtedness by associates and joint ventures | **87** | 81 |
| **C2 Investment Technologies Proprietary Limited** | | |
| More than five years | **87** | 81 |
| **Net investment in associates and joint ventures** | **232** | 258 |

The following equity-accounted associates are material to Motus: :

| | Ukhamba Holdings Limited | NGK Spark Plugs South Africa Proprietary Limited |
|---|---|---|
| Nature of relationship with Motus | B-BBEE partner who currently owns ordinary and deferred ordinary Motus shares | Associate that manufactures and sells spark plugs and other parts |
| Principal place of business/ country of incorporation | South Africa | South Africa |
| Statutory year-end | 30 June 2020 | 31 March 2020* |
| Ownership interest/ voting rights held | 23,45% | 25,00% |

* *The results are adjusted to align with the Group's financial year end.*

# Notes to the consolidated annual financial statements (continued)

## 2. Arising on consolidation (continued)

### 2.3 Investments in associates and joint ventures (continued)

Investments in associates and joint ventures are equity accounted. An assessment of control is performed by Motus based on whether Motus has the practical ability to direct the relevant activities unilaterally. In making the judgement, the relative size and dispersion of other vote holders, potential voting rights held by them or others and rights from other contractual arrangements were considered. After the assessment, Motus concluded that it did not have a dominant interest to direct the relevant activities of associates and joint ventures. The investment in Ukhamba Holdings Limited (Ukhamba) was acquired when Motus unbundled from Imperial. Motus owns two types of shares in Ukhamba, the E Class shares entitle Motus to receive 46,9% of any remaining listed Motus ordinary shares owned by Ukhamba after the sale of shares to settle bank financing due by Ukhamba. Motus owns 23,45% of the C Class shares which participate in the remaining investments held by Ukhamba.

Ukhamba has issued five different classes of shares – Class A and B – representing investment in Imperial ordinary shares, Class C representing investment in unlisted assets, Class D and E representing an investment in Motus ordinary shares.

The following is summarised financial information for these associates at 100%, based on their respective consolidated annual financial statements prepared in accordance with IFRS.

| | Ukhamba Holdings Limited | | NGK Spark Plugs South Africa Proprietary Limited | |
|---|---|---|---|---|
| | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm |
| Revenue | **–** | – | **543** | 582 |
| Net profit/(loss) for the year | **731** | (437) | **39** | 53 |
| Other comprehensive losses | **(676)** | (754) | **–** | – |
| **Total comprehensive income/(loss)[1]** | **55** | (1 191) | **39** | 53 |
| Non-current assets | **2 239** | 2 450 | **55** | 59 |
| Non-current liabilities | **1 543** | 1 814 | **18** | 22 |
| Current assets | **86** | 78 | **415** | 397 |
| Current liabilities | **–** | 1 | **149** | 138 |
| Total assets | **2 325** | 2 528 | **470** | 456 |
| Total liabilities | **1 543** | 1 815 | **167** | 160 |
| **Total equity** | **782** | 713 | **303** | 296 |
| **Group's proportional interest in net assets of associate at beginning of the year** | **311** | 435 | **74** | 75 |
| Share of total comprehensive income | **–** | – | **10** | 14 |
| Adjustment relating to Motus share investment | **(258)** | (118) | **–** | – |
| Transfer to common control reserve | **–** | – | **–** | (15) |
| Dividends received | **(6)** | (6) | **(8)** | – |
| **Group's proportional interest in net assets of associate[2]** | **47** | 311 | **76** | 74 |
| Reversal of fair value adjustment on shares and losses that exceed Motus' net interest in the associate[3] | **(47)** | (311) | **–** | – |
| **Carrying value of the interest in the associate at the end of the year** | **–** | – | **76** | 74 |

*[1] The total comprehensive income or (loss) from Ukhamba relates to the fair value adjustment in the investments held in Motus and Imperial shares, the losses incurred on other investments held and finance costs relating to the financing obtained from Investec.*
*[2] Refer to the below table for the calculation of Motus' proportionate share of net assets in Ukhamba.*
*[3] Motus does not share in the fair value adjustments in Ukhamba's investments in Imperial and Motus. The remaining investments are loss-making. As the net investment in Ukhamba is Rnil, no further losses are recognised. Motus is under no obligation to fund future losses.*

The unrecognised losses on Ukhamba for the year under review amounted to R181 million (2019: R9 million); cumulatively the unrecognised losses are R356 million (2019: R175 million). These losses are exclusive of the fair value adjustments relating to the Imperial and Motus shares revaluations which are reversed on consolidation.

## 2. Arising on consolidation (continued)

### 2.3 Investments in associates and joint ventures (continued)

| Calculation of proportionate share of net assets in Ukhamba | 2020 Rm | 2019 Rm |
|---|---|---|
| Fair value of the investment Ukhamba holds in Motus | 612 | 1 442 |
| *Less:* Financing payable to Investec | (512) | (779) |
| **Net investment** | **100** | 663 |
| **Attributable to Motus at 46,9%** | **47** | 311 |

Immaterial associates and joint ventures

The following summarised financial information for Motus' interest in immaterial associates and joint ventures is based on the amounts reported in Motus' consolidated financial statements:

| | Associates | | Joint ventures | |
|---|---|---|---|---|
| | 2020 Rm | 2019 Rm | 2020 Rm | 2019 Rm |
| Net profit/(loss) for the year | 9 | 16 | 3 | (3) |
| **Total comprehensive income/(loss)** | 9 | 16 | 3 | (3) |
| **Carrying value of interest in immaterial associates*** | 66 | 86 | 3 | 17 |

* *The prior year carrying value of the interest in immaterial associates has been re-presented to exclude the loans to associates, amounting to R81 million.*

Where restrictions exist on the ability to remit funds due to regulatory or economic restrictions in the jurisdictions in which the entity operates, cash dividends are only recognised when dividend income is received.

The unrecognised profits on these associates amount to R9 million (2019: R77 million). The reduction from the prior year is as a result of the sale of an associate in the current year which had unrecognised profits.

### 2.4 Non-controlling interests

The following subsidiaries have non-controlling interests that are material to Motus:

| Subsidiary | Principal place of business | Operating segment | Ownership interest held by NCI % 2020 | 2019 |
|---|---|---|---|---|
| Renault South Africa Proprietary Limited | South Africa | Import and Distribution | 40 | 40 |
| ARCO Motor Industry Company Limited | Taiwan | Aftermarket Parts | 40 | 40 |
| SWT Group Proprietary Limited | Australia | Retail and Rental | 20 | 20 |

# Notes to the consolidated annual financial statements (continued)

## 2. Arising on consolidation (continued)

### 2.4 Non-controlling interests (continued)

The following is summarised financial information for these companies based on their respective consolidated financial statements prepared in accordance with IFRS, modified for fair value adjustments made at the time of acquisition and differences in accounting policies. The information is before intercompany eliminations with other entities in Motus.

| | Renault South Africa Proprietary Limited[1] | | ARCO Motor Industry Limited | | SWT Group Proprietary Limited | |
|---|---|---|---|---|---|---|
| | 2020 Rm | 2019 Rm | 2020 Rm | 2019 Rm | 2020 Rm | 2019 Rm |
| **Revenue** | 4 326 | 4 612 | 430 | 397 | 1 949 | 1 808 |
| **Net (loss)/profit for the year[2]** | (329) | 2 | 60 | 60 | (73) | 16 |
| Net (losses)/profit attributable to non-controlling interests | (132) | 1 | 24 | 24 | (15) | 3 |
| Other comprehensive income/(losses) | – | – | 38 | 6 | 16 | (3) |
| **Total comprehensive (loss)/profit** | (329) | 2 | 98 | 66 | (57) | 13 |
| (Loss)/income attributable to non-controlling interests | (132) | 1 | 39 | 26 | (11) | 3 |
| Non-current assets | 37 | 222 | 26 | 21 | 718 | 47 |
| Non-current liabilities | 14 | 40 | 13 | 7 | 266 | – |
| Total current assets | 2 031 | 2 509 | 305 | 213 | 565 | 371 |
| Total current liabilities | 2 480 | 2 785 | 113 | 90 | 991 | 333 |
| Total assets | 2 068 | 2 731 | 331 | 234 | 1 283 | 418 |
| Total liabilities | 2 494 | 2 825 | 126 | 97 | 1 257 | 333 |
| **Total equity** | (426) | (94) | 205 | 137 | 26 | 85 |
| Equity attributable to non-controlling interests | (170) | (38) | 82 | 55 | 5 | 17 |
| Purchase price allocation attributable to non-controlling interest | – | – | 10 | 8 | – | – |
| **Total non-controlling interest** | (170) | (38) | 92 | 63 | 5 | 17 |
| Cash paid for non-controlling interests | – | – | – | – | – | 17 |

[1] *Included in the liabilities of Renault South Africa Proprietary Limited are preference shares with an amortised cost of R542 million (2019: R542 million) which rank behind other suppliers.*

[2] *Included in the loss for the year in Renault South Africa Proprietary Limited, is an impairment of distribution rights of R107 million, as well as a write-off of deferred tax assets of R107 million. Included in SWT Group Proprietary Limited is an impairment of goodwill of R85 million (which relates to its wholly owned subsidiary, Ballarat Group).*

The following balances relate to immaterial non-controlling interests:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Total comprehensive income/(loss) | 7 | (3) |
| Carrying value of the interest in immaterial non-controlling interest | 17 | (79) |
| **Total non-controlling interests** | (56) | (37) |

## 2. Arising on consolidation (continued)

### 2.5 Business combinations

**Acquisitions during the reporting period**

A number of businesses were acquired during the year to complement existing businesses. An assessment of control was performed by Motus based on whether Motus has the practical ability to direct the relevant activities unilaterally. In making the judgement, the relative size and dispersion of other vote holders, potential voting rights held by them or others and rights from other contractual arrangements were considered. After the assessment, Motus concluded that it did have a dominant interest to direct the relevant activities of the subsidiaries acquired.

The fair value of assets acquired and liabilities assumed at the acquisition date were as follows:

| Business acquired | Nature of business | Operating segment | Effective date | Interest acquired % | Purchase consideration transferred Rm |
|---|---|---|---|---|---|
| F&G Holdings Group and F&G Commercial | The Group comprises four DAF dealerships along with a commercial body-building operation as well as a vehicle repair centre. | Retail and Rental | July 2019 | 100 | 279 |
| Ballarat Group[1] | The Group consists of eight dealerships based in the city of Ballarat in Victoria, Australia. | Retail and Rental | February 2020 | 100 | 363 |
| Other individually minor acquisitions | | | | | 81 |
| | | | | | 723 |

| Fair value of assets acquired and liabilities assumed at date of acquisition | F&G Holdings Group and F&G Commercial Rm | Ballarat Group[1] Rm | Individually minor acquisitions Rm | Total Rm |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 231 | 18 | 19 | 268 |
| Right-of-use assets | 15 | – | 44 | 59 |
| Deferred tax | – | 3 | 2 | 5 |
| Inventories | 297 | 169 | 31 | 497 |
| Trade and other receivables | 45 | 2 | 12 | 59 |
| Cash resources | 95 | – | 25 | 120 |
| | 683 | 192 | 133 | 1 008 |
| **Liabilities** | | | | |
| Deferred tax | 12 | – | – | 12 |
| Lease liabilities | 15 | – | 44 | 59 |
| Interest-bearing debt | 164 | 116 | – | 280 |
| Provisions | – | – | 2 | 2 |
| Trade and other payables | 342 | 53 | 15 | 410 |
| Taxation | 4 | – | – | 4 |
| | 537 | 169 | 61 | 767 |
| Net assets acquired | 146 | 23 | 72 | 241 |
| **Total purchase consideration** | 279 | 363 | 81 | 723 |
| Cash paid | 279 | 363 | 61 | 703 |
| Interest in previously held associates, now wholly owned | – | – | 20 | 20 |
| **Goodwill** | 133 | 340 | 9 | 482 |

[1] *The acquisition of Ballarat Group is still provisional and adjustments to the net assets acquired or purchase consideration within the 12 months of the acquisition date may still be recognised.*

# Notes to the consolidated annual financial statements (continued)

## 2. Arising on consolidation (continued)

### 2.5 Business combinations (continued)

**Process involved with obtaining control**

The acquisitions related to the purchase of the underlying assets and liabilities of the businesses, which were absorbed into Motus as operating divisions.

**Reasons for the acquisitions**

The acquisitions are strategically in line with the Group's objective of achieving economies of scale via selective bolt-on acquisitions in local and international markets that complement the Group's existing networks and structures supporting the recognition of goodwill.

**Acquisition costs**

Acquisition costs for business acquisitions concluded during the year amounted to R8 million and have been recognised as an expense in profit or loss in the "Other non-operating items" line.

**Impact of the acquisition on the results of the Group**

From the dates of acquisition, the businesses acquired during the period contributed revenue of R1 718 million and after tax loss of R82 million, including the after tax funding costs. Had all the acquisitions been consolidated from 1 July 2019, they would have contributed revenue of R2 656 million and an after tax loss of R54 million (including the after tax impact of funding costs). The Group's total revenue would have been R74 355 million and an after tax profit of R213 million (including the after tax impact of funding costs).

**Separately identifiable intangible assets**

The full excess purchase price is recognised as goodwill, as the distribution rights from the suppliers only transfer upon certain terms and conditions being met and do not automatically transfer as a part of the acquisition. These assets are not controlled resources that are separable in nature as the rights cannot be sold, transferred, licensed or rented or exchanged separately.

Included in the Ballarat Group acquisition, is an earn out arrangement, that could result in an additional payment of R42 million if certain profit targets are met. Management has concluded in the current environment, the likelihood of making these payments is unlikely, thus a contingent consideration liability is not recognised.

**Other details**

Trade and other receivables had a gross contractual amount of R60 million and an allowance for expected credit losses of R1 million.

### 2.6 Cash outflow on acquisition of businesses

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Non-current assets** | **814** | 290 |
| Goodwill | **482** | 111 |
| Property, plant and equipment | **268** | 117 |
| Right-of-use assets | **59** | – |
| Investments and other financial instruments | **–** | 35 |
| Deferred tax | **5** | 27 |
| **Current assets** | **676** | 411 |
| Inventories | **497** | 197 |
| Taxation | **–** | 207 |
| Trade and other receivables | **59** | 5 |
| Cash resources | **120** | 2 |
| **Non-current liabilities** | **(71)** | (3) |
| Deferred tax | **(12)** | – |
| Lease liabilities | **(59)** | – |
| Other non-current financial liabilities | **–** | (3) |

## 2. Arising on consolidation (continued)

### 2.6 Cash outflow on acquisition of businesses (continued)

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Current liabilities** | (696) | (315) |
| Contract liabilities | – | (42) |
| Trade and other payables | (410) | (114) |
| Provisions | (2) | – |
| Contingent consideration | – | (26) |
| Taxation | (4) | – |
| Interest-bearing debt | (280) | (133) |
| Common control reserve | – | (12) |
| Non-controlling interests | – | (2) |
| **Net assets acquired** | 723 | 369 |
| *Less:* Investment in associate now recognised as a subsidiary | (20) | – |
| **Total cash purchase consideration** | 703 | 369 |
| Cash resources acquired | (120) | (2) |
| **Cash outflow on acquisition of businesses** | 583 | 367 |

### 2.7 Cash inflow from disposals of businesses

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Non-current assets** | 1 | – |
| Property, plant and equipment | 1 | – |
| **Current assets** | 26 | 9 |
| Inventories | 25 | 9 |
| Trade and other receivables | 1 | – |
| **Current liabilities** | – | (1) |
| Trade and other payables | – | (1) |
| **Net assets disposed of** | 27 | 8 |
| Profit on disposal of subsidiaries | 4 | 1 |
| **Cash inflow from disposals of businesses** | 31 | 9 |

## 3. Operating assets and liabilities

### 3.1 Property, plant and equipment

Property, plant and equipment mainly comprises the following:

- Vehicle dealerships;
- Workshops;
- Depots;
- Administration buildings;
- Leasehold improvements;
- Equipment;
- Furniture; and
- Motor vehicles.

Land is stated at cost less accumulated impairment and is not depreciated. All other assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. Assets that are classified as held-for-sale are not depreciated. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation commences when the assets are ready for their intended use and is recognised in profit or loss.

Depreciation is calculated on a straight-line basis to write off the cost of each component of an asset to its residual value over its estimated useful life as follows:

- Land – indefinite.
- Buildings – varies between eight and 100 years.
- Leasehold improvements – varies between two and 10 years.
- Equipment and furniture – varies between three and 10 years.
- Motor vehicles – varies between three and five years.

| | Land, buildings and leasehold improvements Rm | Equipment and furniture Rm | Motor vehicles Rm | Total Rm |
|---|---|---|---|---|
| **As at 30 June 2020** | | | | |
| Cost | 7 433 | 2 293 | 409 | 10 135 |
| Accumulated depreciation and impairments | (643) | (1 653) | (214) | (2 510) |
| **Carrying amount** | 6 790 | 640 | 195 | 7 625 |
| Carrying value at the beginning of the year | 6 353 | 514 | 156 | 7 023 |
| **Movement during the year** | | | | |
| Acquisition of subsidiaries | 158 | 41 | 69 | 268 |
| Disposal of subsidiaries | – | (1) | – | (1) |
| Additions | 99 | 266 | 99 | 464 |
| Re-classification from assets held-for-sale and now sold | 43 | – | – | 43 |
| Proceeds on disposal | (101) | (5) | (74) | (180) |
| Profit/(loss) on disposal | 41 | (1) | 4 | 44 |
| Depreciation | (58) | (218) | (72) | (348) |
| Impairments | (101) | – | – | (101) |
| Impairment of equipment and furniture as a result of business closure | – | (1) | – | (1) |
| Currency adjustments | 348 | 45 | 13 | 406 |
| Transfers from investment properties | 8 | – | – | 8 |
| **Closing balance** | 6 790 | 640 | 195 | 7 625 |

## 3. Operating assets and liabilities (continued)

### 3.1 Property, plant and equipment (continued)

| | Land, buildings and leasehold improvements Rm | Equipment and furniture Rm | Motor vehicles Rm | Total Rm |
|---|---|---|---|---|
| **As at 30 June 2019** | | | | |
| Cost | 6 867 | 1 902 | 300 | 9 069 |
| Accumulated depreciation and impairments | (514) | (1 388) | (144) | (2 046) |
| **Carrying amount** | 6 353 | 514 | 156 | 7 023 |
| Carrying value at the beginning of the year | 6 188 | 453 | 145 | 6 786 |
| **Movement during the year** | | | | |
| Acquisition of subsidiaries | 96 | 21 | – | 117 |
| Additions | 452 | 236 | 164 | 852 |
| Re-classification from assets held-for-sale and now sold | 109 | – | – | 109 |
| Proceeds on disposal | (183) | (15) | (104) | (302) |
| Profit/(loss) on disposal | 38 | (1) | 4 | 41 |
| Depreciation | (45) | (178) | (54) | (277) |
| Impairments | (23) | – | – | (23) |
| Currency adjustments | (29) | (2) | 1 | (30) |
| Transfers to investment properties | (184) | – | – | (184) |
| Impairment of asset classified as held-for-sale | (10) | – | – | (10) |
| Re-classification to assets held-for-sale | (56) | – | – | (56) |
| **Closing balance** | 6 353 | 514 | 156 | 7 023 |

#### Impairment losses recognised during the year

During 2020, the net impairment loss of R101 million (R112 million gross impairment offset by R11 million reversals of prior year impairments, limited to the original cost price) (2019: R23 million) represented the write-down of properties to their recoverable amounts when compared to the internal valuations performed. The recoverable amount of the properties impaired was R1 032 million (2019: R1 068 million). Further there was an impairment in the prior year of R10 million that related to a property held-for-sale, this was an adjustment relating to the net realisable value expected on sale of the property.

The process and parameters used in determining impairments and residual values are outlined in note 1.5 – Critical accounting judgements estimates and assumptions.

#### Security

No property, plant and equipment has been held as security for interest-bearing debt.

### 3.2 Investment properties

Investment properties are initially measured at cost and subsequently measured in accordance with the cost model as set out in IAS 16 – *Property, Plant and Equipment*.

Depreciation is calculated on a straight-line basis to write off the cost of each component of an asset to its residual value over its estimated useful life as follows:

- Land – indefinite; and
- Buildings – 20 years.

Rental income amounting to R27 million (2019: R27 million) was earned during the year and direct costs of R15 million (2019: R10 million) were incurred.

Please refer to note 10.1 – Short-term and low value leases for further disclosure of the rental income.

# Notes to the consolidated annual financial statements (continued)

## 3. Operating assets and liabilities (continued)

### 3.2 Investment properties (continued)

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Cost | **205** | 215 |
| Accumulated depreciation and impairments | **(46)** | (40) |
| **Carrying amount** | **159** | 175 |
| Carrying value at the beginning of the year | **175** | – |
| **Movement during the year** | | |
| Additions | **1** | – |
| Depreciation | **(9)** | (9) |
| Transfer to property, plant and equipment | **(8)** | – |
| Transfer from property, plant and equipment | **–** | 184 |
| **Closing balance** | **159** | 175 |
| Properties are valued over a five-year cycle, or earlier should an impairment indicator arise, with approximately 20% of the property portfolio being valued annually. The valuation is performed by an internal expert using the income approach method. | | |
| The movement in the fair value is as follows: | | |
| **Movement in fair values of investment properties** | | |
| Opening balance | **237** | – |
| Transfer to property, plant and equipment due to a change in use | **(8)** | – |
| Transfer from property, plant and equipment, due to a change in use | **–** | 237 |
| Fair value adjustment of properties | **58** | – |
| | **287** | 237 |

#### Sensitivity analysis

The key variables utilised to calculate the fair value are the contractual lease income and an appropriate capitalisation rate between 10,0% and 10,5% (2019: 10,0% and 10,5%).

The decrease in the fair value is as a result of the decrease in the net operating income by 10% and an increase of the capitalisation rate by 1,5%. The increase in the fair value is as a result of the increase in the net operating income of 10% and a decrease in the capitalisation rate by 1,5%.

| | Fair value Rm | Decrease in carrying value Rm | Increase in carrying value Rm |
|---|---|---|---|
| Fair value of investment properties | 287 | (60) | 81 |

The process and parameters used in determining impairments and residual values are in outlined note 1.5 – Critical accounting judgements estimates and assumptions.

### 3.3 Leases

Motus applied IFRS 16 for the first time in the current year, refer to note 1.8 – Adoption of new standards issued and effective for the initial application of IFRS 16 and the impact of the initial recognition applying the modified retrospective basis.

The following are applicable for leases:

- Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset.
- The related lease liabilities are the present value of the minimum lease payments plus the related interest less the rental payments.
- Where leases are renegotiated, either in terms of payment per month, lease term, or both, the liability is remeasured based on the new parameters at an appropriate incremental borrowing rate. The difference between the previous value of the lease liability and the revised value is then adjusted to the lease liability as well as to the right-of-use asset. The revised values are then amortised over the lease term with regards to the lease liability, and depreciated over the updated useful life in terms of the right-of-use assets.
- Where leases are terminated earlier as agreed or negotiated with the relevant lessor, the remaining right-of-use asset and the related lease liability is derecognised and any termination costs, in terms of penalties, is recognised in profit or loss.

## 3. Operating assets and liabilities (continued)

### 3.3 Leases (continued)

- Where right-of-use assets are impaired in terms of IAS 36, the carrying amount is reduced by the value of the impairment. The related lease liability is assessed as to whether the obligation still exists. If the obligation still exists, the lease liability is maintained and will unwind in terms of the expected future lease payments.

Refer to note 10.1 – Short-term and low value leases, for short-term and low value leases that are not capitalised.

#### 3.3.1 Right-of-use assets

The Group leases properties, motor vehicles and equipment. The lease terms varies between two and 15 years. Some leases have an option to renew for an additional period after the end of the contractual term.

Depreciation is calculated on a straight-line basis to write off the cost of each component of an asset to over its estimated useful life as follows:

- Buildings – mainly varies between two and 15 years;
- Equipment and furniture – three years; and
- Motor vehicles – varies between two and four years.

| | Land and buildings Rm | Equipment Rm | Motor vehicles Rm | Total Rm |
|---|---|---|---|---|
| **As at 30 June 2020** | | | | |
| Cost | 2 778 | 24 | 44 | 2 846 |
| Accumulated depreciation and impairments | (544) | (6) | (17) | (567) |
| **Carrying amount** | 2 234 | 18 | 27 | 2 279 |
| **Movement during the year** | | | | |
| Recognition of right-of-use assets on the modified retrospective approach | 1 988 | 24 | 24 | 2 036 |
| Acquisition of subsidiaries | 59 | – | – | 59 |
| New leases entered into or renegotiated | 498 | – | 15 | 513 |
| Derecognition of right-of-use assets | (29) | – | – | (29) |
| Depreciation | (496) | (6) | (16) | (518) |
| Impairments | (14) | – | – | (14) |
| Currency adjustments | 228 | – | 4 | 232 |
| **Closing balance** | 2 234 | 18 | 27 | 2 279 |

The process and parameters used in determining impairments are outlined in note 1.5 – Critical accounting judgements estimates and assumptions.

Motus does not have any leases which contain variable lease payments that are linked to sales generated from the leased premises, except for car rental. These variable payments are based on targets being met at certain points of the year and are not material in comparison to the fixed monthly payments. When and if these additional payments are made, they are included in the short-term lease payments.

#### 3.3.2 Lease liabilities

| | 2025 onwards Rm | 2024 Rm | 2023 Rm | 2022 Rm | 2021 Rm | **2020 Rm** |
|---|---|---|---|---|---|---|
| Future lease commitments | 1 304 | 350 | 413 | 466 | 686 | **3 219** |
| Finance charges | (236) | (53) | (70) | (89) | (113) | **(561)** |
| **Net present values** | 1 068 | 297 | 343 | 377 | 573 | **2 658** |

# Notes to the consolidated annual financial statements (continued)

## 3. Operating assets and liabilities (continued)

### 3.3 Leases (continued)

#### 3.3.2 Lease liabilities (continued)

| | 2020 Rm |
|---|---|
| **Presented on the face of the statement of financial position as follows:** | **2 658** |
| Current liabilities | **573** |
| Non-current liabilities | **2 085** |
| **Movement during the year** | |
| Recognition of lease liabilities on the modified retrospective approach | **2 389** |
| Acquisition of subsidiaries | **59** |
| New leases entered into or renegotiated | **513** |
| Derecognition | **(47)** |
| Finance cost | **175** |
| Lease payments | **(697)** |
| Currency adjustments | **266** |
| **Net present values** | **2 658** |
| **Repayment of lease liabilities as disclosed on the consolidated statements of cash flows is calculated as follows:** | **(522)** |
| Finance cost | **175** |
| Lease payments | **(697)** |

Motus does not face a significant liquidity risk with regard to its lease liabilities. Motus has sufficient banking facilities available to fund normal trading operations.

### 3.4 Vehicles for hire

Vehicles for hire have an operating lifecycle of 12 months, after which they are sold to dealerships, who in turn, sell these vehicles as part of inventory. This lifecycle is the reason vehicles for hire are classified as current assets. While extensions are available, they are not provided for a prolonged period of time.

Depreciation is calculated on a straight-line basis to write off the cost of the vehicle to its residual value over its estimated useful life of between one to five years.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Cost | **3 746** | 4 145 |
| Accumulated depreciation | **(579)** | (760) |
| **Carrying amount** | **3 167** | 3 385 |
| Carrying value at the beginning of the year | **3 385** | 3 924 |
| **Movements during the year** | | |
| Additions | **4 960** | 4 367 |
| Proceeds on disposal | **(4 165)** | (4 049) |
| Depreciation | **(1 019)** | (856) |
| Impairments | **(2)** | – |
| Currency adjustments | **8** | (1) |
| **Closing balance** | **3 167** | 3 385 |

Security

Certain vehicles for hire have been encumbered as security for interest-bearing debt as follows: 2020: R426 million (2019: R418 million), refer to note 6.1 – Interest-bearing debt.

The process and parameters used in determining residual values are outlined in note 1.5 – Critical accounting judgements estimates and assumptions.

## 3. Operating assets and liabilities (continued)

### 3.5 Net working capital

Assets that the Group expects to realise, or intends to sell or consume in its normal operating cycle, would include inventory and trade and other receivables. The operating cycles for these assets are generally not more than 12 months.

Liabilities that the Group expects to settle in its normal operating cycle, would include trade and other payables, floorplans from suppliers and provisions. The operating cycles for these liabilities are generally not more than 12 months except for long-term provisions.

#### 3.5.1 Inventories

The cost of inventory is determined as follows:

- Vehicles – specific cost; and
- Parts, accessories and finished goods – weighted average cost.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| New vehicles | **10 853** | 9 799 |
| Goods in transit | **372** | 1 526 |
| Used vehicles | **4 357** | 3 231 |
| Demonstration vehicles | **1 441** | 1 788 |
| Parts, accessories and finished goods | **3 105** | 2 675 |
| Other | **51** | 50 |
| | **20 179** | 19 069 |
| Inventories carried at net realisable value included above | **3 032** | 3 729 |
| Inventories expensed to profit or loss during the year | **56 785** | 61 068 |

Refer to note 1.5 – Critical accounting judgements, estimates and assumptions for additional considerations regarding the net realisable value of inventory as a result of COVID-19.

*Security*

The carrying value of inventories that have been encumbered as security for interest-bearing debt amounts to R1 108 million (2019: R1 478 million) (refer to note 6.1 – Interest-bearing debt).

#### 3.5.2 Trade and other receivables

The directors consider the carrying amount of the trade and other receivables to approximate their fair value, as the carrying amount is based on contractual rights and obligations and is short term in nature. Refer to note 4 – Financial management for Motus' financial risk management policies.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Trade receivables | **2 994** | 3 730 |
| Gross receivables | **3 356** | 3 941 |
| Expected credit loss allowance | **(362)** | (211) |
| Prepayments[1] | **536** | 421 |
| Value added taxation | **89** | 195 |
| Sundry receivables[2] | **421** | 398 |
| | **4 040** | 4 744 |

[1] *The prepayments relate to production rebate credit certificates used to reduce import duties and prepayments for insurance, service and other contracts. These are expensed when utilised or over the period of the contract and do not exceed 12 months.*

[2] *Sundry receivables include warranty debtors due from OEMs and deposits paid to various government and other authorities. These are considered to be recoverable.*

# Notes to the consolidated annual financial statements (continued)

## 3. Operating assets and liabilities (continued)

### 3.5 Net working capital (continued)

#### 3.5.2 Trade and other receivables (continued)

*Credit risk*

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Counterparty credit limits are in place and are reviewed and approved by the respective subsidiary boards.

Trade receivable consist of a large, widespread customer base. Group companies monitor the financial position of its customers on an ongoing basis. Creditworthiness of trade receivables is assessed when credit is first extended and is reviewed regularly thereafter. The granting of credit is controlled by the application of account limits. Where considered appropriate, use is made of credit guarantee insurance.

The carrying amount of trade and other receivables represents the maximum credit exposure at 30 June 2020. None were given as collateral for any security provided.

The movement in the expected credit loss allowance for the year was:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Carrying value at the beginning of the year | (211) | (202) |
| Acquisition of subsidiaries | (1) | – |
| **Net movements of the expected credit losses charged to the statement of profit or loss** | (167) | (53) |
| Amounts reversed to profit or loss | 173 | 8 |
| Amounts charged to profit or loss | (340) | (61) |
| Amounts utilised during the year | 25 | 46 |
| Currency adjustments | (8) | (2) |
| **Carrying value at the end of the year** | (362) | (211) |
| **Expected credit loss ratio (%)** | 10,8 | 5,4 |

The movement in the expected credit loss allowance primarily relates to non-credit impaired trade receivables, with immaterial movements in credit impaired trade receivables.

*Credit risk exposure*

Credit risk exposure relating to the sale of goods and rendering of services

Each of the Group's operating segments has credit terms appropriate for their industry. Credit risk on vehicles supplied to external dealerships is generally secured by a dealer floorplan with a bank, who settle within the credit terms. The average credit period on these sales ranges from 30 to 90 days. When dealing with sales to external retail customers, full settlement or confirmation of financing from a respected financial institution is required before delivery. These measures minimise the credit risk. Credit risk exposures to customers for parts, services and vehicle rental and are managed by monthly review of trade receivables ageing. The risk is mitigated by stringent background checks and credit limits for all customers, continuous review of credit limits, as well as legal action against defaulting customers. The average credit period on these sales is 30 days, however, extended credit terms may be negotiated during the account application process. Apart from certain corporate customers, vehicle services need to be settled before the vehicle is released. The credit risk relating to the sale of financial products is minimised as no service will be performed in terms of the contract until payment is received from the customer or financial institution.

*Expected credit loss model*

Motus has adopted the simplified approach in terms of IFRS 9, the loss allowance on the trade receivables is determined by the lifetime expected credit loss (ECL) for the Group and the company. As no credit term extends beyond 12 months, the 12-month ECL would be the same as the lifetime ECL. The ECL on trade receivables is estimated using a provision matrix with reference to past default experience, an analysis of the customers' current financial position and supportable forward looking information. Refer to note 1.5 – Critical accounting judgements, estimates and assumptions, for the assumptions used for the forward looking information.

The outbreak of COVID-19, as well as the related economic lockdowns has negatively impacted the cash flow generating ability of many entities which increased credit risk in parts and panelshop sales which are considered riskier and appropriate and adequate expected credit losses were raised.

Due to the short-term nature of the credit terms given, the expected credit loss allowance can be assessed upfront and on an ongoing basis with little change arising from changes in general economic circumstances.

## 3. Operating assets and liabilities (continued)

### 3.5 Net working capital (continued)

#### 3.5.2 Trade and other receivables (continued)

The allowance raised covers both credit defaults and credit notes passed for agreed changes to the sales values may become an issue.

Motus considers a receivable to be in default from 90 days past due.

The expected credit loss allowance has increased from 5,4% to 10,8% taking into consideration the worsening of the factors disclosed below and in note 1.5 – Critical accounting judgements, estimates and assumptions under forward looking information.

The increase in the expected credit loss allowance mainly relates to the Retail and Rental and Aftermarket Parts segments:

- the geography and industry in which the customers operate, sales to entities based in other African countries as well as sales to panelshops are considered riskier;
- period overdue and time taken to settle underlying receivables, the older accounts are considered a higher risk;
- past default experiences of the operating segments, examples include the Financial Services operations which has a very low default experience; and
- the Group's view of the economic conditions over the settlement period of the underlying receivables, which has worsened in the current financial year.

There has been no change in the estimation techniques applied in determining the ECLs from the prior year.

The gross receivables, as disclosed below, are inclusive of VAT applicable to various jurisdictions and the allowance for credit losses excludes VAT.

Motus writes off a trade receivable when there is information indicating that the customer has defaulted and is in severe financial difficulty and there is no realistic prospect of recovery, eg when the customer has been placed under liquidation or has entered into bankruptcy proceedings or where Motus has exercised all legal possibilities.

The directors do not consider there to be any material credit risk exposure not already covered by the expected credit loss allowance. There is no significant concentration of risk in respect of any particular customer or industry segment. There is no single customer whose revenue streams exceed 5% of Motus' revenue.

The tables below analyse the resulting credit loss impairment into the four operating segments.

### Expected credit loss matrix Motus

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| Past due debtors | Gross receivables Rm | Allowance for credit loss Rm | Loss ratio % | Gross receivables Rm | Allowance for credit loss Rm | Loss ratio % |
| **Total – Group** | 3 356 | 362 | 10,8 | 3 941 | 211 | 5,4 |
| Current (not yet due) | 1 820 | 15 | 0,8 | 2 930 | 9 | 0,3 |
| 30 days past due | 918 | 16 | 1,7 | 669 | 12 | 1,8 |
| 60 days past due | 173 | 21 | 12,1 | 155 | 39 | 25,2 |
| 90 days past due | 445 | 310 | 69,7 | 187 | 151 | 80,7 |
| **Expected credit loss matrix Import and Distribution** | 364 | 52 | 14,3 | 449 | 30 | 6,7 |
| Current (not yet due) | 217 | – | – | 283 | – | – |
| 30 days past due[1] | 56 | 3 | 5,4 | 99 | – | – |
| 60 days past due | 12 | – | – | 28 | – | – |
| 90 days past due[2] | 79 | 49 | 62,0 | 39 | 30 | 76,9 |

[1] *Specific provision raised in Motus Africa.*
[2] *The debtors, not provided for, have guarantees in place.*

# Notes to the consolidated annual financial statements (continued)

## 3. Operating assets and liabilities (continued)

### 3.5 Net working capital (continued)

#### 3.5.2 Trade and other receivables (continued)

| Past due debtors | 2020 Gross receivables Rm | 2020 Allowance for credit loss Rm | 2020 Loss ratio % | 2019 Gross receivables Rm | 2019 Allowance for credit loss Rm | 2019 Loss ratio % |
|---|---|---|---|---|---|---|
| **Expected credit loss matrix Retail and Rental** | **2 224** | **255** | **11,5** | 2 650 | 158 | 6,0 |
| Current (not yet due) | **1 017** | **14** | **1,4** | 1 965 | 9 | 0,5 |
| 30 days past due | **746** | **12** | **1,6** | 443 | 12 | 2,7 |
| 60 days past due | **153** | **16** | **10,5** | 117 | 33 | 28,2 |
| 90 days past due[3] | **308** | **213** | **69,2** | 125 | 104 | 83,2 |
| **Expected credit loss matrix Financial Services** | **141** | **7** | **5,0** | 153 | 2 | 1,3 |
| Current (not yet due) | **113** | **1** | **0,9** | 146 | – | – |
| 30 days past due | **19** | **1** | **5,3** | 2 | – | – |
| 60 days past due | **2** | **1** | **50,0** | 1 | – | – |
| 90 days past due | **7** | **4** | **57,1** | 4 | 2 | 50,0 |
| **Expected credit loss matrix Aftermarket Parts** | **627** | **48** | **7,7** | 684 | 18 | 2,6 |
| Current (not yet due) | **473** | **–** | **–** | 534 | – | – |
| 30 days past due | **97** | **–** | **–** | 124 | – | – |
| 60 days past due | **6** | **4** | **66,7** | 9 | 3 | 33,3 |
| 90 days past due | **51** | **44** | **86,3** | 17 | 15 | 88,2 |

[3] *Extensions were provided to customers as a result of the impact of COVID-19.*

#### 3.5.3 Trade and other payables

The directors consider the carrying amount of the trade and other payables approximates their fair value, as the carrying amount is based on contractual rights and obligations and is short term in nature. Refer to note 4 – Financial management for Motus' financial risk management policies.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Trade payables[1] | **5 493** | 7 118 |
| Value added taxation[1] | **470** | 129 |
| Payroll accruals[2] | **725** | 961 |
| Other accruals[2] | **1 523** | 1 322 |
| Deferred income | **174** | 186 |
| | **8 385** | 9 716 |

[1] *VAT disclosed as part of trade payables in the prior year, this has been disclosed separately for disclosure enhancement purposes.*
[2] *Payroll accruals were disclosed under other accruals in the prior year, these have been disclosed separately for disclosure enhancement purposes.*

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 60 days. For most suppliers, interest is not charged on the trade payables. Motus has financial risk management policies in place to ensure that all the payables are within the pre-agreed credit terms.

## 3. Operating assets and liabilities (continued)

### 3.5 Net working capital (continued)

#### 3.5.4 Floorplans from suppliers

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Import and Distribution** | | |
| Interest-bearing floorplan from suppliers | 344 | – |
| **Retail and Rental** | | |
| Interest-free floorplan from suppliers | 2 597 | 3 656 |
| Interest-bearing floorplan from suppliers | 3 570 | 1 963 |
| **Floorplans from suppliers** | 6 511 | 5 619 |

Floorplans from suppliers are made up of interest-bearing and interest-free facilities provided by the suppliers. The amounts become interest-bearing after one to 21 days. The floorplan are secured over the vehicles that are included under inventory. These terms and conditions are outlined by the supplier and vary between suppliers. Interest-bearing floorplans taken directly from financial institutions have been classified as interest-bearing debt. Refer to note 6.1 – Interest-bearing debt.

There have been extensions granted from suppliers on the payment terms of the floorplans over the lockdown period, on request from Motus, to assist with cash flow management as a result of the impact of COVID-19.

See note 4.4 – Liquidity risk, for further details on liquidity risk and the fair value hierarchy.

#### 3.5.5 Provisions

*Maintenance and warranty provision*

Present obligations arising under maintenance and warranty contracts, not funded by the OEM, are recognised and measured as provisions.

*Onerous contracts*

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where Motus has a contract under which the unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected from the contract.

*Other provisions*

Other provisions consist mainly of restructuring costs, legal fees, service fees, property related provisions, present obligations arising under roadside assistance contracts and the losses accrued on joint ventures with banks.

| | Maintenance and warranty Rm | Onerous contracts Rm | Other Rm | 2020 Rm | 2019 Rm |
|---|---|---|---|---|---|
| **At 30 June** | | | | | |
| Carrying value at beginning of the year | 342 | 181 | 274 | 797 | 674 |
| Charged to profit or loss | 43 | 8 | 22 | 73 | 279 |
| Amount raised | 44 | 8 | 124 | 176 | 281 |
| Unused amounts reversed | (1) | – | (102) | (103) | (2) |
| Amounts raised/(utilised) | 3 | (9) | (17) | (23) | (157) |
| Acquisitions of subsidiaries and businesses | – | – | 2 | 2 | – |
| Currency adjustments | 8 | – | – | 8 | 1 |
| **Carrying value at end of the year** | 396 | 180 | 281 | 857 | 797 |
| **Maturity profile** | | | | | |
| Less than one year – shown under current liabilities | 220 | 130 | 205 | 555 | 415 |
| One to five years – shown under non-current liabilities | 176 | 50 | 76 | 302 | 382 |
| | 396 | 180 | 281 | 857 | 797 |

# Notes to the consolidated annual financial statements (continued)

## 3. Operating assets and liabilities (continued)

### 3.6 Contract liabilities

Contract liabilities relate to the unearned revenue from vehicle maintenance, service and warranty plans which is long term in nature (two to five years) and is recognised as the work is performed over the life of the plan (over time). Revenue is recognised when the vehicle is maintained, serviced or repaired in terms of the contract. Revenue recognised is the cost of the work done plus the estimated margin which is adjusted to cater for the cost of expected future expenditure based on historical trends and includes forecast inflationary adjustments on an annual basis.

The customer pays upfront in full as part of the cost of the vehicle or as a separate standalone purchase and this is released over the period of the performance obligations.

There have been no material changes in the assumptions utilised and measurement basis of the contract liabilities from the prior year.

Due to the lockdown in South Africa in response to COVID-19, customers were unable to service their vehicles in line with the contractual requirements of the related plan, under the lockdown levels 4 and 5. The maintenance, service and warranty plans contract terms were not amended. However, services were allowed to customers on a deferred basis.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Carrying value at the beginning of the year | 2 818 | 2 724 |
| Acquisition of subsidiaries | – | 42 |
| Amounts recognised in revenue (prior year contracts) | (1 126) | (1 127) |
| Amounts recognised in revenue (current year contracts) | (152) | (109) |
| New business written | 1 257 | 1 288 |
| **Carrying value at the end of the year** | 2 797 | 2 818 |
| Allocated as follows between current and non-current liabilities: | | |
| Current liabilities expected to be settled within one year | 1 164 | 1 169 |
| **Non-current liabilities expected to be settled in more than one year** | 1 633 | 1 649 |
| Between 1 and 2 years | 762 | 799 |
| Between 2 and 3 years | 451 | 455 |
| Between 3 and 4 years | 252 | 236 |
| Between 4 and 5 years | 168 | 159 |
| | 2 797 | 2 818 |

Refer to note 8.1 – Revenue, for recognition of revenue related to the satisfaction of performance obligations.

Refer to note 1.5 – Critical accounting judgements, estimates and assumptions for disclosure on critical judgements.

# 4. Financial management and instruments

## 4.1 Investments and other financial instruments

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Preference shares (level 3 in the fair value hierarchy) | 338 | 474 |
| Listed investments (level 1 in the fair value hierarchy) | 7 | 35 |
| **Total** | **345** | **509** |

The preference shares are cell captive arrangements. Investment revenue received from preference shares has been disclosed in note 8.2 – Net operating expenses, being dividend income and fair value gains and losses on cell captive arrangements. These shares are carried at fair value through profit or loss. The asset has been assessed for impairment based on the historical and forecast dividends received and no impairment is required.

Included in the listed investments, is an investment in Imperial to the value of R7 million (2019: R19 million), which was acquired at unbundling for the value of R21 million. Refer to note 11.7 – Related parties for further details of this transaction that occurred in the prior year.

### Movement in preference shares (level 3 financial instruments) carried at fair value

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Carrying value at the beginning of the year | 474 | 637 |
| Additional investment in underlying preference shares | 105 | 77 |
| Fair value movements on preference share arrangements | (241) | (240) |
| Dividends received | (449) | (436) |
| Fair valued through profit or loss as unrealised gains | 208 | 196 |
| **Carrying value at the end of the year** | **338** | **474** |

# Notes to the consolidated annual financial statements (continued)

## 4. Financial management and instruments (continued)

### 4.2 Net investment in lease receivables

These leases relate to contracts in which an entity within the Group is an intermediate lessor. It accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance lease receivable by reference to the right-of-use asset arising from the head lease. The Group recognised the present value of future lease payments under the head lease as a lease liability and capitalised the present value of the future lease receivables under its sub-lease contracts as a net investment in lease receivables.

Motus has no residual interest in the underlying assets of the sub-lease.

Refer to note 1.8 – Adoption of new standards issued and effective for the initial application of IFRS 16 and the impact of the initial recognition on the modified retrospective basis.

| | 2020 Rm |
|---|---|
| Recognition of net investment in lease receivables on the modified retrospective approach | 133 |
| Interest accrued | 23 |
| Payments received | (76) |
| Currency adjustments | 20 |
| **Closing balance** | 100 |

The full balance is expected to be received in cash during the next financial year and is classified as current. With no history of impairments with the counterparty in the past, and no future losses expected, an expected credit loss provision is not required.

Finance income amounting to R10 million is expected to be realised in the next financial year.

| | 2020 Rm |
|---|---|
| Cash received on net investment in lease receivables is calculated as follows: | 53 |
| Interest accrued | (23) |
| Payments received | 76 |

# 4. Financial management and instruments (continued)

## 4.3 Financial risk factors

Motus' treasury activities are aligned to the Group's Asset and Liability Committee's (ALCO) strategies and decentralised business model. ALCO is a board sub-committee responsible for implementing best practice asset and liability risk management with its main objectives being the management of liquidity, interest rate, price and currency risk. ALCO meets every quarter and follows a comprehensive risk management process. The treasury department implements ALCO's risk management policies and directives and provides financial risk management services to the various divisional businesses. ALCO co-ordinates access to domestic and international financial markets for banks, as well as debt capital markets funding. The treasury department monitors and manages the financial risks relating to the operations of Motus through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk, and credit risk) and liquidity risk.

The day-to-day management of currency and interest rate risk is performed on a decentralised basis by the various business units within Motus' hedging policies and guidelines.

Motus seeks to minimise the effects of these risks by matching assets and liabilities as far as possible and by using derivative financial instruments to hedge the foreign exchange risk exposures.

Motus' objectives, policies and processes for measuring and managing these risks are detailed in the following notes:

| | Note |
|---|---|
| Liquidity risk | 4.4 |
| Currency risk and hedge accounting reserve | 4.5 |
| Interest rate risk | 6.1 |
| Credit risk | 3.5.2 and 6.2 |

# Notes to the consolidated annual financial statements (continued)

## 4. Financial management and instruments (continued)

### 4.4 Liquidity risk

Liquidity risk arises should Motus have insufficient funds or marketable assets available to fulfil its future cash flow obligations. Motus' liquidity risk management framework is designed to identify, measure and manage liquidity risk such that sufficient liquid resources are always available to fund operations and commitments.

The responsibility for liquidity risk management rests with ALCO, which has developed an appropriate liquidity risk management framework for the management of Motus' short, medium and long-term funding requirements. Motus manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained. Appropriate probability factors are applied to cash flow forecasts, when forecasts are not certain monthly, quarterly and three-year cash flows are updated on a regularly basis.

The financial liabilities will be funded on the sale of inventory and utilisation of financial assets.

The undiscounted cash flow of Motus financial assets fall into the following maturity profiles.

| | Contractual cash flows Rm | Less than one year Rm | One to five years Rm | More than five years Rm |
|---|---|---|---|---|
| Preference shares | 338 | – | – | 338 |
| Listed investments | 7 | 7 | – | – |
| Net investment in lease receivables | 110 | 110 | – | – |
| Trade and other receivables[1] | 3 415 | 3 415 | – | – |
| Derivative financial assets | 259 | 259 | – | – |
| Cash resources | 2 121 | 2 121 | – | – |
| **2020** | 6 250 | 5 912 | – | 338 |
| 2019 | 5 713 | 5 232 | 481 | – |

[1] *Trade and other receivables exclude VAT amounting to R89 million (2019: R195 million) and prepayments amounting to R536 million (2019: R421 million) as these are not financial instruments.*

The undiscounted cash flows of Motus' financial liabilities fall into the following maturity profiles:

| | Carrying amount Rm | Contractual cash flows Rm | Less than one year Rm | One to five years Rm | More than five years Rm |
|---|---|---|---|---|---|
| Interest-bearing borrowings | 9 563 | 10 618 | 2 709 | 7 909 | – |
| Lease liabilities | 2 658 | 3 219 | 686 | 1 541 | 992 |
| Loans from associates and non-controlling interests | 13 | 13 | – | 13 | – |
| Contingent consideration included in other financial liabilities | 17 | 17 | 17 | – | – |
| Trade payables and other payables[1] | 7 016 | 7 016 | 7 016 | – | – |
| Floorplans from suppliers | 6 511 | 6 511 | 6 511 | | |
| Derivative financial liabilities | 210 | 210 | 210 | – | – |
| **2020** | 25 988 | 27 604 | 17 149 | 9 463 | 992 |
| 2019 | 21 907 | 23 018 | 17 606 | 5 412 | – |

[1] *Trade and other payables exclude VAT amounting to R470 million (2019: R129 million), staff costs accrued amounting to R725 million (2019: R961 million) and deferred income amounting to R174 million (2019: R186 million) as these are not financial instruments.*

## 4. Financial management and instruments (continued)

### 4.5 Currency risk and hedge accounting reserve

For the year ended 30 June 2020, R671 million (2019: R168 million) has been recognised in other comprehensive income relating to the net change in the fair value of the cash flow hedges net of tax and the rolling of open hedging instruments. It is anticipated that the liability being hedged will be raised in the next 12 months, at which time the amount of the deferred equity will be reclassified to inventory. When the vehicle is sold, the related hedging reserve will be released to profit or loss.

Motus enters into forward exchange contracts and options in order to hedge its exposure to foreign exchange risk. These are classified as cash flow hedges where hedging criteria are met. Motus does not use derivative financial instruments for speculative purposes. Changes in the fair value of derivative instruments that are not formally designated in a hedge relationship are recognised immediately in profit or loss. Level 2 financial instruments are fair valued using future cash flows estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at the rate that reflects the credit risk of the various counterparties at the date of entering into the contract. The cash flow hedge reserve comprises the effective portion or the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet matured, net of taxation.

#### Currency risk

This is the risk of losses arising from the effects of adverse movements in exchange rates on foreign currency asset or liability positions. The policy of Motus is to maintain a fully covered foreign exchange risk position in respect of foreign currency commitments. The exceptions to this are Renault South Africa Proprietary Limited where the impact of any currency movements are shared jointly with the OEM and for Aftermarket Parts where their ability to adjust the selling price of the related inventory being acquired against changes in the costing rates. Automotive spare parts may be settled in the spot markets and under current South African Reserve Bank limits. Forward cover is limited to 12 months ahead at any point in time.

Motus has entered into certain financial instruments authorised by ALCO to cover currency risk relating to actual liabilities arising from obligations relating to inventories at 30 June and specific foreign commitments not yet due. Hyundai Automotive South Africa Proprietary Limited and Kia South Africa Proprietary Limited enter into hedging instruments for all actual liabilities and for forecast instruments on a seven-month rolling hedging basis. Brietta Trading Proprietary Limited enters into hedging instruments for all firm commitments as and when required.

The day-to-day management of foreign exchange risk is performed on a decentralised basis by the various business units within Motus' hedging policies and guidelines. Import exposures are managed through the use of natural hedges arising from foreign assets, as well as forward exchange contracts and the option structures authorised by ALCO.

# Notes to the consolidated annual financial statements (continued)

## 4. Financial management and instruments (continued)

### 4.5 Currency risk and hedge accounting reserve (continued)

The details of these contracts are as follows:

| | Foreign amount (millions) | Average exchange rate | Contract value Rm | Market value Rm | Net derivative asset/ (liability) Rm |
|---|---|---|---|---|---|
| **2020** | | | | | |
| **Bought** | | | | | |
| US Dollar | 254 | 17,09 | 4 342 | 4 443 | 101 |
| Euro | 66 | 18,64 | 1 222 | 1 284 | 62 |
| Japanese Yen | 78 | 0,16 | 13 | 13 | – |
| Chinese Yuan | 13 | 2,48 | 31 | 31 | – |
| Pound Sterling | – | 22,08 | 1 | 1 | – |
| Net FECs and structured products as per the statement of financial position | | | 5 609 | 5 772 | 163 |
| Interest rate swaps, refer to note 6.1 – Interest-bearing debt for further details | | | | | (114) |
| Net derivative liability carried on the statement of financial position | | | | | 49 |
| Split as follows: | | | | | |
| Derivative financial assets | | | | | 259 |
| Derivative financial liabilities | | | | | (210) |

| | Foreign amount (millions) | Average exchange rate | Contract value Rm | Market value Rm | Net derivative asset/ (liability) Rm |
|---|---|---|---|---|---|
| 2019 | | | | | |
| **Bought** | | | | | |
| US Dollar | 357 | 14,39 | 5 143 | 5 098 | (45) |
| Euro | 182 | 16,41 | 2 986 | 2 965 | (21) |
| Japanese Yen | 477 | 0,13 | 62 | 63 | 1 |
| Chinese Yuan | 4 | 2,14 | 8 | 8 | – |
| Pound Sterling | – | 18,79 | 3 | 3 | – |
| | | | 8 202 | 8 137 | (65) |
| Revaluation of options | | | | | 6 |
| Net liabilities for FECs and structured products as per the statement of financial position | | | | | (59) |
| Interest rate swaps, refer to note 6.1 – Interest-bearing debt for further details | | | | | (42) |
| Net derivative liability | | | | | (101) |
| Split as follows: | | | | | |
| Derivative financial assets | | | | | 34 |
| Derivative financial liabilities | | | | | (135) |

Refer to note 10.3 – Contingent liabilities for further details on future commitments relating the hedging instruments above. The letters of credit relate to the future irrevocable commitments made by the importers for future purchases of inventory.

## 4. Financial management and instruments (continued)

### 4.5 Currency risk and hedge accounting reserve (continued)

#### Foreign exchange sensitivity

The impact from a 10% movement in the value of the Rand would have approximately a R416 million after tax (2019: R586 million) impact on the underlying hedge which would be offset by the revaluation of the underlying liability, resulting in minimal impact on the profit or loss. The 10% sensitivity rate is based on the directors' assessment of a reasonable possible change in foreign exchange rates over the foreseeable future, with regards to market value.

The sensitivity of profits to changes in exchange rates is a result of the foreign exchange gains or losses on remeasurement of foreign denominated financial assets and liabilities translated at spot rates and is offset by equivalent gains or losses in currency derivatives.

### 4.6 Fair value measurement of financial instruments

#### 4.6.1 Fair value hierarchy

Financial instruments measured at fair value are grouped into the following levels based on the significance of the inputs used in determining fair value:

**Level 1** financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

**Level 2** financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

**Level 3** financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

| | 2020 Carrying value Rm | At fair value level 1 Rm | At fair value level 2 Rm | At fair value level 3 Rm | At amortised cost Rm | 2019 Carrying amount Rm |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Preference shares | 338 | – | – | 338 | – | 474 |
| Listed investments | 7 | 7 | – | – | – | 35 |
| Trade and other receivables | 3 415 | – | – | – | 3 415 | 4 128 |
| Net investment in lease receivables | 100 | – | – | – | 100 | – |
| Derivative financial assets | 259 | – | 259 | – | – | 34 |
| Cash resources | 2 121 | – | – | – | 2 121 | 1 042 |
| | 6 240 | 7 | 259 | 338 | 5 636 | 5 713 |
| **Financial liabilities** | | | | | | |
| Interest-bearing borrowings | 9 563 | – | – | – | 9 563 | 7 660 |
| Lease liabilities | 2 658 | – | – | – | 2 658 | – |
| Loans from associates and non-controlling interests | 13 | – | – | – | 13 | 27 |
| Contingent consideration included in other financial liabilities | 17 | – | – | 17 | – | 26 |
| Trade payables and accruals | 7 016 | – | – | – | 7 016 | 8 440 |
| Floorplans from supplier | 6 511 | – | – | – | 6 511 | 5 619 |
| Derivative financial liabilities | 210 | – | 210 | – | – | 135 |
| | 25 988 | – | 210 | 17 | 25 761 | 21 907 |

## 4. Financial management and instruments (continued)

### 4.6 Fair value measurement of financial instruments (continued)

### 4.6.2 Fair value of financial instruments

Please refer to note 4.5 – Currency risk and hedge accounting reserve for details regarding the valuation of level 2 financial instruments.

The fair value of the level 3 financial assets of R338 million (2019: R474 million) consists of investments in cell captives through unlisted preference share instruments in insurance companies. These fair values were estimated by applying a discounted cash flow projection technique. Cash flow projections are based on expected dividends receivable which are subject to regulation. The cash flow projections cover a five-year forecast period take into account organic portfolio growth, discounted at a WACC of 18,7% specifically linked to Financial Services. The projections are limited to five years as the investment structures are reviewed on an ongoing basis in light of changes to the regulatory and economic landscape.

The fair value measurement is based on significant inputs that are not observable in the market. Key assumptions used in the valuation include underwriting, operational and investment risk. The dividends receivable are calculated from the assumed profits after taking into account the above mentioned risk inputs.

The fair value of the level 3 financial liability of R17 million (2019: R26 million) is the contingent consideration payable in respect of the Rhino Outdoor and Off-road Proprietary Limited acquisition and is payable next year. The amount payable is based on a multiple of operating profit after tax as required in the purchase agreement.

The following table shows how the fair value of the level 3 financial assets as at 30 June 2020 would change if the discount rate used to present value future cash flows were to reduce or increase by 1%.

The fair value of the level 3 financial liability is affected by changes in operating profits after tax of 10%.

| | Valuation technique | Main assumption | Carrying value Rm | Increase in carrying value Rm | Decrease in carrying value Rm |
|---|---|---|---|---|---|
| **Financial asset** | | | | | |
| Preference shares | Cash flow projections | Present value of expected dividend flows | 338 | 7 | (7) |
| **Financial liability** | | | | | |
| Contingent consideration | Multiples of future net operating profits after tax | Future expected profits | 17 | 2 | (2) |

#### Transfers between hierarchy levels

There were no transfers between the fair value hierarchies during the current and the prior year.

#### Movements in level 3 financial instruments measured at fair value financial assets

Refer to note 4.1 – Investments and other financial instruments for movements in the fair value level 3 financial assets (preference shares).

| Financial liabilities | 2020 Rm | 2019 Rm |
|---|---|---|
| Carrying value at the beginning of the year | 26 | – |
| Payment made to former equity holder of the subsidiary acquired | (9) | – |
| Recognised on business combination | – | 26 |
| **Carrying value at the end of the year** | **17** | 26 |

## 5. Shareholders' interest

### 5.1 Stated capital

#### Ordinary shares

The ordinary shares carry one vote per share, are entitled to an ordinary dividend and are listed on the Johannesburg Stock Exchange.

#### Deferred ordinary shares

The deferred ordinary shares are unlisted, carry one vote per share and are not entitled to dividends. They have been issued to Ukhamba the Group's B-BBEE partner and have the right to repayment of the par value thereof pari passu with holders of ordinary shares, but have no further right to participate in the profits or assets of the company. The shares convert into ordinary shares annually at a fixed rate of 831 469 shares. The last conversion will be on 30 June 2025, any shares not converted into ordinary shares will be converted into redeemable preference shares in 2025.

#### Non-redeemable preference shares

These are preference shares that are non-redeemable, cumulative, non-participating, no par value preference shares in the stated capital of the company. Preference shares carry one vote per share. Each preference share ranks with regards to dividends and repayment of capital, prior to ordinary shares. There are no redeemable preference shares in issue, nor is there currently any authority given to the directors to issue any non-redeemable preference shares until at least the next AGM.

#### Redeemable preference shares

Preference shares that are redeemable, non-participating, no par value preference shares in the stated capital of the company. Redeemable preference shares do not confer on the holder the right to vote at meetings of the company, except where a dividend or any part of any such dividend on such share or redemption payment remains in arrears and unpaid. Each preference share ranks with regards to dividends and repayment of capital, prior to ordinary shares. There are no redeemable preference shares in issue, nor is there currently any authority given to the directors to issue any redeemable preference shares until at least the next AGM.

#### Directors' authority to issue ordinary shares

The directors have been given general authority until the next AGM to issue not more than 5% of the issued ordinary stated capital at 30 June 2020.

#### Directors' interests in issued stated capital

The aggregate shareholdings of the directors in the issued ordinary stated capital of the company are outlined in note 11.5 – Directors and prescribed officers' interest in shares.

#### Authorised stated capital

**394 999 000** (2019: 394 999 000) ordinary shares of no par value
**10 000 000** (2019: 10 000 000) deferred ordinary shares of no par value
**40 000 000** (2019: 40 000 000) preference shares of no par value
**2 000 000** (2019: 2 000 000) redeemable preference shares of no par value

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Issued and fully paid stated capital** | | |
| 192 622 189 (2019: 196 513 720) ordinary shares of no par value | **22 672** | 22 985 |
| 6 036 422 (2019: 6 867 891) deferred ordinary shares of no par value | **–** | – |
| **Stated capital** | **22 672** | 22 985 |

| Ordinary shares in issue | Number of shares | Rm |
|---|---|---|
| **As at 30 June 2018** | 201 971 450 | 23 358 |
| Issue of additional share to former shareholder prior to unbundling | 1 | 167 |
| Cancellation of shares repurchased | (6 289 200) | (540) |
| Conversion of deferred ordinary shares | 831 469 | – |
| **As at 30 June 2019** | 196 513 720 | 22 985 |
| Cancellation of shares repurchased | (4 723 000) | (313) |
| Conversion of deferred ordinary shares | 831 469 | – |
| **As at 30 June 2020** | **192 622 189** | **22 672** |

# Notes to the consolidated annual financial statements (continued)

## 5. Shareholders' interest (continued)

### 5.1 Stated capital (continued)

| Deferred ordinary shares in issue | Number of shares | Rm |
|---|---|---|
| Share issue | 7 699 360 | – |
| Conversion of 831 469 shares to ordinary shares | (831 469) | – |
| **As at 30 June 2019** | 6 867 891 | – |
| Conversion of 831 469 shares to ordinary shares | (831 469) | – |
| **As at 30 June 2020** | **6 036 422** | **–** |

### 5.2 Shares repurchased

In the year under review, Motus settled 233 622 ordinary shares (2019: 4 644 623 shares were repurchased).

The movement in the shares repurchased was as follows:

| | Repurchased number of shares | Rm |
|---|---|---|
| 1 853 342 shares acquired at an average price of R105,02 per share | 1 853 342 | 195 |
| 2 791 281 shares repurchased at an average price of R85,98 per share | 2 791 281 | 240 |
| **As at 30 June 2019** | 4 644 623 | 435 |
| 233 622 shares settled at an average of R105,02 per share | (233 622) | (24) |
| **As at 30 June 2020** | **4 411 001** | **411** |

### 5.3 Dividends paid

**Interim**

There was no interim dividend paid (2019: 240 cents gross dividend) in the year under review due to the cash preservation in response to COVID-19.

**Final**

There will be no final dividend paid (2019: 250 cents gross dividend) in the year under review due to the conditions imposed by the funders as part of the relaxation of the banking covenants.

The company's income tax number is 983 671 2167.

## 6. Interest-bearing funding

### 6.1 Interest-bearing debt

The composition of the debt facilities is as follows:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Long-term** | | |
| Syndicated bank term loans | 2 000 | 2 000 |
| Bilateral term loan | – | 250 |
| Rand denominated revolving credit loans | 3 200 | 1 250 |
| Foreign currency denominated revolving credit loans | 2 112 | 684 |
| 15-month term loans | 300 | 416 |
| Non-redeemable, non-participating, cumulative preference shares | – | 40 |
| | 7 612 | 4 640 |
| **Short-term** | | |
| Interest-bearing floorplans from financial institutions | 1 648 | 1 841 |
| Rand denominated floorplans secured by inventory and vehicles for hire | 501 | 468 |
| Foreign currency denominated floorplans secured by inventory | 1 147 | 1 373 |
| **Total other short-term debt** | 303 | 1 179 |
| Call borrowings | – | 970 |
| Bank overdrafts[1] | 136 | 102 |
| Unsecured loans[1] | 127 | 107 |
| Non-redeemable, non-participating, cumulative preference shares | 40 | – |
| **Total borrowings at amortised cost** | 9 563 | 7 660 |
| *Less:* Current portion of interest-bearing borrowings | (303) | (1 179) |
| *Less:* Interest-bearing floorplans from financial institutions | (1 648) | (1 841) |
| **Long-term borrowings** | 7 612 | 4 640 |

[1] *For disclosure enhancement purposes, bank overdrafts and unsecured loans have been disclosed separately.*

In January 2020, Motus secured a £120 million three-year revolving credit facility with a consortium of seven banks thereby enabling it to refinance and settled its £38 million revolving credit loan with Standard Chartered Bank and its $30 million 15-month notice loan with BNP Paribas. The three-year revolving credit facility is a sustainable linked loan aimed at reducing the fuel and water consumption of Motus.

Included in unsecured loans are loans granted to Motus Africa from Standard Bank and First National Bank in Malawi, Kenya and Zambia. The loans are repayable in the next financial year.

The non-redeemable, non-participating, cumulative preference shares relate to Renault South Africa Proprietary Limited. The preference shares are repayable on 15 January 2021 to Renault SAS France. They bear interest at 58,6% of the prime interest rate in South Africa and is paid bi-annually.

#### Allocation of interest-bearing floorplans from financial institutions per segment

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Retail and Rental | 1 182 | 1 416 |
| Financial Services | 466 | 425 |
| **Total** | 1 648 | 1 841 |

## 6. Interest-bearing funding (continued)

### 6.1 Interest-bearing debt (continued)

| Interest rate analysis | Current year interest rates % | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **Fixed** | | | |
| Syndicated bank term loans[1] | 9,1 – 9,3 | 2 000 | 2 000 |
| Rand denominated revolving credit loans[1] | 8,2 – 8,5 | 750 | – |
| Bilateral term loan | | – | 250 |
| **Variable linked** | | | |
| Rand denominated revolving credit loans | 7,0 | 2 450 | 1 250 |
| Foreign currency revolving credit loans | 1,8 | 2 112 | 684 |
| 15-month notice loans | 7,6 | 300 | 416 |
| Non-redeemable, non-participating, cumulative preference shares | 4,2 | 40 | 40 |
| Rand denominated floorplans secured by inventory and vehicles for hire | 5,3 – 5,5 | 501 | 468 |
| Foreign currency denominated floorplans secured by inventory | 2,4 – 3,1 | 1 147 | 1 373 |
| Call borrowings | | – | 970 |
| Bank overdrafts[2] | 1,0 – 14,7 | 136 | 102 |
| Unsecured loans[2] | 9,2 – 15,4 | 127 | 107 |
| | | 9 563 | 7 660 |

[1] *The amounts disclosed in the interest rate analysis above are the swapped rates (refer to the table below).*
[2] *For disclosure enhancement purposes, bank overdrafts and unsecured loans have been disclosed separately.*

#### Interest rate risk

Borrowings issued at floating rates expose Motus to cash flow and interest rate risk, while fixed rate borrowings expose Motus to fair value interest rate risk. Cash flow interest rate risk arises from movements in market rates.

Motus considers the impact on profit or loss of defined interest rate shifts – taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. ALCO reviews appropriate exposure levels and implement hedges where required.

The Group has entered into interest rate derivative contracts that amend the interest rates from variable to fixed as outlined in the table below. They entitle the Group to receive interest at floating rates on notional principal amounts and oblige it to pay interest at fixed rates on the same amounts.

| | Notional amount Rm | Variable effective rate % | Fixed derivative rate % |
|---|---|---|---|
| Syndicated bank term loan – two year | 1 000 | 5,4 | 9,1 |
| Syndicated bank term loan –four year | 1 000 | 5,6 | 9,3 |
| Rand denominated revolving credit loans – two year | 500 | 5,9 | 8,2 |
| Rand denominated revolving credit loans – four year | 250 | 5,9 | 8,5 |
| **2020** | 2 750 | | |
| 2019 | 2 000 | | |

The interest rate swaps will expire between November 2021 and December 2021 with the exception of the R250 million two year Rand denominated revolving credit facility which will expire in November 2022.

The interest rate swaps entered into in the prior year were fairly valued through profit or loss and the adjustments amounted to R73 million (2019: R42 million). The interest rate swaps entered into in the current year were fair valued through other comprehensive income and these adjustments amounted to R1 million. This arose as a result of market interest rates declining below rates on the date the swaps were put in place.

# 6. Interest-bearing funding (continued)

## 6.1 Interest-bearing debt (continued)

### Interest rate risk (continued)

If interest rates had been 0,5% higher or lower, holding all other variables constant, Motus' profit or loss and equity would decrease or increase by R10 million (2019: R7 million). This is attributable to Motus' exposure to the interest rate swap.

Motus' treasury follows a centralised cash management process, including cash management systems across bank accounts in South Africa to minimise risk and related interest costs. Motus' international cash management is managed by the treasury departments in the respective businesses.

### Interest rate sensitivity

The interest rate profile of the total borrowings is reflected above.

If interest rates had been 0,5% higher or lower, holding all other variables constant, Motus' profit or loss and equity would decrease or increase by R38 million (2019: R21 million). This is attributable to Motus' exposure to interest rates on its variable rate borrowings which have not been fixed through the use of fixed-for-floating interest rate swap instruments.

This analysis was prepared on the assumption that the amount outstanding at the end of the year was outstanding for the entire year.

### Details of encumbered assets

| | Carrying value of debt secured Rm | Carrying value of encumbered assets Rm | Vehicles for hire Rm | Inventories Rm |
|---|---|---|---|---|
| Rand denominated floorplans | 501 | 457 | 426 | 31 |
| Foreign currency denominated floorplans | 1 147 | 1 077 | – | 1 077 |
| **2020** | **1 648** | **1 534** | **426** | **1 108** |
| 2019 | 1 841 | 1 896 | 418 | 1 478 |

### Maturity analysis of interest-bearing debt by geographical location

| | 2024 Rm | 2023 Rm | 2022 Rm | 2021 Rm | **2020 Rm** | 2019 Rm |
|---|---|---|---|---|---|---|
| South Africa | 2 700 | 2 112 | 2 800 | 751 | **8 363** | 6 287 |
| International | – | – | – | 1 200 | **1 200** | 1 373 |
| | 2 700 | 2 112 | 2 800 | 1 951 | **9 563** | 7 660 |

### Maturity analysis of interest-bearing debt by denominated currency

| | 2024 Rm | 2023 Rm | 2022 Rm | 2021 Rm | **2020 Rm** | 2019 Rm |
|---|---|---|---|---|---|---|
| SA Rand | 2 700 | – | 2 800 | 540 | **6 040** | 5 197 |
| British Pound | – | 1 620 | – | 483 | **2 103** | 1 456 |
| Australian Dollar | – | 492 | – | 664 | **1 156** | 857 |
| US Dollar | – | – | – | 35 | **35** | – |
| Other* | – | – | – | 229 | **229** | 150 |
| | 2 700 | 2 112 | 2 800 | 1 951 | **9 563** | 7 660 |

** Other relates to interest-bearing debt primarily in Kenya, Malawi, Tanzania and Zambia.*

## 6. Interest-bearing funding (continued)

### 6.1 Interest-bearing debt (continued)

#### Borrowing facilities

In terms of the MOI, the borrowing powers of Motus is unlimited. The borrowing facilities have been established.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Total directed borrowing facilities established | **17 540** | 15 185 |
| Banking facilities | **13 681** | 12 092 |
| Floorplan facilities (total) | **3 859** | 3 093 |
| *Less:* Utilised | **(9 985)** | (7 962) |
| Banking facilities | **(7 915)** | (5 819) |
| Floorplan facilities | **(1 648)** | (1 841) |
| Floorplan facilities from suppliers[1] | **(422)** | (302) |
| Unutilised borrowing capacity | **7 555** | 7 223 |
| Banking facilities | **5 766** | 6 273 |
| Floorplan facilities (total) | **1 789** | 950 |
| Total available banking facilities calculated as follows: | **7 887** | 7 315 |
| Utilised banking facilities | **5 766** | 6 273 |
| Available cash resources | **2 121** | 1 042 |

[1] *These facilities relate to floorplan facilities from financial institutions which are underwritten by OEMS, due to this underwriting, the utilisation forms part of the total value in note 3.5.4 – Floorplans from suppliers.*

#### Capital management

Motus' objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns and growth for shareholders and benefits for other stakeholders. Motus maintains an appropriate mix of equity and equity like instruments and debt in order to optimise the WACC within an appropriate risk profile. Capital allocation is evaluated against the expected return on invested capital (ROIC) against the appropriate WACC for that division or business and appropriate gearing ratios.

As is consistent with others in the industry, Motus monitored capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash resources. The target gearing ratio is 55% to 75%.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Interest-bearing borrowings | **9 563** | 7 660 |
| *Less:* Cash resources | **(2 121)** | (1 042) |
| **Net debt** | **7 442** | 6 618 |
| **Total equity** | **12 452** | 11 838 |
| Gearing ratio (%) | **60** | 56 |

## 6. Interest-bearing funding (continued)

### 6.1 Interest-bearing debt (continued)

#### Bank covenants

In the current year and in line with the Motus treasury policy, the target set for Motus was to maintain a net debt to adjusted EBITDA (calculated on the same basis as that required by the funding partners) of less than 2,0 times.

In terms of the bank facility agreements, the Group has the following major covenants:
- The net debt to adjusted EBITDA must be below 3,0 times (actual 2,16 times, 2019: 1,38 times).
- The adjusted EBITDA to adjusted net interest must be above 3,0 times (actual 3,57 times, 2019: 6,19 times).

As a precaution, Motus engaged with the funders during April 2020 to relax the debt covenants for the 30 June 2020 reporting period should this be required. The local and international syndicated funders have agreed to the relaxation for net debt to adjusted EBITDA to be below 4,5 times and adjusted EBITDA to adjusted net interest to be above 2,5 times. The relaxation of debt covenants allows Motus to make use of all the available facilities should it become necessary to do so.

The funders have agreed to the relaxation of the banking covenants until the next covenant reporting period which is 31 December 2020 on condition that there are no major business acquisitions, no major expansionary capital expenditure, share buy-backs or dividend payments.

The funders have agreed to the relaxation of the banking covenants until the next covenant reporting period, which is 31 December 2020, on condition that there are no major business acquisitions, no major expansionary capital expenditure, share buy-backs or dividend payments.

See note 4.4 – Liquidity risk, for further disclosure relating to interest-bearing debt with regards to liquidity risk.

### 6.2 Cash resources

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Deposits and funds at call | 2 110 | 1 034 |
| Cash on hand | 11 | 8 |
| **Total cash resources** | **2 121** | 1 042 |
| **Effective interest rates (%)** | **0,0 – 9,2** | 0,0 – 6,0 |

#### Credit risk

It is Motus' policy to deposit short-term cash with reputable financial institutions with investment grade credit ratings assigned by international or recognised credit rating agencies or counterparties authorised by ALCO.

The carrying amount of these cash resources represents the maximum credit exposure on 30 June 2020. None of the financial assets above were given as collateral for any security provided.

The directors consider that the carrying amount of the cash resources closely approximates their fair value due to their short-term nature.

For further details on liquidity risk and the fair value hierarchy refer to notes 4.4 – Liquidity risk and 4.6 – Fair value measurement of financial instruments, respectively.

### 6.3 Cash and cash equivalents

Cash and cash equivalents are Motus' short-term cash resources and overdrafts readily converted into cash under Motus' cash management facility and is calculated as follows:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Cash resources | 2 121 | 1 042 |
| Bank overdrafts | (136) | (102) |
| **Total cash and cash equivalents** | **1 985** | 940 |

# Notes to the consolidated annual financial statements (continued)

## 7. Tax

### 7.1 Current tax

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Income tax** | **(623)** | (867) |
| Current year | **(519)** | (799) |
| Prior year underprovision | **(102)** | (61) |
| Capital gains tax | **(2)** | (7) |
| **Deferred tax** | **267** | 153 |
| Current year | **281** | 79 |
| Prior year overprovision | **90** | 68 |
| (Write-down)/recognition of deferred tax assets[1] | **(104)** | 6 |
| **Income tax expense** | **(356)** | (714) |

[1] *Included in the current year deferred tax write-down is an amount of R107 million which relates to the write-down of the deferred tax asset in Renault South Africa Proprietary Limited. The write-down was based on an assessment performed by management which concluded that there was not sufficient taxable income expected to be generated in the short term to support the deferred tax asset.*

| | 2020 | 2019 |
|---|---|---|
| **Reconciliation of effective tax rate (%)** | | |
| South African normal tax rate | **28,0** | 28,0 |
| **Adjusted for:** | | |
| Dividends received | **(11,8)** | (2,7) |
| Share-based equity permanent differences | **(0,8)** | 0,3 |
| Profit on sale of properties | **(2,1)** | (0,4) |
| Non-deductible share-based equity expense on B-BBEE | **–** | 1,5 |
| Impairment of non-financial assets | **3,6** | 0,3 |
| Impairment of other financial assets | **10,9** | 0,9 |
| Impairments of goodwill | **9,8** | 0,4 |
| Impairment of distribution rights | **5,8** | – |
| (Reversal of)/impairment of investment in associates and joint ventures transactions | **(1,2)** | 0,8 |
| Derecognition of loans on deregistration of dormant companies | **–** | (0,4) |
| Assessed losses recognised | **(1,9)** | (0,8) |
| Prior year's under/(over) provision | **2,1** | (0,3) |
| Impairment/(reversal of impairment) of deferred tax assets | **20,1** | (0,2) |
| Foreign tax rate differential | **4,2** | (0,5) |
| Other (includes impairment of assets classified as held-for-sale and non-deductible expenditure) | **1,9** | 0,7 |
| **Effective tax rate[1]** | **68,6** | 27,6 |

[1] *Effective tax is calculated on profit before tax excluding the share of income from associates and joint ventures.*

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Taxation paid** | | |
| Amounts payable at beginning of the year (net) | **(60)** | (315) |
| Charge per the statement of profit or loss (excluding deferred taxation) | **(623)** | (867) |
| Net acquisitions/disposals of subsidiaries | **(4)** | 207 |
| Direct current tax charge from share-based equity | **6** | 6 |
| Currency adjustments | **(2)** | (1) |
| Amounts payable at end of the year (net) | **112** | 60 |
| | **(571)** | (910) |
| **Amounts payable at end of the year (net) consisting of the following:** | | |
| Current tax assets | **(53)** | (130) |
| Current tax liabilities | **165** | 190 |
| | **112** | 60 |

## 7. Tax (continued)

### 7.2 Deferred tax

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset and where it relates to taxes levied by the same revenue authority and legal entity. A deferred tax asset is recognised to the extent that it is probable that future taxable profits, based on approved budgets, will be available against which the unused tax losses and unused credits can be utilised. It is expected that the assessed losses will be utilised within five years based on the projected taxable income. The balance of the deferred tax assets largely arises from disallowed provisions and accruals which are only deductible when paid as well as timing differences on contract liabilities. As these amounts become deductible, they are replaced with new amounts that are deductible in the future. There are no deductible temporary differences, unused tax losses, unused tax credits and permanent differences that will expire from tax authorities. Deferred tax raised in foreign tax jurisdictions are at the tax rate applicable to those jurisdictions. Refer to note 1.5 – Critical accounting judgements, estimates and assumptions, for significant judgements with regards to deferred tax.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Reconciliation of movement** | | |
| Balance receivable at beginning of the year | 1 021 | 751 |
| Current year charge | | |
| Per the statement of profit or loss | 267 | 153 |
| Amounts recognised in hedge accounting reserve | (59) | 94 |
| Direct charges into equity | (3) | (3) |
| Modified retrospective adjustment in terms of IFRS 16 | 41 | – |
| Net acquisitions/(disposals) of subsidiaries | (7) | 27 |
| Currency adjustments | 13 | (1) |
| **Balance receivable at end of the year** | 1 273 | 1 021 |
| **Comprising:** | | |
| Deferred tax assets | 1 302 | 1 048 |
| Deferred tax liabilities | (29) | (27) |
| | 1 273 | 1 021 |
| **Analysis of deferred tax** | | |
| Property plant and equipment | (135) | (104) |
| Right-of-use assets | (263) | – |
| Net investment in lease receivables | (28) | – |
| Intangible assets | (16) | (24) |
| Vehicles for hire | (24) | (46) |
| Inventories | 272 | 103 |
| Contract liabilities | 343 | 362 |
| Lease liabilities | 343 | – |
| Trade and other payables | 300 | 218 |
| Provision for liabilities and other charges | 223 | 338 |
| Net derivative instruments | 142 | 33 |
| Tax losses | 75 | 124 |
| Other | 41 | 17 |
| | 1 273 | 1 021 |

There are no taxable temporary differences relating to investments in subsidiaries, investments in associates and joint ventures for which deferred tax liabilities have not been recognised.

# Notes to the consolidated annual financial statements (continued)

## 7. Tax (continued)

### 7.2 Deferred tax (continued)

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Estimated tax losses** | | |
| Unused tax losses available for set-off against future taxable income | 1 755 | 1 920 |
| Deferred tax asset recognised in respect of such losses | (267) | (444) |
| **Remaining tax losses not recognised** | **1 488** | 1 476 |

Deferred tax assets on assessed losses are only recognised when it has been ascertained that there will be sufficient taxable profit in the future periods that will be available, based on approved budgets, against which the assessed losses can be utilised.

Refer to note 1.5 – Critical accounting judgements, estimates and assumptions for further details regarding the assessment of the recoverability of the deferred tax assets in respect of future taxable profits.

The remaining tax losses that are not recognised are as a result of uncertainty regarding the timing of the future taxable profits in the subsidiary where the losses were incurred.

## 8. Profit or loss

### 8.1 Revenue

Included in revenue are net invoiced sales to customers for:

- vehicles and parts;
- workshop and panelshop;
- maintenance, service and warranty contracts;
- rentals on vehicles for hire; and
- fees on vehicles, parts and services sold.

Where Motus acts as a principal, the total value of the transaction is included in revenue. Where Motus acts as an agent for the sale of vehicles, parts and value added products and is remunerated on a commission basis, the commission is included in fees received from goods and services.

In accordance with IFRS 15, Motus recognises revenue from contracts with customers, being the consideration that Motus is entitled to in relation to the transfer of the goods and services, once the requirements of the five-step approach outlined below have been met:

- Identify the contract(s) with the customer.
- Identify the performance obligations in the contract(s).
- Determine the transaction price.
- The transaction price is allocated to the performance obligations of the contract.
- Revenue is recognised when the performance obligations are satisfied.

This means that revenue should be recognised either at a point in time or over time.

#### Revenue recognised at a point in time

Revenue where performance conditions are fulfilled at a point in time, is recognised as follows:

- Sales of vehicles – once the payment from the customer has been secured and the vehicle has been delivered;
- Sales of parts – once the parts have been delivered;
- Workshop and panelshop sales – when the work has been completed;
- Motor vehicle rental (short-term leases) – when the vehicle is returned and the total revenue value can be established;
- Motor vehicle rental (longer-term leases) – revenue is recognised based on the stage of completion on lease term, on the contractual rate per day;
- Fees on vehicles and parts sold – once payment from the customer has been secured and the vehicles and parts have been delivered; and
- Fees on value added products – when the sales contract is concluded.

#### Revenue recognised over a period of time

Revenue from vehicle maintenance, service and warranty plans is long term in nature (two to five years) and is recognised as the work is performed over the life of the plan (over time). Revenue is recognised when the vehicle is maintained, serviced or repaired in terms of the contract. Revenue recognised is the cost of the work done plus the estimated margin which is adjusted to cater for the cost of expected future expenditure based on historical trends and includes forecast inflationary adjustments on an annual basis, however, funds for which there are insufficient claims history are recognised in profit or loss to the extent of the claims cost incurred without any profits being attributed. At the end of the plan, any remaining profits are recognised in profit or loss. The balance of the unearned revenue is recognised in profit or loss on termination when the contract expires. The inputs are established by actuaries and agreed to by the Financial Services FRRC which has an independent Chairman who is an actuary.

Guaranteed buy-back arrangements where control has not transferred to the purchaser, is accounted for as a lease. These arrangements relate to vehicles rented to car rental operations. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Where there is a loss on the transaction, this is taken upfront to operating expenses which means no revenue is recognised.

There are no significant financing arrangements applicable to revenue from contracts with customers. Revenue recognised at a point in time have short payment terms, and revenue recognised over a period of time have the funds received in advance. Please refer to note 3.6 – Contract liabilities for further details on these.

# Notes to the consolidated annual financial statements (continued)

## 8. Profit or loss (continued)

### 8.1 Revenue (continued)

#### Returns and refunds

In general, it is not common to have returns and refunds, they mostly arise due to terms imposed by legislation (the Consumer Protection Act of South Africa being an example) as well as specific terms in contracts. Broadly the following is applicable per revenue type:

- Vehicles sold by Importers to external dealers can be returned due to damages or the incorrect vehicle having been supplied. There is a very short time limit for a refund on a returned vehicle.
- For vehicles sold (either as a principal or an agent) by retailers to external customers, vehicles are generally returned due to legislation. The dealership will repair the vehicle and in rare circumstances the vehicle can be returned with a substitution vehicle being delivered or a refund being made.
- For parts supplied, returns must be made within a short-term period with the undamaged parts in its original packaging. Either a substitution or a refund is done.

Refunds of vehicles and parts to customers are generally backed by a corresponding right of recovery from the OEM, the exception to this would be for used vehicles. The impact on profitability would be the margin made on the vehicle or part.

Returns on workshop and panelshop sales are unlikely. In rare circumstances a reduced price may be given to the customer.

Vehicle rental refunds are also unlikely due to the nature of the business. The vehicle is most likely to be substituted with a similar product without a refund being required.

It is rare there will be any returns on maintenance, service and warranty contracts, as these are sold with the underlying vehicle. Revenue is only recognised as costs are incurred through the payment to the dealer doing the work on our behalf.

Due to the nature of the revenue, as noted above, it is rare for refunds to be issued, and as such, no right of return liability has been required to be recognised.

#### Revenue by nature

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Sale of goods** | **64 347** | 70 003 |
| New motor vehicles sales | **32 979** | 36 708 |
| Used motor vehicles sales | **17 751** | 19 027 |
| Parts and other goods sales | **13 617** | 14 268 |
| **Rendering of services** | **9 070** | 9 708 |
| Vehicle workshop, maintenance, service and warranty | **5 166** | 5 435 |
| Motor vehicle rental | **2 139** | 2 564 |
| Fees on vehicles, parts and services sold[1] | **1 765** | 1 709 |
| **Total revenue** | **73 417** | 79 711 |
| **Split as follows between a point in time and over a period of time:** | | |
| Revenue recognised at a point in time | **72 139** | 78 475 |
| Revenue recognised over a period of time (maintenance, service and warranty of Financial Services) | **1 278** | 1 236 |

[1] *Included in fees received on vehicles, parts and services sold, is rental received from properties, in terms of IFRS 16.*

Revenue from Motus' associates and joint ventures and revenue between Group entities is disclosed in note 11.7 – Related parties.

Disclosure in terms of segments and geographic locations is included in the segmental statement of profit or loss.

## 8. Profit or loss (continued)

### 8.2 Net operating expenses

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Direct cost of sales | (59 006) | (63 158) |
| Auditors' remuneration | (45) | (40) |
| Dividend income | 462 | 496 |
| Fair value movements on preference share arrangements | (241) | (240) |
| Fair value adjustment on listed shares | (2) | (2) |
| Employee costs (including directors remuneration) | (6 181) | (6 371) |
| Contributions to retirement funds | (357) | (335) |
| Share-based equity costs charged to profit or loss | (95) | (116) |
| Net profit on derecognition of right-of-use assets and lease liabilities due to early termination of underlying leases | 18 | – |
| Loss on derecognition of right-of-use assets | (29) | – |
| Profit on derecognition of lease liabilities | 47 | – |
| Operating lease charges | (106) | (699) |
| Other operating expenses[1, 2] | (3 615) | (4 387) |
| **Total net operating expenses[2]** | **(69 168)** | (74 852) |

[1] *Other includes expenses relating to the operating of the Motus businesses, including vehicle expenses, marketing, telecommunication expenses, property related expenditure and IT costs.*

[2] *Both other operating expenses and total net operating expenses have both reduced in the prior year by R53 million. This is a result of the movement in expected credit losses now being disclosed on the face of the statement of profit or loss.*

### 8.3 Once-off share-based equity costs, once-off restructuring costs and other non-operating items

#### 8.3.1 Once-off share-based equity costs

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Issue of shares at a discount to a B-BBEE partner (Ukhamba)[1] | – | (141) |
| Modification of SARs on unbundling | – | (19) |
| | – | (160) |

[1] *The once-off costs of issuing unlisted deferred ordinary shares issued at a discount to their fair value to a B-BBEE partner (Ukhamba).*

#### 8.3.2 Once-off restructuring costs

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Once-off restructuring costs incurred as a result of the impact of COVID-19 | (186) | – |

These costs primarily relate to staff related costs incurred as a result of the outbreak of COVID-19, as well as the related lockdowns imposed with the aim of limiting the spread of the disease. These costs have been incurred to rationalise the businesses to meet the needs as required by the current and future expected economic landscape. Additional costs with relation to leases and other business closure related expenditure have also been included.

# Notes to the consolidated annual financial statements (continued)

## 8. Profit or loss (continued)

### 8.3 Once-off share-based equity costs, once-off restructuring costs and other non-operating costs (continued)

#### 8.3.3 Other non-operating costs

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Impairment of goodwill | (182) | (37) |
| Impairment of other intangible assets (distribution rights) | (107) | – |
| Profit on disposal of business | 4 | – |
| Derecognition of loans on deregistration of dormant companies | – | 36 |
| Profit on sale of associate | 31 | – |
| Reversal of/(impairment) of investments in associates and joint ventures | 22 | (72) |
| Impairment of asset classified as held-for-sale | – | (10) |
| Other non-operating items | – | 3 |
| **Total non-trading items** | **(232)** | **(80)** |
| Amortisation of intangible assets arising on business combinations[1] | (12) | (17) |
| Gain on derecognition of financial instruments | 10 | – |
| Business acquisition costs | (8) | (7) |
| **Total** | **(242)** | **(104)** |

[1] *Amortisation of intangible assets arising on business combinations was previously disclosed on the face of the statement of profit or loss, this re-presentation was to further aggregate all non-core operational items.*

### 8.4 Finance cost and finance income

| Finance cost | 2020 Rm | 2019 Rm |
|---|---|---|
| Finance costs on facilities, including floorplans from financial institutions | (927) | (789) |
| Finance costs on lease liabilities | (175) | – |
| Fair value loss on interest rate swaps | (73) | (42) |
| **Total** | **(1 175)** | **831)** |
| Refer to note 6.1 – Interest-bearing debt, for further details on the underlying debt instruments. | | |
| **Reconciliation to finance cost paid** | | |
| Total finance cost as per above | (1 175) | (831) |
| *Less:* Fair value adjustments on interest rate swaps | 73 | 42 |
| *Less:* Movement in interest accruals | 35 | 24 |
| **Finance costs paid** | **(1 067)** | **(765)** |
| **Finance income** | | |
| Finance income earned on cash resources | 36 | 57 |
| Interest earned on net investment in lease receivables | 23 | – |
| **Total** | **59** | **57** |

Refer to note 6.2 – Cash resources, for further details of the cash resources and note 4.2 – Net investment in lease receivables, for further details on the net investment in lease receivables.

## 8. Profit or loss (continued)

### 8.5 Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to owners of Motus by the weighted average number of ordinary shares in issue during the year, net of shares repurchased and the Group's share of an associate's (Ukhamba) holding in Motus shares.

#### Headline earnings per share

The presentation of headline earnings per share is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 1/2019 – Headline Earnings, as issued by the South African Institute of Chartered Accountants (SAICA).

#### Diluted earnings per share

For diluted earnings per share, the weighted average number of ordinary shares in issue, net of shares repurchased and our share of an associate's (Ukhamba) holding in Motus shares, is adjusted for the dilutive effect of potential ordinary shares under the share incentive schemes and Ukhamba's obligation to deliver shares. Potential ordinary shares are treated as dilutive when they are expected to be issued and would decrease basic earnings per share. The effect of anti-dilutive potential ordinary shares is excluded from the calculation of diluted earnings per share. No adjustments were made to reported earnings attributable to shareholders in the computation of diluted earnings per share.

#### Normalised earnings per share

Normalised earnings per share is a non-IFRS measure and is calculated by dividing the net profit attributable to owners of Motus adjusting for the once-off effects of the share-based equity costs that have no cash flow effect by the weighted average number of ordinary shares in issue during the year. Normalised headline earnings per share is calculated by dividing the headline earnings adjusting for the once-off effects of the share-based equity costs that have no cash flow effect by the weighted average number of ordinary shares.

The prior year normalised earnings per share and headline earnings per share was impacted by the once-off share-based equity costs. The current year was not impacted by a similar transaction and therefore normalised earnings per share and headline earnings per share for the current year is not presented.

#### Earnings and headline earnings for basic and diluted earnings per share

The profit used in the calculation of basic earnings per share is as follows:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Profit attributable to the owners of Motus for basic earnings | 306 | 1 868 |
| Headline earnings (see reconciliation below) | 550 | 1 977 |
| Normalised earnings (see reconciliation below) | | 2 028 |
| Normalised headline earnings (see reconciliation below) | | 2 137 |

| | Millions | Millions |
|---|---|---|
| **Weighted average number of ordinary shares** | | |
| The weighted average number of ordinary shares used in the calculations is as follows: | | |
| Weighted average number of ordinary shares for basic | 186 | 196 |
| Weighted average number of ordinary shares for diluted | 191 | 201 |
| **Reconciliation of weighted average number shares to diluted number of shares** | | |
| **Weighted average number of ordinary shares** | 186 | 196 |
| Ordinary shares pledged to Investec via Ukhamba | 5 | 4 |
| Potential issue of shares to settle share-scheme obligations | – | 1 |
| **Weighted average number of diluted shares** | 191 | 201 |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | 165 | 953 |
| Diluted basic earnings per share | 160 | 929 |
| Normalised earnings per share | | 1 035 |
| Headline earnings per share | 296 | 1 009 |
| Diluted headline earnings per share | 288 | 984 |
| Normalised headline earnings per share | | 1 090 |

## 8. Profit or loss (continued)

### 8.5 Earnings per share (continued)

**Headline earnings**

Headline earnings is determined as follows:

| | Before tax Rm | Tax and NCI Rm | 2020 Rm | 2019 Rm |
|---|---|---|---|---|
| **Earnings used in the calculation of basic earnings per share** | | | **306** | 1 868 |
| Adjusted for: | | | | |
| – Impairment of goodwill (IAS 36) | **182** | **(17)** | **165** | 37 |
| – Impairment of other intangible assets (distribution rights) (IAS 36) | **107** | **(43)** | **64** | – |
| – Impairment of intangible assets (IAS 36) | **17** | **(5)** | **12** | – |
| – Loss on disposal of intangible assets (IAS 38) | **2** | **(1)** | **1** | 9 |
| – (Reversal of)/impairment of investments in associates and joint ventures (IAS 28) | **(22)** | **–** | **(22)** | 72 |
| – Impairment of property, plant and equipment (IAS 36) | **102** | **(16)** | **86** | 16 |
| – Profit on disposal of property, plant and equipment (IAS 16) | **(44)** | **3** | **(41)** | (32) |
| – Impairment of right-of-use assets (IAS 36) | **14** | **(4)** | **10** | – |
| – Impairment of vehicles for hire | **2** | **(1)** | **1** | – |
| – Impairment of assets classified as held-for-sale (IFRS 5) | **–** | **–** | **–** | 10 |
| – Profit on disposal of businesses and associates | **(35)** | **1** | **(34)** | (3) |
| – Adjustments included in result of associates and joint ventures | **2** | **–** | **2** | – |
| **Headline earnings** | | | **550** | 1 977 |

| | Before tax Rm | Tax and NCI Rm | Earnings Rm | Headline earnings Rm |
|---|---|---|---|---|
| Adjusted for: | | | 1 868 | 1 977 |
| Issue of shares at a discount to a B-BBEE partner (Ukhamba) and modification of SARs | 160 | – | 160 | 160 |
| **Normalised basic and headline earnings** | | | 2 028 | 2 137 |

| Net asset value per share | 2020 | 2019 |
|---|---|---|
| Equity attributable to owners of Motus (Rm) | **12 508** | 11 875 |
| Shares in issue net of shares repurchased (million) | **188** | 192 |
| Net asset value (NAV) per ordinary share (cents) | **6 653** | 6 185 |
| Tangible net asset value (TNAV) per ordinary share (cents) | **5 764** | 5 522 |

## 9. Cash flows

### 9.1 Cash generated by operations before interest, tax paid and capital expenditure on vehicles for hire

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Profit before net financing costs** | **1 635** | 3 357 |
| Adjusted for: | | |
| Depreciation, amortisation, impairments and recoupments | **1 946** | 1 186 |
| Impairment of properties, net of profit/(loss) on sale | **60** | (15) |
| Profit on derecognition of right-of-use assets and lease liabilities on termination of lease contracts | **(18)** | – |
| Impairment of right-of-use assets due to restructuring | **14** | – |
| Impairment of plant and equipment due to restructuring | **1** | – |
| Impairment of goodwill | **182** | 37 |
| Impairment of other intangible assets (distribution rights) | **107** | – |
| Derecognition of loans on deregistration of dormant companies | **–** | (36) |
| (Reversal of)/impairment of investments in associates and joint ventures | **(22)** | 72 |
| Profit on disposal of businesses | **(4)** | (1) |
| Profit on disposal of investments in associates and joint ventures | **(31)** | – |
| Amortisation of intangible assets arising on business combinations | **12** | 17 |
| Gain on derecognition of financial instruments | **(10)** | – |
| Impairment of asset classified as held-for-sale | **–** | 10 |
| Dividend income | **(462)** | (496) |
| Unrealised gains on preference share arrangements | **241** | 240 |
| Fair value adjustment on listed investments | **2** | 2 |
| Recognition of share-based payment expenses costs | **95** | 276 |
| Costs paid on share-based equity | **(1)** | – |
| Foreign exchange losses | **13** | 14 |
| Net movement in contract liabilities | **(21)** | 52 |
| Net movement in provisions | **49** | 104 |
| **Cash generated by operations before changes in working capital** | **3 788** | 4 819 |
| **Movements in working capital** | **333** | (636) |
| Decrease/(increase) in inventories | **1 181** | (3 198) |
| Decrease/(increase) in trade and other receivables | **1 489** | (38) |
| Decrease in derivative financial assets | **102** | 374 |
| (Decrease)/increase in trade and other payables | **(2 430)** | 2 494 |
| Decrease in derivative financial liabilities | **(9)** | (268) |
| **Cash generated by operations before interest, tax paid and capital expenditure on vehicles for hire** | **4 121** | 4 183 |

# Notes to the consolidated annual financial statements (continued)

## 9. Cash flows (continued)

### 9.2 Capital expenditure

In the current year, net capital expenditure incurred in investing activities amounted to R324 million (2019: R592 million). During the year, proceeds were received from disposals of R180 million (2019: R306 million).

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Replacement capital expenditure** | | |
| Property, plant and equipment | (313) | (444) |
| Investment properties | (1) | – |
| Intangible assets | (23) | (13) |
| **Total** | (337) | (457) |
| **Proceeds from disposals** | | |
| Property, plant and equipment | 180 | 302 |
| Intangible assets | – | 4 |
| **Total** | 180 | 306 |
| **Net replacement capital expenditure** | | |
| Property, plant and equipment | (133) | (142) |
| Investment properties | (1) | 4 |
| Intangible assets | (23) | (9) |
| **Total** | (157) | (151) |
| **Expansion capital expenditure** | | |
| Property, plant and equipment | (151) | (408) |
| Intangible assets | (16) | (33) |
| **Total** | (167) | (441) |
| **Total net capital expenditure** | | |
| Property, plant and equipment | (284) | (550) |
| Investment properties | (1) | – |
| Intangible assets | (39) | (42) |
| **Total** | (324) | (592) |

The above table does not include vehicles for hire, which are treated in operating cash flows and is disclosed in note 3.4 – Vehicles for hire.

Details on future capital commitments are provided for in note 10.2 – Capital expenditure commitments.

## 10. Leases, commitments and contingencies

### 10.1 Short-term and low value leases

Motus has entered into various lease agreements on properties, plant and equipment and motor vehicles that fall into the category of short-term leases and those that are low value assets under R100 000:

- Leases on properties would include those that are short-term leases. Rental escalations on properties vary between 0% and 8% per annum.
- Leases on motor vehicles are generally short-term leases.
- Leases on plant and equipment are contracted for periods between one and five years with rental escalations varying from no escalations to 4% per annum. These are included as they are low value leases.

Lease charges incurred during the year amounted to:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Property | 69 | 652 |
| Plant and equipment | 19 | 24 |
| Motor vehicles | 18 | 23 |
| **Total lease charges** | **106** | 699 |
| **Allocation of lease expenses between short-term and low value:** | | |
| Expenses relating to short-term leases (less than 12 months) | 103 | – |
| Expenses relating to leases of low value assets (less than R100 000) | 3 | – |
| | 106 | – |

There are no lease charges contingent upon turnover in terms of short-term and low value leases.

At 30 June 2020 future non-cancellable minimum lease rentals are payable during the following financial years:

| | More than five years Rm | One to five years Rm | Less than one year Rm | 2020 Rm | 2019 Rm |
|---|---|---|---|---|---|
| **Operating lease payables** | | | | | |
| Property | – | 2 | 13 | 15 | 2 557 |
| Plant and equipment | – | 6 | 6 | 12 | 19 |
| Vehicles | – | – | 8 | 8 | 195 |
| | – | 8 | 27 | 35 | 2 771 |
| **Operating lease receivables** | | | | | |
| Property | – | 22 | 19 | 41 | 300 |
| | – | 22 | 19 | 41 | 300 |

Refer to note 1.8 – Adoption of new standards issued and effective for the impact the application of IFRS 16 had on the short-term and low value lease and on the future operating lease commitments.

# Notes to the consolidated annual financial statements (continued)

## 10. Leases, commitments and contingencies (continued)

### 10.2 Capital expenditure commitments

The commitments are substantially for the construction of buildings to be used by Motus, which will be financed from proceeds from disposals and existing facilities.

Capital commitments exclude vehicles for hire as these are short-term in nature and are treated as operating assets.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Contracted | 45 | 95 |
| Authorised by directors but not contracted | 56 | 159 |
| **Total capital expenditure commitments** | 101 | 254 |

### 10.3 Contingent liabilities

Motus does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is raised.

#### Financial guarantees

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Letters of credit | 1 473 | 2 940 |
| Guarantees | 862 | 839 |
| | 2 335 | 3 779 |

The letters of credit and guarantees issued by banks on behalf of Motus to suppliers have corresponding guarantees by Motus to the banks. The letters of credit relate to commitments to foreign suppliers for the purchase of inventory.

There are no financial guarantee contracts in place that require recognition in the statement of financial position.

#### Litigation

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Subsidiary companies have received summons for claims. The Group and its legal advisers believe that these claims are unlikely to succeed. | 22 | 23 |

Except for the above claims, there is no current or pending litigation that is considered likely to have a material adverse effect on Motus.

## 11. Our people

### 11.1 Directors' remuneration and prescribed officers

| R000 | Salary | Bonus | Retirement and medical con-tributions | Other benefits | Directors' fees paid by company | **Total 2020** | Total 2019 | **Expected value of long-term incentive awards made in 2020[1]** | Expected value of long-term incentive awards made in 2019[1] |
|---|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | | |
| OS Arbee | 9 746 | 8 348 | 468 | 386 | – | **18 948** | 23 119 | **11 130** | 40 600 |
| OJ Janse Van Rensburg | 5 027 | 4 350 | 412 | 169 | – | **9 958** | 13 772 | **5 800** | 23 000 |
| KA Cassel[2] | 4 076 | 3 000 | 385 | 248 | – | **7 709** | 8 747 | **4 900** | 15 650 |
| **Total executive directors** | 18 849 | 15 698 | 1 265 | 803 | – | **36 615** | 45 638 | **21 830** | 79 250 |
| **Non-executive directors** | | | | | | | | | |
| GW Dempster | – | – | – | – | 1 914 | **1 914** | 1 147 | **–** | – |
| A Tugendhaft | – | – | – | – | 1 229 | **1 229** | 752 | **–** | – |
| P Langeni | – | – | – | – | 518 | **518** | 439 | **–** | – |
| S Mayet | – | – | – | – | 977 | **977** | 564 | **–** | – |
| KR Moloko | – | – | – | – | 598 | **598** | 345 | **–** | – |
| MJ Njeke | – | – | – | – | 854 | **854** | 412 | **–** | – |
| T Skweyiya | – | – | – | – | – | **–** | 39 | **–** | – |
| RJA Sparks | – | – | – | – | – | **–** | 39 | **–** | – |
| **Total non-executive directors** | – | – | – | – | 6 090 | **6 090** | 3 737 | **–** | – |
| **Prescribed officers** | | | | | | | | | |
| P Michaux | – | – | – | – | – | **–** | 10 375 | **–** | – |
| C Venter | 3 432 | 2 150 | 453 | 242 | – | **6 277** | 6 386 | **3 010** | 12 240 |
| NW Lynch[3] | 2 745 | 2 500 | 419 | 255 | – | **5 919** | – | **2 485** | – |
| JK Jefferies[3] | 1 847 | 715 | 168 | 183 | – | **2 913** | – | **770** | – |
| **Total prescribed officers** | 8 024 | 5 365 | 1 040 | 680 | – | **15 109** | 16 761 | **6 265** | 12 240 |

*[1] This is a future expected value over a period of three and four years and subject to certain performance obligations being met.*
*[2] Appointed as a director on 1 July 2019, prior year disclosure has been adjusted as a result between executive directors and prescribed officers.*
*[3] Appointed as prescribed officers in the current year.*

#### Remuneration paid by Imperial in the prior year

In recognition of the significant additional work and input required to achieve the portfolio rationalisation, group-wide restructuring and successful unbundling of Motus from Imperial in the prior year, the board and the remuneration committee of Imperial had resolved to pay special incentives to OS Arbee and OJ Janse Van Rensburg of R3 million each. These payments are not included in the above.

### 11.2 Share appreciation rights

The selected participants receive annual grants of SARs, which are conditional rights to receive shares equal to the difference between the exercise price and the grant price. The SARs in existence prior to the unbundling from Imperial will be settled in the shares of Motus only. Vesting of rights is subject to performance conditions being met and participants remaining employed with Motus for the vesting period. These performance conditions will be based on the combined values of both Imperial and Motus. The value created will need to be settled in shares compared to the combined share prices of Imperial and Motus to the original strike price. For grants from November 2018 onward, the value is based solely on the Motus share price.

# Notes to the consolidated annual financial statements (continued)

## 11. Our people (continued)

### 11.2 Share appreciation rights (continued)

The fair values for the share-based payment expense is calculated using a Black-Scholes pricing model. The inputs into the model are established at the grant dates, which have not subsequently changed, were as follows:

| Share appreciation rights | Motus only 2020 | 2019 | Motus and Imperial combined 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Volatility (%) | **34,30** | 29,00 | 35,60 | 34,00 | 32,00 | 28,41 |
| Weighted average share price (Rand) | **72,05** | 89,67 | 152,65 | 127,77 | 174,65 | 193,77 |
| Weighted average exercise price (Rand) | **72,05** | 89,67 | 152,65 | 127,77 | 174,65 | 193,77 |
| Weighted average fair value (Rand) | **17,31** | 22,10 | 44,25 | 39,08 | 48,76 | 46,67 |
| Expected life (years) | **4,27** | 4,27 | 4,30 | 4,39 | 4,27 | 4,28 |
| Average risk-free rate (%) | **7,22** | 8,20 | 7,59 | 8,75 | 7,47 | 7,75 |
| Expected dividend yield (%) | **5,50** | 4,50 | 4,00 | 3,75 | 3,50 | 4,34 |

** No SARs were issued during 2018.*

The volatilities were determined by calculating the historical volatility of Motus' and Imperial's share price over the previous three years. The expected life is determined by the rules of the schemes which dictate the final expiry date.

Details of rights by year of grant

| | 2020 Remaining number of rights | 2020 Average exercise price Rand | 2019 Remaining number of rights | 2019 Average exercise price Rand | Vesting date | Expiry date |
|---|---|---|---|---|---|---|
| **Historical Imperial Share Scheme** | | | | | | |
| June 2013 | **–** | **–** | 392 844 | 195,20 | Vested | June 2020 |
| June 2014 | **341 555** | **193,77** | 382 790 | 193,77 | Vested | June 2021 |
| October 2015 | **1 086 462** | **174,65** | 1 224 404 | 174,65 | Vested | June 2022 |
| May 2016 | **1 712 531** | **127,77** | 2 389 453 | 127,77 | September 2019 | June 2021 |
| June 2017 | **2 329 646** | **152,65** | 2 615 333 | 152,65 | September 2020 | June 2022 |
| | **5 470 194** | **151,80** | 7 004 824 | 152,64 | | |
| **Motus Share Scheme** | | | | | | |
| November 2018 | **3 042 383** | **89,67** | 3 449 620 | 89,67 | September 2021 | June 2023 |
| September 2019 | **3 605 308** | **72,05** | – | – | September 2022 | June 2024 |
| | **6 647 691** | **80,11** | 3 449 620 | 89,67 | | |
| **Total unexercised rights at the end of the year** | **12 117 885** | **112,47** | 10 454 444 | 131,86 | | |

## 11. Our people (continued)

### 11.2 Share appreciation rights (continued)

Movement in number of rights

| | 2020 Number of rights | 2020 Weighted average exercise price Rand | 2019 Number of rights | 2019 Weighted average exercise price Rand |
|---|---|---|---|---|
| **Historical Imperial Share Scheme** | | | | |
| Rights granted at beginning of year | **7 004 824** | **152,64** | 6 829 538 | 153,79 |
| – Rights transferred from Imperial | **–** | **–** | 605 921 | 152,70 |
| – Exercised during the year | **(162 787)** | **127,77** | – | – |
| – Forfeited during the year | **(1 371 843)** | **158,96** | (430 635) | 170,96 |
| **Unexercised rights at end of year** | **5 470 194** | **151,80** | 7 004 824 | 152,64 |
| **Motus Share Scheme** | | | | |
| **Rights granted at beginning of year** | **3 449 620** | **89,67** | – | – |
| – Allocated during the year | **3 746 041** | **72,05** | 3 449 620 | 89,67 |
| – Forfeited during the year | **(547 970)** | **85,19** | – | – |
| **Unexercised rights at end of year** | **6 647 691** | **80,11** | 3 449 620 | 89,67 |
| **Unexercised rights at end of year** | **12 117 885** | **112,47** | 10 454 444 | 131,86 |

The SARs for executive directors and prescribed officers are set out below:

| | Allocation date | Price on allocation date R | Vesting date | Expiry date | Number of rights | Number of rights allocated | Number of rights forfeited | Number of rights exercised | Number of rights remaining[1] |
|---|---|---|---|---|---|---|---|---|---|
| **Executive director** | | | | | | | | | |
| OS Arbee | 15 Jun 13 | 195,20 | 15 Sep 16 | 10 Jun 20 | 49 986 | – | (49 986) | – | – |
| OJ Janse van Rensburg | 06 Oct 15 | 174,65 | 18 Sep 18 | 23 Jun 22 | 32 900 | – | – | – | 32 900 |
| | 18 May 16 | 127,77 | 16 Sep 19 | 30 Jun 21 | 57 975 | – | (7 097) | – | 50 878 |
| | 21 Jun 17 | 152,65 | 16 Sep 20 | 30 Jun 22 | 91 188 | – | – | – | 91 188 |
| KA Cassel | 06 Oct 15 | 174,65 | 18 Sep 18 | 23 Jun 22 | 20 576 | – | – | – | 20 576 |
| | 18 May 16 | 127,77 | 16 Sep 19 | 30 Jun 21 | 87 230 | – | (10 677) | – | 76 553 |
| | 21 Jun 17 | 152,65 | 16 Sep 20 | 30 Jun 22 | 125 352 | – | – | – | 125 352 |
| | 30 Nov 18 | 89,67 | 15 Sep 21 | 30 Jun 23 | 182 450 | – | – | – | 182 450 |

## 11. Our people (continued)

### 11.2 Share appreciation rights (continued)

| | Allocation date | Price on allocation date R | Vesting date | Expiry date | Number of rights* | Number of rights allocated | Number of rights forfeited | Number of rights exercised | Number of rights remaining[1] |
|---|---|---|---|---|---|---|---|---|---|
| **Prescribed officers** | | | | | | | | | |
| C Venter | 06 Oct 15 | 174,65 | 18 Sep 18 | 23 Jun 22 | 26 808 | – | – | – | 26 808 |
| | 18 May 16 | 127,77 | 16 Sep 19 | 30 Jun 21 | 48 801 | – | (5 974) | – | 42 827 |
| | 21 Jun 17 | 152,65 | 16 Sep 20 | 30 Jun 22 | 54 260 | – | – | – | 54 260 |
| | 30 Nov 18 | 89,67 | 15 Sep 21 | 30 Jun 23 | 74 138 | – | – | – | 74 138 |
| | 04 Sep 19 | 72,05 | 15 Sep 22 | 30 Jun 24 | – | 120 070 | – | – | 120 070 |
| NW Lynch | 06 Oct 15 | 174,65 | 18 Sep 18 | 23 Jun 22 | 19 829 | – | – | – | 19 829 |
| | 18 May 16 | 127,77 | 16 Sep 19 | 30 Jun 21 | 47 880 | – | (5 861) | – | 42 019 |
| | 21 Jun 17 | 152,65 | 16 Sep 20 | 30 Jun 22 | 50 461 | – | – | – | 50 461 |
| | 30 Nov 18 | 89,67 | 15 Sep 21 | 30 Jun 23 | 74 138 | – | – | – | 74 138 |
| | 04 Sep 19 | 72,05 | 15 Sep 22 | 30 Jun 24 | – | 99 127 | – | – | 99 127 |
| JK Jefferies | 30 Nov 18 | 89,67 | 15 Sep 21 | 30 Jun 23 | 33 933 | – | – | – | 33 933 |
| | 04 Sep 19 | 72,05 | 15 Sep 22 | 30 Jun 24 | – | 53 752 | – | – | 53 752 |

[1] *The number of rights that will eventually vest is subject to the achievement of performance conditions linked to core earnings per share targets relative to a peer group of 20 JSE listed companies and ROIC targets relative to WACC. The rights vested could be fewer than the number granted.*

Net gains on SARs and deferred bonus plans.

| | 2020 R'000 | 2019 R'000 |
|---|---|---|
| OS Arbee | **7 049** | 6 494 |
| OJ Janse van Rensburg | **708** | 584 |
| PB Michaux | **–** | 5 106 |
| KA Cassel | **–** | 89 |
| NW Lynch | **584** | – |
| | **8 341** | 12 273 |

## 11. Our people (continued)

### 11.3 Deferred bonus plan

These rights entitle participants to invest in Imperial and Motus shares which, if held for three years, will be matched by Motus on a one-for-one basis by the allocation of an equal number of Imperial and Motus shares for no consideration.

The fair values for the share-based payment expense is calculated using a Black-Scholes pricing model. The inputs into the model established at the grant dates, and which have not changed, were as follows:

| | 2019 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Volatility (%) | 29,00 | 35,60 | 34,00 | 32,00 |
| Weighted average share price (Rand) | 89,67 | 152,65 | 127,77 | 174,65 |
| Weighted average fair value (Rand) | 77,60 | 134,09 | 112,76 | 156,08 |
| Expected life (years) | 3,21 | 3,20 | 3,30 | 3,20 |
| Average risk-free rate (%) | 8,20 | 7,60 | 8,80 | 7,50 |
| Expected dividend yield (%) | 4,50 | 4,00 | 3,80 | 3,50 |

No deferred bonus plans were issued in 2020 and 2018.

There is no weighted average exercise price on the deferred bonus plans.

The volatilities were determined by calculating the historical volatility of Imperial's share price over the previous three years. The expected life is determined by the rules of the schemes which dictate the final expiry date.

#### Details of rights taken up that will vest by year of grant

| | Expiry date | Remaining number of rights 2020 | Remaining number of rights 2019 |
|---|---|---|---|
| **Rights taken up** | | | |
| September 2016 | **September 2019** | **–** | 205 110 |
| September 2017 | **September 2020** | **164 877** | 168 474 |
| November 2018 | **September 2021** | **240 097** | 243 397 |
| **Total unexercised rights at the end of the year** | | **404 974** | 616 981 |

#### Movement in the number of rights granted

| | Number of rights 2020 | Number of rights 2019 |
|---|---|---|
| **Rights granted at beginning of the year** | **616 981** | 482 458 |
| – Transferred from Imperial | **–** | 18 470 |
| – Allocated during the year | **–** | 243 397 |
| – Exercised during the year | **(207 855)** | (127 344) |
| – Forfeited during the year | **(4 152)** | – |
| **Unexercised rights at end of the year** | **404 974** | 616 981 |

# Notes to the consolidated annual financial statements (continued)

## 11. Our people (continued)

### 11.3 Deferred bonus plan (continued)

The deferred bonus plans for executive directors and prescribed officers are set out below.

| | Allocation date | Vesting date | Number of shares committed to the plan | Vested during the year | Balance remaining |
|---|---|---|---|---|---|
| **Executive director** | | | | | |
| OS Arbee | 18 May 16 | 16 Sep 19 | 54 003 | (54 003) | – |
| | 21 Jun 17 | 16 Sep 20 | 62 234 | – | 62 234 |
| | 30 Nov 18 | 16 Sep 21 | 118 211 | – | 118 211 |
| OJ Janse van Rensburg | 18 May 16 | 16 Sep 19 | 5 421 | (5 421) | – |
| | 21 Jun 17 | 16 Sep 20 | 7 959 | – | 7 959 |
| | 30 Nov 18 | 16 Sep 21 | 61 336 | – | 61 336 |
| **Prescribed officers** | | | | | |
| P Michaux | 18 May 16 | 16 Sep 19 | 43 046 | (43 046) | – |
| | 21 Jun 17 | 16 Sep 20 | 39 306 | – | 39 306 |
| C Venter | 21 Jun 17 | 16 Sep 20 | 4 367 | – | 4 367 |
| | 30 Nov 18 | 16 Sep 21 | 10 706 | – | 10 706 |
| NW Lynch | 18 May 16 | 16 Sep 19 | 4 477 | (4 477) | – |
| | 21 Jun 17 | 16 Sep 20 | 3 834 | – | 3 834 |
| | 30 Nov 18 | 16 Sep 21 | 10 706 | – | 10 706 |

Net gains or losses on rights is included in note 11.2 – Share appreciation rights.

## 11. Our people (continued)

### 11.4 Conditional share plan

Employees receive grants of conditional share plan awards (CSPs) and the vesting is subject to performance conditions. The performance conditions for the CSP are based on performance targets set by the board. The current performance conditions applicable to annual CSP allocations are the same as those used in respect of SARs. CSPs are only awarded to the most senior employees and replace annual DBP allocations from 1 July 2019.

The fair values for the share-based payment expense is calculated using a Black-Scholes pricing model. The inputs into the model established at the grant dates, and which have not changed, were as follows:

| | 2020 | 2019 |
|---|---|---|
| Volatility (%) | **34,30** | 29,00 |
| Weighted average share price (Rand) | **72,05** | 89,67 |
| Weighted average fair value (Rand) | **57,15** | 77,60 |
| Expected life (years) | **4,21** | 3,21 |
| Average risk-free rate (%) | **7,22** | 8,20 |
| Expected dividend yield (%) | **5,50** | 4,50 |

There is no weighted average exercise price on the conditional share plans.

The volatilities were determined by calculating the historical volatility of Imperial's share price over the previous three years.

The expected life is determined by the rules of the schemes which dictate the final expiry date.

The following CSPs were granted to the directors and prescribed officers:

| | Date of grant | Conditional awards | Vesting date | Forfeited | Vested during the year | Balance |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| OS Arbee | 30 Nov 18 | 133 824 | 15 Sep 21 | – | – | 133 824 |
| | 30 Nov 18 | 200 736 | 15 Sep 22 | – | – | 200 736 |
| | 04 Sep 19 | 205 968 | 15 Sep 22 | – | – | 205 968 |
| OJ Janse van Rensburg | 30 Nov 18 | 78 064 | 15 Sep 21 | – | – | 78 064 |
| | 30 Nov 18 | 117 096 | 15 Sep 22 | – | – | 117 096 |
| | 04 Sep 19 | 107 333 | 15 Sep 22 | – | – | 107 333 |
| KA Cassel | 30 Nov 18 | 55 760 | 15 Sep 21 | – | – | 55 760 |
| | 30 Nov 18 | 83 640 | 15 Sep 22 | – | – | 83 640 |
| | 04 Sep 19 | 90 678 | 15 Sep 22 | – | – | 90 678 |
| **Prescribed officers** | | | | | | |
| C Venter | 30 Nov 18 | 44 608 | 15 Sep 21 | – | – | 44 608 |
| | 30 Nov 18 | 66 912 | 15 Sep 22 | – | – | 66 912 |
| | 04 Sep 19 | 23 872 | 15 Sep 22 | – | – | 23 872 |
| NW Lynch | 30 Nov 18 | 44 608 | 15 Sep 21 | – | – | 44 608 |
| | 30 Nov 18 | 66 912 | 15 Sep 22 | – | – | 66 912 |
| | 04 Sep 19 | 19 709 | 15 Sep 22 | – | – | 19 709 |

# Notes to the consolidated annual financial statements (continued)

## 11. Our people (continued)

### 11.5 Directors' and prescribed officers' interest in shares

The beneficial and non-beneficial interests of directors and prescribed officers in the ordinary shares of Motus were:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Beneficial Number of shares** | **Non-beneficial Number of shares** | Beneficial Number of shares | Non-beneficial Number of shares |
| **Executive directors** | | | | |
| OS Arbee | **296 451** | **–** | 234 448 | – |
| OJ Janse van Rensburg | **100 137** | **–** | 74 716 | – |
| KA Cassel | **694** | **–** | 744 | – |
| **Non-executive directors** | | | | |
| A Tugendhaft | **15 000** | **–** | – | – |
| G Dempster | **99** | **–** | 99 | – |
| **Prescribed officers** | | | | |
| C Venter | **15 073** | **–** | 15 073 | – |
| NW Lynch | **7 885 614** | **–** | | |
| JK Jefferies | **61** | **–** | | |
| | **8 313 129** | **–** | 325 080 | – |

All shares disclosed are beneficial shares directly held by directors or their family trusts.

There has been no change in the directors and prescribed officers' interest in shares between the end of the financial year and to the date of approval of the annual financial statements.

### 11.6 Key management

Key management personnel are directors and executives having authority and responsibility for planning, directing and controlling the activities of Motus. Directors of Motus and certain senior management personnel have been classified as key management personnel.

Remuneration paid to key management personnel is as follows:

| | **2020 Rm** | 2019 Rm |
|---|---|---|
| Salaries and allowances | **41** | 51 |
| Bonuses | **29** | 56 |
| Company contributions | **4** | 5 |
| Share-based expenses | **50** | 57 |
| Other benefits | **1** | 1 |
| | **125** | 170 |
| **Number of key management personnel** | **11** | 14 |
| **Net gains on share options and cash retention bonuses** | **11** | 14 |

Details relating to the remuneration of executive and non-executive directors and prescribed officers, as well as information pertaining to directors and prescribed officers' interest in the stated capital of the company, share options outstanding and benefits in terms of share options exercised, are disclosed in note 11.2 – Share appreciation rights to 11.5 – Directors and prescribed officers' interest in shares.

Motus has many different operations where Motus' personnel may be transacting. Transactions entered into during the year with key management personnel were on terms and conditions no more favourable than those available to other employees, customers or suppliers and include transactions in respect of the employee option plans, contracts of employment and reimbursement of expenses, as well as other transactions. Key management are required to report any transactions with Motus in excess of R100 000.

## 11. Our people (continued)

### 11.6 Key management (continued)

The total value of the goods and services supplied to or from key management, on an arm's length basis amounted to:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Total value of the goods and services supplied to or from key management | 1 | 5 |

During 2020, Motus paid for services amounting to R5 million (2019: R3 million), on an arm's length basis to a firm of attorneys in which Mr A Tugendhaft has an interest.

### 11.7 Related parties

Subsidiaries, associates, joint ventures, Motus pension and provident funds, directors and prescribed officers are defined as key management and are considered to be related parties. Refer to note 11.6 – Key management for disclosure of transactions with key management personnel. During the year, the company and its subsidiaries, associates and joint ventures, in the ordinary course of business, entered into various sale and purchase transactions with each other including:

- Sale of new vehicles and parts between importers, dealerships and car rental.
- Servicing of vehicles under vehicle service and maintenance plans by the dealerships.
- Administration by Financial Services of the vehicle plans sold by the importers and dealerships.
- Administration fees, interest, dividends and rental income.

These transactions are eliminated on consolidation and, accordingly, are not disclosed below:

#### Revenues between Group entities

The following intra-group revenue has been eliminated:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Sale of goods | 5 811 | 8 938 |
| Rendering of services | 1 223 | 1 063 |
| **Total revenue** | 7 034 | 10 001 |

This relates to revenue between different legal entities within the Group. This differs from the segment report on the basis that revenue between two divisions may occur across two different segments, examples include an importer selling goods to one its owned dealerships, or a division in aftermarket parts selling goods to a dealership, where both entities form part of Motus Group Limited.

#### Subsidiaries

Details of interests in principal subsidiaries are disclosed in Annexure A – Interests in subsidiaries.

#### Transactions between Imperial and Motus up to the date of unbundling (30 October 2018)

All transactions with Imperial is treated as external from the beginning of the current financial year.

Below are transactions with Imperial in the prior year prior to unbundling, there were no loan accounts payable or receivable as at 30 June 2019:

| | 2019 Rm |
|---|---|
| Revenue earned from businesses in Imperial that do not form part of Motus | 183 |
| Interest incurred on the facilities advanced by Imperial and its subsidiaries and which has been included in finance costs | 167 |
| Included in operating expenses are administration fees paid to Imperial and its subsidiaries | 37 |
| Dividends paid to Imperial prior to the unbundling | 567 |
| Payments for services relating to treasury, tax and secretarial work performed, post-unbundling | 9 |

# Notes to the consolidated annual financial statements (continued)

## 11. Our people (continued)

### 11.7 Related parties (continued)

#### Interest of directors in contracts

The directors have confirmed that they had no interest in any transaction of any significance with Motus or any of its subsidiaries. Accordingly, a conflict of interest with regard to directors' interest in contracts does not exist.

#### Transactions with directors of subsidiaries

During 2020, Motus sold R103 million, (2019: R175 million) worth of goods and purchased R112 million (2019: R45 million) on arm's length basis from Mr. J Johnson, a director of a subsidiary of Motus. In addition, R24 million (2019: R26 million) was paid to Mr. J Johnson at an arm's length basis for rental of properties.

#### Unbundling from Imperial

As part of the final unbundling from Imperial in the prior year, the following was transferred from Imperial, resulting in common control:

| | Net asset value Rm |
|---|---|
| The treasury, finance and property divisions of Motus Group Limited that were transferred to Motus on unbundling | (9) |
| Acquisition of listed shares in Imperial to hedge share scheme obligations | 21 |
| **Common control reserve acquired as a result** | **12** |
| Acquisition of Motus Holdings Limited shares to hedge share scheme obligations and are included in shares repurchased | 195 |

#### Associates and joint ventures

Details of investments in associates and joint ventures that are material to Motus are disclosed in note 2.3 – Investments in associates and joint ventures.

The following intra-group revenue has been included in external revenue:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Sale of goods | 28 | 43 |
| Rendering of services | – | 15 |
| **Total** | **28** | 48 |

The following amounts are due to associates and are included in other financial liabilities:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Lereko Motors Proprietary Limited | 5 | 2 |
| Car Hire Brokers Proprietary Limited | 7 | 10 |
| **Total** | **12** | 12 |

## 11. Our people (continued)

### 11.7 Related parties (continued)

Shareholders

The top 10 shareholders of the company as at June 2020 are as follows:

| Shareholder | Number of shares 000 | % of issued voting capital |
|---|---|---|
| **Ordinary shares** | | |
| Public Investment Corporation (South Africa) | 23 936 | 12,05 |
| M&G Investment Management (United Kingdom) | 17 363 | 8,74 |
| Ukhamba Holdings (South Africa)[1] | 16 719 | 8,42 |
| Visio Capital Management (South Africa) | 10 979 | 5,53 |
| Fairtree Capital (South Africa) | 10 614 | 5,34 |
| Mr N W Lynch (South Africa) | 7 886 | 3,97 |
| Mr Manuel P De Canha (South Africa) | 6 454 | 3,25 |
| PSG Asset Management (South Africa) | 6 365 | 3,20 |
| Vanguard Group (United States of America) | 5 604 | 2,82 |
| Coronation Fund Managers (South Africa) | 4 883 | 2,46 |
| **Deferred ordinary shares** | | |
| Ukhamba Holdings (South Africa)[1] | 6 036 | 3,04 |

[1] *In total, Ukhamba Holdings owns 11,46% of the voting shares in the Motus.*

# Notes to the consolidated annual financial statements (continued)

## 12. Assets and liabilities classified as held-for-sale

Assets and liabilities held-for-sale includes assets and liabilities considered to be non-core. In the current year, the assets held-for-sale relate to dealership and importer properties. As part of the Motus strategy, all non-strategic properties will be disposed of. This disposal is expected to occur within the next 12 months and has therefore been classified as held-for-sale. The proceeds from disposal are expected to exceed or equal the net carrying amount of the assets.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Major classes of assets comprising the assets held-for-sale** | | |
| Property, plant and equipment | 146 | 182 |
| | 146 | 182 |
| **Major classes of liabilities directly associated with the assets held-for-sale** | | |
| Interest-bearing debt[1] | 21 | 19 |
| | 21 | 19 |

[1] *The interest-bearing debt relates to a property held-for-sale, which has a carrying amount of R45 million (2019: R38 million).*

The assets and liabilities held-for-sale arise from the following segments:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Import and Distribution | 38 | 51 |
| Retail and Rental | 63 | 93 |
| Head Office and Eliminations | 24 | 19 |
| | 125 | 163 |

## 13. Events after the reporting period

There were no material subsequent events that occurred from the year ended 30 June 2020 to the date of these consolidated and separate annual financial statements. Motus traded profitably in July and August 2020 and have sufficient banking facilities available to fund normal trading operations. Motus had an improvement in new and used vehicles sales for the months of July and August 2020 in comparison to the last quarter of the financial year. In addition, our parts and service businesses experienced an improved demand for our goods and services with the exception of our car rental business which is still being impacted by the restrictions on international travel and limited local travel activity.

## 14. New issued standards not yet effective

The following new and revised International Financial Reporting Standards that could have an impact on Motus' future annual financial statements.

The following will be effective for Motus in the 2021 financial year, Motus is still to assess the impact on the financial results.

- Amendments for references to Conceptual Framework.
- Amendments to IFRS 3 for the definition of a business.
- Amendments to IAS 1 and IAS 8 for the definition of material.
- Amendments to IFRS 9, IAS 39 and IFRS 7 with regards to interest rate benchmark reform.

The following will be effective for Motus in the 2022 financial year and beyond, Motus is still to assess the impact on the financial results.

- IFRS 17 – *Insurance Contracts* (2022 financial year).
- Amendments to IAS 1, classification of liabilities as current or non-current (2023 financial year).
- Amendments to IAS 16, property, plant and equipment, proceeds before intended use (2023 financial year).
- Annual improvements to IFRS 2018 to 2020 (2023 financial year).
- Amendments to IFRS 3, reference to the conceptual framework (2023 financial year).
- Amendments to IAS 37 – *Onerous Contracts* – the cost of fulfilling a contract (2023 financial year).
- Amendments to IFRS 10 and IAS 28, sale or contribution of assets between an investor and its associate or joint venture (2023 financial year).

The Group still applies IAS 39 – *Financial Instruments* for hedge accounting, until such time as the macro hedging project has been concluded. The principal difference in the two standards is the hedging documentation requirements. Under IFRS 9 there is greater detail required on the Group's risk management strategy and risk management objectives, the eligibility of more items that can be utilised as hedging instruments and determination and measurement of hedge effectiveness. Motus is still assessing the impact the application of IFRS 9 will have on the disclosures and other factors relating to hedge accounting.

The amendment to IFRS 16 – COVID-19-Related rent concessions have been early adopted, refer to note 1.8 – Adoption of new standards issued and effective.

Motus

# Separate annual financial statements

Notes included in the consolidated annual financial statements pertaining to related parties, going concern and subsequent events are applicable to the company financial statements.

## Contents

# Company statement of financial position

| as at 30 June 2020 | Note | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | 12 737 | 23 027 |
| Investments in subsidiaries | 2 | 12 737 | 23 027 |
| **Current assets** | | 12 | 14 |
| Loans due by affiliated companies | 3 | 12 | 14 |
| **Total assets** | | 12 749 | 23 041 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Stated capital | 5 | 22 672 | 22 985 |
| Retained (losses)/income | | (9 926) | 52 |
| **Total equity** | | 12 746 | 23 037 |
| **Current liabilities** | | 3 | 4 |
| Trade and other payables | 4.1 | 3 | 4 |
| **Total liabilities** | | 3 | 4 |
| **Total equity and liabilities** | | 12 749 | 23 041 |

# Company statement of comprehensive income

| for the year ended 30 June 2020 | Note | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **Revenue** | 7 | **827** | 1 024 |
| Net operating expenses | 8 | **(23)** | (22) |
| **Operating profit** | | **804** | 1 002 |
| Issue of shares at a discount to a B-BBEE partner (Ukhamba)[1] | | **–** | (141) |
| Impairment of investments in subsidiaries | 2 | **(10 290)** | – |
| **(Loss)/profit before tax** | | **(9 486)** | 861 |
| Income tax expense | 10 | **(1)** | – |
| **(Loss)/profit for the year and comprehensive (loss)/income for the year** | | **(9 487)** | 861 |

There have been no movements in other comprehensive (losses)/income in the current and prior year.

[1] *The once-off costs of issuing unlisted deferred ordinary shares issued at a discount to their fair value to a B-BBEE partner (Ukhamba).*

# Company statements of cash flows

| for the year ended 30 June 2020 | Note | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash paid to suppliers and employees | | (24) | (18) |
| **Cash utilised by operations before interest and dividends received** | 9 | (24) | (18) |
| Dividends received | | 827 | 994 |
| Taxation paid | 10 | (1) | – |
| **Cash generated by operations** | | 802 | 976 |
| **Cash flows from financing activities** | | | |
| Repurchase of own shares | | (313) | (540) |
| Dividends paid to Imperial | | – | (435) |
| Dividends paid | | (491) | (485) |
| Utilisation of inter-group loans | | 2 | 484 |
| | | (802) | (976) |
| **Net increase/(decrease) in cash and cash equivalents** | | – | – |
| Cash and cash equivalents at beginning of the year | | – | – |
| **Cash and cash equivalents at end of the year** | | – | – |

# Company statements of changes in equity

| for the year ended 30 June 2020 | Stated capital Rm | Share-based payment reserve Rm | Retained (losses)/income Rm | Total equity Rm |
|---|---|---|---|---|
| **As at 30 June 2018** | 23 358 | – | – | 23 358 |
| Total comprehensive income for the year | – | – | 861 | 861 |
| Additional share issued | 167 | – | – | 167 |
| 6 289 200 shares repurchased and cancelled at an average of 85,83 per share | (540) | – | – | (540) |
| Issue of shares at a discount to a B-BBEE partner (Ukhamba) | – | 141 | – | 141 |
| Dividends paid to Imperial prior to unbundling | – | – | (465) | (465) |
| Dividends paid | – | – | (485) | (485) |
| Transfer between reserves | – | (141) | 141 | – |
| **As at 30 June 2019** | 22 985 | – | 52 | 23 037 |
| 4 723 000 shares repurchased and cancelled at an average of R66,26 per share | (313) | – | – | (313) |
| Total comprehensive loss for the year | – | – | (9 487) | (9 487) |
| Dividends paid to external equity holders of Motus | – | – | (491) | (491) |
| **As at 30 June 2020** | **22 672** | **–** | **(9 926)** | **12 746** |

# Notes to the company financial statements

## 1. Accounting policies

The company has adopted the accounting policies as outlined in the consolidated annual financial statements.

## 2. Investments in subsidiaries

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Investment at cost | **23 027** | 23 027 |
| Accumulated impairments | **(10 290)** | – |
| **Total** | **12 737** | 23 027 |
| **Investments allocated as follows:** | | |
| Motus Corporation Proprietary Limited | **7 105** | 10 822 |
| Motus Group Limited | **2 762** | 8 808 |
| Motus Capital Proprietary Limited | **2 870** | 3 397 |

### Critical accounting judgements, estimates and assumptions relating to investments in subsidiaries

One of the critical accounting judgements is the valuation of the investments that Motus Holdings Limited holds in its subsidiaries, Motus Corporation Proprietary Limited, Motus Group Limited and Motus Capital Proprietary Limited. Consideration is given to external factors, the primary one being the share price and the resultant market capitalisation of Motus Holdings Limited. Further consideration has been given to COVID-19 and the impact this pandemic will have on future growth prospects and related cash flows of the consolidated subsidiaries.

Based on the current share price of Motus Holdings Limited, it was concluded that there was an indicator of possible impairment of the underlying investments, thus a recoverable amount was calculated as the higher of value in use and fair value less cost to sell, since there is no active market for the underlying subsidiaries, the total market capitalisation of Motus Holdings Limited is considered to be a close approximation of the fair value for the three subsidiaries combined.

The recoverable amount was calculated as the value in use, which was higher than the fair value less cost to sale.

#### Cash flow projections

The value in use is calculated using the forecast cash inflows and outflows for a five-year period which are expected to be derived from continuing use of the CGUs. Each of the consolidated subsidiaries is regarded as a CGU. Cash flow projections for the financial forecasts are approved by the board of directors. The forecasts are based on Motus market share assumptions, expected revenue, operating margins, impact of foreign exchange rates, economic effects of COVID-19 and the related right-sizing of underlying businesses, working capital requirements and capital expenditure including the replacement expenditure on right-of-use assets.

#### Growth rates

Growth rates applied are determined based on future trends within the industry and geographic location. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates. A conservative growth rate was applied and was based on sustainable earnings and a growth model into perpetuity.

Where publicly available information relating to the long-term averages rates are available, management will utilise these when determining the appropriate growth rate for the respective CGUs.

#### Discount rates

The discount rates present the current market assessment of the risks for each CGU, taking into consideration the time value of money and the individual risks of the underlying assets that have not been incorporated in the cash flow projections. The discount rate calculations are derived from the CGU's WACC and takes into account both the cost of debt, the cost of leases, and the cost of equity.

Cost of equity was arrived at by using the capital asset pricing model which, where necessary, takes into account an equity risk premium. The CAPM uses market betas of comparable entities in arriving at the cost of equity. The cost of debt is based on the interest-bearing debt the CGU is obliged to service and also includes the cost of leases.

The debt to equity ratio, including the effect of leases, was determined by applying market value weightings based on theoretical target gearing levels, giving consideration to industry averages and using data of comparable entities.

The discount rates applied differed from the prior year. The cost of leases was included in the discount rates. This should have reduced the discount rates, however the increase in the risk-free rates and Betas used to calculate the discount rates has increased from the prior year leading to higher discount rates in Motus Group Limited and Motus Corporation Proprietary Limited.

Refer to note 1.5 – Critical accounting judgements, estimates and assumptions for further details regarding impairments, future cash flows and growth rates.

## 2. Investments in subsidiaries (continued)

The below table is the discount rate and terminal growth rate applicable per subsidiary.

| | 2020 Discount rate % | 2020 Terminal growth rate % | 2019 Discount rate % | 2019 Terminal growth rate % |
|---|---|---|---|---|
| Motus Corporation Proprietary Limited | 14,4 | 2,0 | 13,5 | 2,0 |
| Motus Group Limited | 14,0 | 2,0 | 13,4 | 2,0 |
| Motus Capital Proprietary Limited | 9,1 | 2,0 | 9,2 | 1,0 |

Due to the recoverable amount being lower than the carrying amount, the impairments were as follows:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Motus Corporation Proprietary Limited | (3 717) | – |
| Motus Group Limited | (6 046) | – |
| Motus Capital Proprietary Limited | (527) | – |
| **Total** | (10 290) | – |

## 3. Loans due by affiliated companies

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Motus Corporation Proprietary Limited | – | 5 |
| Motus Group Limited | 12 | 9 |
| **Total** | 12 | 14 |

The loans bear no interest and are unsecured with no fixed terms of repayment. These loans are carried at amortised cost. These loans are assessed for recoverability and it has been concluded that the underlying loan can be recovered in cash if required and therefore a provision for expected credit losses is not required.

## 4. Net working capital

### 4.1 Trade and other payables

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Accrued expenses | 3 | 4 |

The directors consider that the carrying amount of the trade and other payables approximates their fair value, as the carrying amount is based on contractual rights and obligations and is short-term in nature. Refer to note 4 – Financial management and instruments for Motus' financial risk management policies in the consolidated financial statements.

## 5. Stated capital

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Ordinary stated capital issued | 22 672 | 22 985 |

For further disclosures on stated capital refer to note 5.1 – stated capital in the consolidated financial statements.

## 6. Deferred tax

Arising on the acquisition of investments in subsidiaries are taxable temporary differences amounting to R4 396 million as at 30 June 2018. These taxable temporary differences have not been recognised in terms of IFRS 3 – *Business Combinations*.

Due to the impairment recorded in the current year, the unrecognised taxable temporary difference has reduced to R2 091 million.

## 7. Revenue

| | 2020 Rm | 2019* Rm |
|---|---|---|
| **Dividends received from subsidiaries** | 777 | 1 013 |
| – Motus Corporation Proprietary Limited | 777 | 983 |
| – Motus Group Limited[1] | – | 30 |
| Dividends received from associates – Ukhamba | 6 | 6 |
| Dividends received from Motus Corporate Services Proprietary Limited[2] | 44 | 5 |
| **Total dividends received** | 827 | 1 024 |

[1] *The dividend received from Motus Group Limited in the prior year was a dividend in specie, and there was no cash received, the underlying assets received was an investment in Imperial, which was also declared as a dividend in specie to Imperial.*

[2] *There is no underlying investment in Motus Corporate Services Proprietary Limited, the dividends received relate to a silo that is consolidated within the greater Motus. The dividends relate to distributions of funds relating to dividends received from Motus as well as proceeds on shares sold to Motus Corporation Proprietary Limited for settlement of the retirement obligations and share-based equity.*

## 8. Net operating expenses

| | 2020 Rm | 2019* Rm |
|---|---|---|
| Administrative fees paid to Group entities: | | |
| – Motus Corporation Proprietary Limited | (10) | (10) |
| Other operating expenses | (13) | (12) |
| **Total net operating expenses** | (23) | (22) |

## 9. Cash utilised by operations before interest and dividends received

| | 2020 Rm | 2019* Rm |
|---|---|---|
| (Loss)/profit before net financing costs | (9 486) | 861 |
| *Adjusted for:* | | |
| Dividend income | (827) | (1 024) |
| Issue of shares at a discount to a B-BBEE partner (Ukhamba) | – | 141 |
| Impairment of investment in subsidiaries | 10 290 | – |
| **Cash utilised by operations before changes in working capital** | (23) | (22) |
| (Decrease)/increase in trade and other payables | (1) | 4 |
| **Cash utilised by operations before interest and dividends received** | (24) | (18) |

## 10. Taxation paid

| | 2020 Rm | 2019* Rm |
|---|---|---|
| **Amounts payable at the beginning of the year** | – | – |
| Charge per the statement of profit or loss | (1) | – |
| Amounts payable at the end of the year | – | – |
| | (1) | – |

## 11. Contingent liabilities and contingent assets

Motus Holdings Limited in its own name has signed guarantees in an obligor arrangement over the interest-bearing debt of Motus Corporation Proprietary Limited, Motus Group Limited and Motus Capital Proprietary Limited (the subsidiaries) excluding the floorplan facilities of the operations in the United Kingdom and Australia. The subsidiaries, in turn, have signed the same guarantees, therefore the company would have both a contingent liability and a contingent asset due to the recovery from its subsidiaries.

| | 2020 Rm | 2019* Rm |
|---|---|---|
| The contingent liabilities are as follows: | | |
| **Group obligor guarantees** | | |
| Total Group debt | 9 563 | 7 660 |
| *Less:* Cash resources | (2 121) | (1 042) |
| *Less:* Floorplans related to foreign entities that are not included in the obligor agreement | (1 147) | (1 373) |
| *Add:* Loan receivables held in the company | 12 | 14 |
| **Group debt as guaranteed by Motus Holdings** | 6 307 | 5 259 |
| Additional guarantee obligations of Motus Holdings | 1 180 | 1 210 |
| **Total contingent liabilities** | 7 487 | 6 469 |
| **The contingent assets are as follows:** | | |
| Recovery of contingent liabilities from subsidiaries | 6 307 | 5 259 |

** Prior year has been re-presented to enhance disclosure.*

There are no financial guarantee contracts in place that require recognition in the statement of financial position.

## 12. Directors remuneration

Refer to notes 11.1 to 11.5 in the consolidated annual financial statements for details regarding directors' remuneration and prescribed officers.

## 13. Events after the reporting date

Refer to note 13 in the consolidated annual financial statements for details regarding events after the reporting period.

# Annexure A – Interests in subsidiaries

Motus is a diversified international group of companies that is a non-manufacturing service provider to the automotive sector. The consolidated annual financial statements include the accounts of Motus Holdings Limited and all of its subsidiaries as at 30 June 2020.

Motus holds majority voting rights in all of its subsidiaries. There are no significant judgements or assumptions made in determining whether Motus has control, joint control or significant influence.

Motus has 77 wholly owned operating subsidiaries and six non-wholly owned subsidiaries as at 30 June 2020.

## The principal subsidiaries of the company and their activities are:

| Subsidiary | Place of incorporation | Ownership interest % | Nature of business |
|---|---|---|---|
| Motus Corporation Proprietary Limited | South Africa | **100** | Motus Corporation Proprietary Limited imports and distributes passenger, light and heavy commercial vehicles and automotive products in Southern Africa. It also sells service, maintenance and warranty products and has investments in property companies. Further details on the composition of Motus Corporation Proprietary Limited and its subsidiaries are provided below. |
| Motus Group Limited | South Africa | **100** | Business conducted by Motus Group Limited comprises vehicle rental, motor trading, automotive parts, property investments and group services. Details on the businesses included are provided below. |
| Motus Capital Proprietary Limited | South Africa | **100** | Motus Capital Proprietary Limited is a registered Domestic Treasury Management Company (DTMC). It holds the interest in our operations in Southern Africa, Dubai, United Kingdom, Australia, China and Taiwan. Details on the businesses included are provided below. |

## The principal operating subsidiaries of Motus Corporation Proprietary Limited and their activities are:

| Subsidiary | Place of incorporation | Ownership interest % | Nature of business |
|---|---|---|---|
| Hyundai Auto South Africa Proprietary Limited | South Africa | **100** | Hyundai Auto South Africa Proprietary Limited is an importer and distributor of Hyundai vehicles and parts for Southern Africa. Motus has established a network of dealerships in South Africa, Namibia and Botswana. |
| Renault South Africa Proprietary Limited | South Africa | **60** | Renault South Africa Proprietary Limited, through distribution agreements with Renault SAS France, imports and distributes Renault motor vehicles and parts in South Africa. Motus Car Imports, a wholly owned subsidiary of Motus has a 60% interest in Renault South Africa Proprietary Limited. |
| Kia Motors South Africa Proprietary Limited | South Africa | **100** | Kia Motors South Africa Proprietary Limited is an importer and distributor of Kia vehicles and parts for South Africa. |
| Brietta Trading Proprietary Limited | South Africa | **100** | Brietta Trading Proprietary Limited is an importer and distributor of Mitsubishi vehicles and parts for South Africa as well as selected African countries. |

# Annexure A – Interests in subsidiaries (continued)

## The principal business of Motus Group Limited includes the following divisions:

| Division | Place of incorporation | Nature of business |
|---|---|---|
| Vehicle Retail | South Africa | The Vehicle Retail business within Motus Group Limited comprises motorcycles, passenger, light, medium and heavy (including extra-heavy) commercial vehicle dealerships in South Africa. The franchise dealerships represent the major OEM brands. |
| Car Rental | South Africa | The Car Rental operations housed within Motus Group Limited comprises two business units: Car Rental (Europcar and Tempest) and Used Car Sales (Auto Pedigree). This division operates in South Africa and neighbouring countries. |
| Aftermarket Parts | South Africa | The Aftermarket Parts business markets and distributes quality automotive parts and accessories and DIY products through selected channels. The business comprises the following franchises; AAAS (previously Midas), Motolek, ADCO, CBS and Auto Care & Diagnostics. |
| Finance | South Africa | Provides the treasury function of Motus. |

## The principal operating subsidiaries of Motus Capital Proprietary Limited and their activities are:

| Subsidiary | Place of incorporation | Ownership interest % | Nature of business |
|---|---|---|---|
| Motus Group (UK) Limited | United Kingdom | 100 | Motus Group (UK) is involved in the passenger and commercial vehicle market, the commercial vehicles range from light to extra-heavy commercial vehicles. It sells new and used vehicles as well as related financial services, parts and servicing. |
| SWT Group Proprietary Limited | Australia | 80 | Retail and distribution of passenger vehicles in Victoria, Australia. |
| Australian Automotive Group Proprietary Limited | Australia | 100 | Retail of passenger vehicles in Sydney, Australia. |
| Motus Trading Shanghai Company Limited | China | 100 | An international distribution centre of aftermarket parts that sources parts in Far East Asia and wholesales to South Africa. |
| Arco Motor Industry Company Limited | Taiwan | 60 | An international wholesale distributor of aftermarket parts. |

## Non-controlling interest in Motus' activities

Subsidiaries with non-controlling shareholding is outlined in note 2.4 – Non-controlling interests in the consolidated annual financial statements.

# Corporate information

## Company registration number
Registration number: 2017/451730/06

## Business address and registered office
Motus Holdings Limited
1 Van Buuren Road
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## Selected websites
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Waterfall City, Waterfall
Midrand
2066

## Principal bankers
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Nedbank Limited
The Standard Bank of South Africa Limited

## Tip-off line
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