Motus

Audited consolidated and separate annual financial statements

for the year ended 30 June 2022

Reporting suite

The 2022 Motus integrated report

Online as PDF and HTML

Provides a holistic assessment of the Group's ability to create and preserve value for its stakeholders and guard against value destruction. It assesses management strategies, the risks we face, and the financial, operational, and sustainability performance against our material priorities.

Preparation and frameworks

Prepared according to:

- The Listings Requirements of the JSE Limited (JSE Listings Requirements).
- The South African Companies Act 71 of 2008, as amended (Companies Act).

Frameworks applied and/or considered:

- King Report on Corporate Governance for South Africa™ (2016)* (King IV). The King IV application register can be found online.
- The IFRS Foundation, formerly the Value Reporting Foundation's International <IR> Framework (2021).
- Task Force on Climate-related Financial Disclosures (TCFD).
- United Nations (UN) Sustainable Development Goals (SDGs).

Assurance

Certain financial information contained within the extracts of summarised financial information has been extracted from the audited consolidated and separate financial statements which were audited by the external auditors, although the extract is not itself audited. In addition, assurance is provided through an independent accountants report on the pro forma information, labelled as such in this integrated report within the divisional performance section.

The 2022 Motus environmental, social and governance report

Online as PDF and HTML

Provides an in-depth assessment of the Group's environmental, social and governance (ESG) performance for the year, including the report from the Chairman of the Social, Ethics and Sustainability (SES) Committee.

Preparation and frameworks

Frameworks applied and/or considered:

- King IV.
- Global Reporting Initiative's (GRI) Standards.
- JSE Sustainability Disclosure Guidance.
- TCFD.
- UN SDGs.

Assurance

Independent limited assurance is provided on selected non-financial information contained within the ESG report.

Audited consolidated and separate annual financial statements

Online as PDF

The audited consolidated and separate annual financial statements for the year ended 30 June 2022, including the report of the Audit and Risk Committee (ARC).

Preparation and frameworks

Prepared in accordance with:

- The International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).
- The South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides issued by the Accounting Practices Committee.
- Financial Reporting Pronouncements issued by the Financial Reporting Standards Council (FRSC).
- Companies Act.
- JSE Listings Requirements.

Assurance

Assurance is provided on the fair presentation of the consolidated and separate annual financial statements in accordance with IFRS and the Companies Act.

Key company information

Motus Holdings Limited

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

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

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@motus.co.za.**

Contents

The reports and statements set out below comprise the audited consolidated and separate annual financial statements for the year ended 30 June 2022, which have been audited by the Group's 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 Ms. U Singh CA(SA) in terms of sections 29 and 30 of the Companies Act of South Africa (No. 71 of 2008) as amended (the Companies Act).

U Singh
Group Finance Executive

30 August 2022

Directors' responsibility and approval

The Board of directors of Motus Holdings Limited (the Board) and its consolidated subsidiaries (the Group) are responsible for the maintenance of adequate accounting records and the preparation and integrity of the audited consolidated and separate annual financial statements of the Group. The audited 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 (IASB) in issue and effective for the Group at 30 June 2022 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) as amended (the Companies Act) and the Listings Requirements of the JSE Limited (JSE Listings Requirements).

The directors are also responsible for the systems of internal control. The system is designed to provide reasonable, but not absolute, assurance as to the reliability of the audited consolidated and separate annual financial statements and to adequately safeguard, verify and maintain accountability for assets and 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 current year.

The audited 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 Group's independent external auditors, Deloitte & Touche, have audited the consolidated and separate annual financial statements for the year ended 30 June 2022, in conformity with International Standards on Auditing. Their unmodified report is set out on pages 16 to 19.

The audited consolidated and separate annual financial statements were approved by the Board, issued on 30 August 2022 and are signed on their behalf by:

GW Dempster
Chairman

OS Arbee
Chief Executive Officer (CEO)

OJ Janse van Rensburg
Chief Financial Officer (CFO)

The financial statements are available on the Group's website www.motus.co.za.

Chief Executive Officer and Chief Financial Officer Responsibility Statement

In terms of paragraph 3.84(k) of the JSE Listings Requirements, each of the directors whose names are stated below hereby confirms that:

- the consolidated and separate annual financial statements set out on page 20 to 139, fairly present in all material respects the financial position, financial performance and cash flows of the Group in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the consolidated and separate annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the Group have been provided to effectively prepare the audited consolidated and separate financial statements of the Group;
- the internal financial controls are adequate and effective and can be relied upon in compiling the audited consolidated and separate annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors any deficiencies in the design and operational effectiveness of the internal financial controls and have taken the steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

OS Arbee
Chief Executive Officer

30 August 2022

OJ Janse van Rensburg
Chief Financial Officer

30 August 2022

Certificate by the Company Secretary

In my capacity as Company Secretary, I hereby confirm that, in respect of the year under review, the Group has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns and notices as are required in terms of section 88(2)(e) of the Companies Act and that all such returns are true, correct and up to date.

NE Simelane
Company Secretary

30 August 2022

Directors' report

Nature of business

Motus Holdings Limited (the Company) is a South African based holding company with a selected international presence primarily in the UK and Australia, as well as a limited presence in South East Asia and Southern and East Africa. Through its subsidiaries and associates, it operates as a diversified (non-manufacturing) business in the automotive sector which provides automotive mobility solutions, and vehicle products and services. The Company's shares are traded on the Johannesburg Stock Exchange (JSE) under the share code MTH. In addition, the Company elected to list on the A2X Exchange (A2X) during the year, effective 1 April 2022 and its issued stated capital will be unaffected by this dual listing.

The Group participates in the entire automotive value chain through its four business segments: Import and Distribution, Retail and Rental, Mobility Solutions and Aftermarket Parts. The activities of each business segment are:

- **Import and Distribution**: Importer and distributor of passenger vehicles, light commercial vehicles (LCVs) and parts to serve a network of dealerships, car rental companies, fleets and government institutions in South Africa.
- **Retail and Rental**: Retailer of new and pre-owned passenger and commercial vehicles across all segments in South Africa and the UK and passenger vehicles in Australia, selling of parts and accessories, servicing and maintenance of vehicles and rental of passenger vehicles and LCVs in Southern Africa.
- **Mobility Solutions**: Developer, seller, manager and administrator of service, maintenance and warranty plans and provider of value-added products and services (VAPS). Provider of fleet management services and business process outsourcing through sophisticated technology and call centre capabilities. Leader of the Group's innovation centre.
- **Aftermarket Parts**: Distributor, wholesaler and retailer of parts and accessories mainly for out-of-warranty vehicles in Southern Africa, UK and Europe through retail and franchised stores and specialised workshops in South Africa. Distribution centres in South Africa, Taiwan, China and the UK.

Corporate governance

The Group subscribes to the Code of Good Corporate Practices and Conduct contained in King IV™* (King IV™). The Board is satisfied with the Group's application of the principles of King IV™ and the JSE Listings Requirements throughout the year under review. The corporate governance report will be included in the 2022 integrated report.

Directors

The composition of the Board, who are all South African, for the year under review and up to the date of this report is as follows:

Directors	Appointment date	Sub-committees[4]		
GW Dempster (Chairman)[1]	01 August 2018	AL[5]	NOM[5]	REM
A Tugendhaft (Deputy Chairman)[2]	01 August 2018	REM	NOM	SES
OS Arbee (CEO)[3]	12 October 2017	SES		
OJ Janse van Rensburg (CFO)[3]	12 October 2017			
KA Cassel[3]	01 July 2019			
PJS Crouse[1]	10 November 2020	AL		
NB Duker[1]	10 November 2020	AR		
S Mayet[1]	22 November 2018	AR[5]	AL	
MJN Njeke[1]	22 November 2018	REM[5]	SES[5]	NOM
F Roji[1]	01 September 2021	SES	AR	

[1] *Independent non-executive*
[2] *Non-executive*
[3] *Executive*
[4] *Refer to the glossary of terms for details of the sub-committees*
[5] *Sub-committee Chairman*

Directors (continued)

During the year, the following committee changes occurred:

- Mr. A Tugendhaft resigned as the Chairman of the Remuneration Committee effective 3 November 2021.
- Mr. MJN Njeke resigned from the Assets and Liability Committee effective 1 August 2021 and the Audit and Risk Committee effective 1 September 2021. He was appointed as the Chairman of the Remuneration Committee effective 3 November 2021.
- Ms. F Roji was appointed to the Audit and Risk Committee and Social, Ethics and Sustainability Committee effective 1 September 2021.
- The Social, Ethics and Sustainability Committee was reconstituted to ensure that the committee comprises a majority of non-executive directors as members. As such, the executive directors, Mr. OJ Janse van Rensburg and Ms. KA Cassel, resigned on 1 September 2021 and will attend the committee as invitees.

The Board has satisfied itself that the CFO, Mr. OJ Janse van Rensburg, has the appropriate qualifications, expertise and experience to fulfil his duties. In addition, the Board has satisfied itself that the composition, expertise and skill set of the finance function are appropriate.

The Group's prescribed officers include the following members of the Executive Committee:

- NW Lynch;
- NE Simelane; and
- C Venter.

The remuneration paid to directors and prescribed officers is disclosed in notes 11.1 – Directors' and prescribed officers' remuneration and 11.2 – Employee incentive schemes.

Directors' and prescribed officers' interest in shares

The interest of directors and prescribed officers in the ordinary shares of the Company are:

	Direct holdings		Indirect holdings		Total holdings	
	2022 Number of shares	2021 Number of shares	**2022 Number of shares**	2021 Number of shares	**2022 Number of shares**	2021 Number of shares
Executive directors						
OS Arbee	**7 000**	125 211	**131 393**	223 474	**138 393**	348 685
OJ Janse van Rensburg	**140 911**	108 096	**–**	–	**140 911**	108 096
KA Cassel	**16 597**	694	**–**	–	**16 597**	694
Non-executive directors						
GW Dempster	**99**	99	**–**	–	**99**	99
A Tugendhaft	**15 000**	15 000	**–**	–	**15 000**	15 000
Prescribed officers						
NW Lynch	**–**	10 706	**8 158 865**	8 112 157	**8 158 865**	8 122 863
C Venter	**9 440**	19 440	**–**	–	**9 440**	19 440
	189 047	279 246	**8 290 258**	8 335 631	**8 479 305**	8 614 877

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 audited consolidated and separate annual financial statements.

Company Secretary

The Board is satisfied that Mr. NE Simelane has the appropriate qualifications, expertise and experience with which to fulfil his duties. The Company Secretary's contact details and the business and postal addresses of the Group appear on page 140.

Financial results and review

	2022 Rm	2021 Rm	% change
Revenue	**91 978**	87 205	5
Operating profit before capital items and net foreign exchange gains/(losses)[1]	**5 029**	3 838	31
Attributable profit to the owners of Motus	**3 290**	2 098	57
Basic earnings per share (cents)	**1 902**	1 153	65
Headline earnings per share (cents)	**2 025**	1 179	72
Capital expenditure (excluding vehicles for hire)	**764**	325	>100
– Gross capital expenditure	**968**	560	73
– Proceeds on disposals	**(204)**	(235)	(13)
Capital expenditure/(proceeds) on vehicles for hire[2]	**2 102**	(151)	(<100)
– Gross capital expenditure	**4 017**	2 098	91
– Proceeds on disposals	**(1 915)**	(2 249)	(15)

[1] *The prior period has been adjusted for the re-presentation to include share of results from associates and joint ventures. Refer to note 1.7 – Re-presentation of prior year disclosures for additional information.*
[2] *Net capital expenditure/(proceeds) on vehicles for hire is included in the cash flows from operating activities.*

The Group's results for the 12 months to June 2022 reflect strong strategic and operational achievements, which supported a resilient financial performance in a challenging and evolving trading environment.

The impact of the COVID-19 crisis on the global automotive industry has been extensive. In its wake, the industry is absorbing manufacturing, supply chain, and operational disruptions. This has resulted in vehicle shortages and substantial increases in production, freight, and logistic costs. The Group has responded well, supported by strong consumer demand and continuous funding by the banks.

In South Africa, the new vehicle market is performing above expectations as the market recovery gains momentum. The Group's market share increased due to the readiness of our dealerships, coupled with the availability of vehicles, and supported by the expansion of our vehicle model range, particularly in entry-level and small and medium-size SUV categories as consumers are buying down. This resulted in the Group focusing on available stock and offering alternatives when certain derivatives were in short supply. The increased demand for new vehicles, as a result of erratic stock supply, has resulted in increased margins. The pre-owned vehicle market remained buoyant with strong demand for pre-owned vehicles. The Group's increased market share has also benefitted Mobility Solutions with an increase in new business written and the return to profitability of the bank alliances and joint ventures. Parts and service revenue has also improved due to increased aftersales activity.

Our vehicle rental business, which was severely impacted by the COVID-19 crisis is now profitable as a result of increased activity relating to improvement of travel with the easing of restrictions.

In the UK, the new and pre-owned vehicle market was subdued due to the continuing component supply issues faced by our manufacturers. Despite this, the Group maintained its market share. The negative impact on revenues resulting from reduced vehicle sale volumes was counterbalanced by significant increases in vehicle prices. Furthermore, the division experienced an increase in aftersales revenue. Increasing inflationary pressure coupled with staff shortages has increased operating expenses and staffing costs. Despite these challenges, the division achieved strong sales margins, resilient aftersales results, tight cost control measures and enhanced efficiencies delivering a strong performance for the year.

The recently acquired FAI Automotive plc (FAI), a wholly-owned subsidiary which was included from 1 October 2021, is exceeding our expectations in the aftermarket automotive parts market and contributed positively to our business.

Financial results and review (continued)

In Australia, our businesses remained open, subject to certain restrictions during the first half of the year. We were required to intermittently close some of our dealerships based on the local government's restrictions and regulations. However, we were able to deliver vehicles with contactless delivery. In the second half of the financial year, erratic stock supply was experienced; however, the Group maintained its market share. The increased demand for new vehicles, as a result of the erratic stock supply, has resulted in increased margins. The second half of the financial year also benefitted from improved pre-owned vehicle sales and increased margins.

In Asia, the businesses performed exceptionally well despite severe supply chain disruptions, the spread of COVID-19 through Asia with sporadic lockdowns, and the coal and energy crisis experienced in China which extended lead times. The Group maintained higher stock levels in anticipation of these disruptions and this supported the positive results.

The Group's strategy, which remains unchanged in the current turbulent and uncertain environment, is to ensure the long-term sustainability of the Group and to expand operations to enhance its resilience for the future. The Group is expected to remain within the existing debt covenant levels.

Accounting policies

The Group's accounting policies are consistent with those applied at 30 June 2021, except for the following standards adopted:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 with regard to the Interest Rate Benchmark Reform (IBOR) (Phase II) (new and revised standard); and
- IFRS 9 for Hedge Accounting.

The new and revised standards not yet in effect in the current year and may impact the Group in the future, are outlined in note 14 – New issued standards not yet effective.

Stated capital

	Authorised stated capital	Issued stated capital
Ordinary shares of no par value	394 999 000	178 133 390
Deferred ordinary shares of no par value	10 000 000	4 373 484
Non-redeemable preference shares of no par value	40 000 000	–
Redeemable preference shares of no par value	2 000 000	–

Further details of the authorised and issued stated capital of the Company are provided in note 5 – Shareholders' interest.

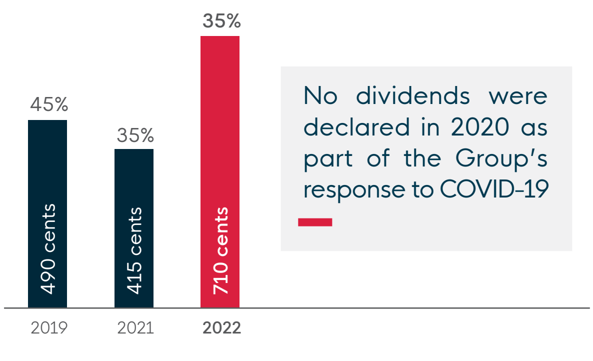
Dividends

Dividend guidance

The Group's dividend guidance is to pay a sustainable dividend based on the headline earnings per share (HEPS) to shareholders. For the current year, the Board declared dividends of 35% of HEPS amounting to 710 cents (2021: 415 cents) based on HEPS of 2 025 cents (2021: 1 179 cents).

There is no assurance that a dividend will be paid in respect of any reporting period. Any future dividends will be dependent upon the consolidated operating results, financial condition, investment strategy, capital requirements and other factors affecting the Group. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or shareholders at the time of declaration, subject to the Companies Act and the JSE Listings Requirements.

Dividend payout ratio



Dividends (continued)

Dividend distribution

During the year, the Group distributed two dividend payments to its shareholders, namely:

	Payment date	Value per share cents	Dividend payment Rm
Final dividend payment for prior financial year	27 September 2021	255	468
Interim dividend payment for current financial year	14 March 2022	275	460
			928

Refer to note 5.3 – Dividends paid for additional information on the dividend payments made during the year.

A final dividend of 435 cents per ordinary share is declared for the current year and is payable on 26 September 2022. This dividend will be paid out of income reserves. The ordinary dividend will be subject to a local dividend tax of 20%. The ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 348 cents per ordinary share. With this dividend, the full dividend for the current year amounts to 710 cents.

Auditors

Deloitte & Touche were appointed as auditors of the Group and will continue in office in accordance with section 94(7) of the Companies Act.

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 outlined in note 2.3 – Investments in associates and joint ventures.

During the year, the Group acquired the remaining shareholding in SWT Group Proprietary Limited. Refer to note 2.4 – Non-controlling interests.

The Group acquired FAI in the UK on 1 October 2021 and an additional 11% shareholding in Synapt Group Proprietary Limited (Synapt). Additional acquisitions that complement the Group's existing operations were made. These additional acquisitions are not individually significant and relate to the purchase of the underlying assets and liabilities of the businesses. Refer to note 2.5 – Business combinations for details on acquisitions.

Events after the reporting period

The Group declared a final dividend to the shareholders. Refer to the dividend declaration above for additional information.

The Group is in the process of acquiring four Mercedes-Benz dealerships in Retail and Rental South Africa. The dealerships include three passenger dealerships located in Sandton, Bryanston, Constantia Kloof and a commercial dealership in Roodepoort. This acquisition is subject to approval from the Competition Commission.

As advised in the cautionary announcements, negotiations are still in progress for the potential acquisition of 100% shareholding in an Aftermarket Parts business for cash. If the acquisition is successfully concluded, this may have a material effect on the price of the Company's securities.

There were no material subsequent events, apart from those mentioned above, that occurred from the year ended 30 June 2022 to the date of these audited consolidated and separate annual financial statements.

Going concern

The consolidated statement of financial position as at 30 June 2022 reports a positive total equity balance of R14 045 million (2021: R12 166 million) and net debt of R5 036 million (2021: R3 401 million). The net debt excluding floorplans is covered by facilities of R11 278 million (R10 388 million committed) (2021: R11 900 million (R10 816 million committed)). The Group generated cash inflow from operations of R4 835 million (2021: R5 904 million) before capital expenditure on vehicles for hire and property, plant and equipment.

Going concern (continued)

The Board has reviewed and approved the Group and Company consolidated forecasts prepared by management and the solvency and liquidity positions. The forecast includes a detailed consolidated statement of profit or loss, cash flow, and financial position and is reviewed and approved by the Board.

On this basis, the Board concluded that the Group would remain comfortably within the existing bank facility limits, with significant headroom, for at least the next 12 months from the date of approval of these audited consolidated and separate annual financial statements.

The Board has also 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 audited consolidated and separate 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 Board considers it appropriate to adopt the going concern assumption in preparing the audited consolidated and separate annual financial statements.

Liquidity and solvency

The directors have performed the solvency and liquidity tests as required by the Companies Act.

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:

- The Group's treasury policy, being a target net debt to Adjusted EBITDA[1] of less than 2,0 times and Adjusted EBITDA to Adjusted net interest[1] of more than 4,0 times; and
- The Companies Act.

The Group monitors capital based on its target gearing ratio of net debt to equity of 50% to 70% under normal trading conditions. Additional details of interest-bearing borrowings are included 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 the Group:

- Approved the proposed fees and remuneration payable to non-executive directors and/or paid any fees related thereto and on any other basis as may be recommended by the Remuneration Committee and approved by the Board for the reporting periods ending June 2022 and June 2023;
- Authority to provide direct or indirect financial assistance in terms of section 44 and section 45 of the Companies Act;
- Approval of the amendments to the MOI which includes the exclusion of executive directors from being subjected to annual retirement by rotation and their employment to be regulated in terms of their respective employment contracts with the Company; and
- Approved the general authority to repurchase the Company's securities subject to the JSE Listings Requirements and Companies Act as set out in the resolution.

Shareholders are assured that special resolutions passed by subsidiary companies, where required, were pursuant to the authority granted in terms of the above mentioned resolutions and in compliance with relevant provisions of the Companies Act.

Approval of the audited consolidated and separate annual financial statements

Based on the recommendation received from the Audit and Risk Committee, the Board has approved the audited consolidated and separate annual financial statements for the year ended 30 June 2022.

[1] *Refer to glossary of terms.*

Audit and Risk Committee report

The Audit and Risk Committee has pleasure in submitting this report, which has been approved by the Board and which incorporates the recommendations of King IV™.

In summary, this Committee assists the Board in its responsibilities covering the:

- Internal and external audit processes for the Group, considering the significant risks;
- Adequacy and functioning of the Group's internal controls; and
- Integrity of the financial reporting.

The Audit and Risk Committee has performed all the duties required of such a committee.

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. The members comprise Mr. S Mayet (Chairman), Ms. NB Duker and Ms. F Roji.

During the year, five meetings were held as set out in the table below:

	Meetings attended[1]
S Mayet (Chairman)	5/5
NB Duker	4/5
MJN Njeke[2]	1/1
F Roji[3]	3/3

1 *An additional meeting was held to consider the auditors' rotation.*
2 *Resigned on 1 September 2021.*
3 *Appointed on 1 September 2021.*

The head of internal audit and the Group's external auditors attend and report at all Audit and Risk Committee meetings except for the meeting relating to the auditor rotation. The Group's 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 seasoned finance professional 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 a non-executive director at Astral Foods Limited.
- Ms. NB Duker is the Chief Operating Officer (COO) and an executive director at Rothschild & Co South Africa. Prior to this, she served as Group Chief Financial Officer (CFO) of Ubuntu-Botho Investments. She started her career at Deloitte & Touche where she was an audit partner. In this role, she led multi-disciplinary engagement teams servicing JSE listed clients in geographies spanning Africa, Europe and the United States of America. She currently serves as a non-executive director on Assupol Holdings Limited board. She previously served as a non-executive director of Imperial Logistics Limited (Imperial).
- Ms. Roji is a qualified Chartered Accountant (SA) with extensive professional experience. She previously served as a senior manager responsible for strategy and investor relations at Imperial. Prior to joining Imperial, she worked for over 10 years at Kagiso Trust Investments and later at Kagiso Tiso Holdings as a director of investments. Over the last 20 years, she has served on a number of boards across various industries and served her articles at EY.

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 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 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 the Group's integrated reporting process, including the audited consolidated annual and separate financial statements, sustainability reporting and announcements in respect of the financial results;
- Provides oversight of the Group's financial reporting controls framework implemented by management as contemplated by the JSE Listings Requirements paragraph 3.84(k), including consideration of reported deficiencies in design and operational effectiveness of internal financial reporting controls and any fraud involving directors if applicable, together with necessary remedial actions instituted;
- Reviews any significant deficiencies, compensating controls and remediation plans instituted by senior management in terms of JSE Listings Requirements paragraph 3.84(k);
- Ensures that an effective control environment in the Group is maintained;
- Reviews and recommends to the Board, the interim and audited consolidated annual and separate financial statements;
- Provides the CFO, 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 executive Board members or the CFO being present;
- Oversees the activities of, and ensures co-ordination between the activities of the internal and external auditors;
- Oversees activities in relation to combined assurance and risk management;
- Receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of the consolidated annual and separate 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.

Execution of functions during the year

The Audit and Risk Committee is satisfied that, for the current year, it has performed all the functions required to be performed by an Audit and Risk Committee as set out in the Companies Act. 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 Ms. SJ Nelson as the external auditor and designated auditor, respectively, to the shareholders for appointment as the auditors for the 2022 and 2023 financial years 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 for reappointment;
- Reviewed the audit effectiveness and evaluated the external auditors' internal quality control procedures;
- Obtained an annual confirmation from the external 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 the 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 the Group is required. Fees for audit related services and non-audit services incurred during the year amounted to R3 million (2021: R4 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 the audit engagement partner;

External audit (continued)

- 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;
- Noted the requirement relating to mandatory audit firm rotation as set by the Independent Regulatory Board for Auditors (IRBA) and is in the process of being implemented; and
- Finalised the selection of the incoming auditors for the financial year 2024 and recommended PwC to the Board for approval. This selection is subject to shareholder approval at the AGM.

The Audit and Risk Committee is satisfied that Deloitte & Touche are independent of the Group 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 the 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;
- A new audit partner, Ms. SJ Nelson of Deloitte & Touche, has been appointed and in terms of the rules issued by IRBA, Deloitte & Touche may remain as the auditors of the Group until 2023;
- The Audit and Risk Committee obtained and considered all information set out in the JSE Listings Requirements 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 IRBA 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;
- Reviewed the annual audit plans and scope with regard to their adequacy to address all significant financial risks facing the business;
- Considered the reports of the internal auditor on the Group's 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 the 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 CFO. The Audit and Risk Committee is satisfied that the head of internal audit has the appropriate qualifications, expertise and experience with which to fulfil her duties. 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 feedback from management, external and internal assurance providers that the combined assurance model is appropriate for the Group.

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 risk, both individually and in totality, are within the risk appetite of the Group, and that there is sufficient assurance provided to manage risk and the control environment through both internal and external assurance providers.

Adequacy and functioning of the internal controls

To meet the Group's responsibility to provide reliable financial information, the Group maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal and that those transactions are properly authorised and recorded.

The Audit and Risk Committee received feedback from the head of risk and sustainability on the procedures implemented to support the CEO and CFO's sign off on internal controls, as required by paragraph 3.84(k) of the JSE Listings Requirements. This paragraph requires a statement by the CEO and CFO to confirm that the internal financial controls have been put in place to ensure that material information has been provided to effectively prepare the audited consolidated and separate annual financial statements.

The Group has adopted a "Top Down and Bottom Up" approach to internal financial reporting risks and controls whereby pertinent reporting risks and controls at the Group's reporting and those in place at underlying businesses, have been identified and documented. Internal financial reporting risks were identified and documented across key reporting processes as well as at a business level.

The Audit and Risk Committee is satisfied that the internal financial controls are adequate and effective to assist in compiling the audited consolidated and separate annual financial statements. Where deficiencies in design and operational effectiveness of the internal financial controls have been noted, they have been disclosed, together with the necessary remedial actions taken. The Audit and Risk Committee is satisfied that none of these deficiencies had a material effect for the purposes of the preparation and presentation of the audited consolidated and separate annual financial statements for the year ended 30 June 2022.

The Group's delegated management remain committed to ongoing improvements ensuring that the control environment remains sound for reliable audited consolidated and separate annual financial statements and safeguarding of the Group's assets.

Financial reporting

The Audit and Risk Committee ensures that the financial reporting to stakeholders fairly presents the state of affairs of the Group which includes the audited consolidated and separate annual financial statements.

The Audit and Risk Committee, among other matters:

- Confirmed the going concern as the basis of preparation of the audited consolidated and separate annual financial statements;
- Ensured that the audited consolidated and separate annual financial statements fairly present the financial position of the Group and of the Company as at the end of the financial year and the results of the operations and cash flows for the financial year;
- Considered the basis on which the Group and the Company 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 matter included;
- Reviewed the representation letter relating to the audited consolidated and separate annual financial statements, which was signed by senior management;
- Considered any problems identified and reviewed any legal and tax matters that could have a significant impact on the audited consolidated and separate annual financial statements;
- Considered accounting treatments, significant unusual transactions and accounting judgements;
- Had unrestricted access to the financial information of the Group and assessed whether the Group has established appropriate financial reporting procedures at the Group and subsidiary levels; and
- Was able to satisfy itself that the Group has the appropriate financial reporting procedures in terms of the JSE Listings Requirements paragraph 3.84(g).

Audit and Risk Committee report (continued)

Proactive monitoring

The Audit and Risk Committee confirms that the findings contained in the JSE Proactive Monitoring reports from 2011 to 2021, thematic reviews, combined findings reports, and the JSE and IASB COVID-19 letters and documents were taken into account when preparing the audited consolidated and separate annual financial statements, as well as the preliminary summarised audited consolidated financial statements for the year ended 30 June 2022.

Key audit matter

The Audit and Risk Committee has considered significant matters which includes the key audit matter as outlined in the external audit report.

Significant areas of judgement

In arriving at the figures disclosed in the audited consolidated and separate 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 audited consolidated and separate annual financial statements. The Audit and Risk Committee has considered the value of the assets and liabilities on the consolidated statement of financial position and other items that require significant judgement.

Key sources of estimation and uncertainty relate to:

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

In making its assessment in each of the above areas, the Finance Risk Review Committees (FRRCs) 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 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 8.6 – Earnings per share.

Risk management and information technology (IT) governance

The Audit and Risk Committee, among other matters:

- Reviewed the policies on risk assessment, including fraud risks and IT risks as they pertain to financial reporting and the going concern assessment;
- Provides oversight and monitors the progress of material IT projects;
- Provides additional oversight where any instability has been reported on key financial platforms;
- Reviewed the cybersecurity minimum guidelines and assessed the impact of the emerging risk landscape; and
- Reviewed and ensured alignment of IT strategies with the rest of the Group.

Based on this review the Audit and Risk Committee found these policies to be sound.

Legal and regulatory requirements

To the extent that these may have an impact on the audited consolidated and separate annual financial statements, the Audit and Risk Committee:

- Reviewed legal matters;
- Reviewed the adequacy and effectiveness of the Group's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities;
- Monitored complaints received through the Group's whistleblowing service; and
- Considered reports provided by management, internal audit and external auditors regarding compliance with legal and regulatory requirements.

No significant matters were noted during the current year.

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

As required by the JSE Listings Requirements, the Audit and Risk Committee has satisfied itself that the CFO, 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 skill set of the finance function met the Group's 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 FRRCs.

Divisional FRRCs have been constituted and these committees report significant issues to the Group Audit and Risk Committee. Each divisional FRRC is chaired by an independent Chairman with no operational role in that particular division.

Approval

The performance of the Audit and Risk Committee is reviewed annually as part of the effectiveness review of the Board. The latest review concluded that the Audit and Risk Committee continued to operate effectively and had successfully discharged its duties and responsibilities. Having achieved its objectives, the Audit and Risk Committee has recommended the audited consolidated and separate annual financial statements for the year ended 30 June 2022 for approval to the Board.

S Mayet
Chairman

30 August 2022

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 Group and Company) set out on pages 20 to 135, which comprise the consolidated and separate statements of financial position as at 30 June 2022, and the consolidated statement of profit or loss, separate company statement of comprehensive income, consolidated statement of other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate 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 Motus Holdings Limited and its subsidiaries as at 30 June 2022, 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 Auditors' 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 Matter

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 period. 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. No key audit matters have been identified in respect of the separate financial statements.

Key Audit Matter	How the matter was addressed in the audit

Valuation of contract liabilities
The Group has contract liabilities for service, maintenance and warranty contracts (contract liabilities), in terms of which they are obligated to provide maintenance and repair services over a future specified period. At 30 June 2022 the values of the liabilities are R3 021 million (2021: R2 828 million).
 	
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.
 	
There are various information technology (IT) systems which are used to manage the underlying transactions, including the capturing of new policies, automated authorisations of claims and terminations.
 	
The liability values recognised are based on the expected earnings curves of the contracts, which are dependent upon forecasted burn rates derived from key assumptions about the future, including:
• Vehicle parts, consumables and labour inflation;
• Foreign currency movements;
• Policy sale dates; and
• Contract duration and mileage.
 	
The directors have engaged specialists to assist with determining the adequacy of the liabilities for service, maintenance and warranty contracts.
 	
Due to the complexity of the actuarial assumptions and the risk that the quantum of the reserves and consequential revenue recognised is inappropriate, the valuation of the contract liabilities has been identified as a key audit matter.
 	
The disclosure related to the service, maintenance and warranty contract liabilities is disclosed in note 3.7 of the consolidated financial statements.
	To address the key audit matter, the following procedures were performed:
	• Testing the design, implementation and operating effectiveness of the following controls which management has in place over the valuation of the contract liabilities:
	  – Controls over sales of new policies;
	  – Unearned fund monthly reconciliations; and
	  – Reconciliations and reviews of the values determined by the directors' specialists.
	• Our IT specialists tested the automated controls relating to the capturing of new policies, automated authorisations of claims and terminations of contracts, as well as the interfaces between the IT systems.
	• Assessing and challenging 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. With the assistance of our actuarial specialists the procedures included:
	  – Assessing the independence, objectivity, competence and experience of the directors' specialists;
	  – Assessing the appropriateness of the financial models utilised by the directors' specialists; and
	  – Testing the forecasted burn rates which are derived from the key assumptions used in the financial models and the reasonableness of the ranges applied to sensitivities of the key assumptions.
	• Assessing the adequacy of the disclosures in the consolidated financial statements.
	
	We concur with the directors' actuarial assumptions applied and consequently with the measurement of the contract liabilities as at 30 June 2022 and the consequential revenue recognised in the period.
	
	The related disclosures of the contract liabilities, as contained in note 3.7 of the consolidated financial statements, is appropriate.

Independent auditors' report (continued)

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 2022*" which includes the Directors' Report, the Audit and Risk Committee Report, the Company Secretary's Certificate as required by the Companies Act of South Africa and the Chief Executive Officer and Chief Financial Officer Responsibility Statement 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 auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we 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 that we obtained prior to the date of this auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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; and
- 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 five years since inception. We further report that Deloitte & Touche has been the auditor of certain subsidiaries within the Motus Holdings Limited Group for 21 years.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditor
Per: Shelly Nelson
Partner

30 August 2022

5 Magwa Crescent
Waterfall City
Waterfall
Johannesburg

Consolidated statement of financial position

as at June 2022	Note	2022 Rm	2021 Rm
Assets			
Non-current assets		**13 157**	12 640
Goodwill	2.1	**1 628**	1 443
Intangible assets	2.2	**331**	103
Investments in associates and joint ventures	2.3	**268**	278
Property, plant and equipment	3.1	**7 201**	6 872
Investment properties	3.2	**130**	152
Right-of-use assets	3.3.1	**2 046**	2 132
Derivative financial assets	4.3	**30**	–
Investments and other financial instruments	3.5	**320**	374
Deferred tax	7.2	**1 203**	1 286
Current assets		**29 126**	25 168
Vehicles for hire	3.4	**3 677**	2 426
Net investment in lease receivables	3.3.4	**–**	40
Investments in associates and joint ventures	2.3	**1**	11
Inventories	3.6.1	**18 966**	16 528
Trade and other receivables	3.6.2	**4 646**	4 136
Derivative financial assets	4.3	**654**	110
Taxation	7.1	**189**	188
Cash resources	6.2	**993**	1 729
Assets classified as held-for-sale	12	**657**	649
Total assets		**42 940**	38 457
Equity and liabilities			
Capital and reserves			
Stated capital	5.1	**21 104**	22 321
Shares repurchased	5.2	**(587)**	(517)
Common control reserve		**(19 347)**	(19 268)
Hedge accounting reserve	4.3	**400**	(266)
Other reserves		**(586)**	(698)
Retained income		**12 940**	10 480
Attributable to owners of Motus		**13 924**	12 052
Non-controlling interests	2.4	**121**	114
Total equity		**14 045**	12 166

as at June 2022	Note	2022 Rm	2021 Rm
Liabilities			
Non-current liabilities		**8 089**	6 332
Contract liabilities	3.7	**1 823**	1 722
Lease liabilities	3.3.2	**1 882**	1 963
Interest-bearing debt	6.1	**3 856**	2 158
Provisions	3.6.5	**444**	454
Other financial liabilities		**6**	6
Deferred tax	7.2	**78**	29
Current liabilities		**20 806**	19 959
Contract liabilities	3.7	**1 198**	1 106
Lease liabilities	3.3.2	**465**	486
Trade and other payables	3.6.3	**11 028**	9 528
Floorplans from suppliers	3.6.4	**4 988**	4 479
Provisions	3.6.5	**539**	546
Other financial liabilities		**56**	50
Derivative financial liabilities	4.3	**131**	602
Taxation	7.1	**228**	190
Interest-bearing debt	6.1	**1 306**	2 099
Floorplans from financial institutions	6.1	**867**	873
Total liabilities		**28 895**	26 291
Total equity and liabilities		**42 940**	38 457

Consolidated statement of profit or loss

for the year ended 30 June 2022	Note	2022 Rm	2021[1] Rm
Revenue	8.1	91 978	87 205
Net operating expenses	8.2	(85 116)	(81 950)
Movements in expected credit losses	3.6.2	(77)	47
Earnings before interest, taxation, depreciation and amortisation		6 785	5 302
Depreciation and amortisation	8.3.1	(1 795)	(1 507)
Share of results from associates and joint ventures	2.3	39	43
Operating profit before capital items and net foreign exchange gains/(losses)[1]		5 029	3 838
Impairment of property, plant and equipment, net of profit/(losses) on sale	8.3.2	(91)	(7)
Other costs	8.4	(104)	(45)
Net foreign exchange gains/(losses)	4.3	135	(383)
Operating profit before financing costs[1]		4 969	3 403
Finance costs	8.5.1	(561)	(666)
Finance income	8.5.2	65	123
Profit before tax		4 473	2 860
Income tax expense	7.1	(1 135)	(718)
Attributable profit for the year		3 338	2 142
Net profit attributable to:			
Owners of Motus		3 290	2 098
Non-controlling interests		48	44
Attributable profit for the year		3 338	2 142
Earnings per share (cents)			
Total earnings per share			
– Basic	8.6	1 902	1 153
– Diluted	8.6	1 808	1 110

[1] *The prior period has been adjusted for the re-presentation to include share of results from associates and joint ventures. Refer to note 1.7 – Re-presentation of prior year disclosures for additional information.*

Consolidated statement of other comprehensive income

for the year ended 30 June 2022	Note	2022 Rm	2021 Rm
Attributable profit for the year		3 338	2 142
Other comprehensive income/(loss)		688	(1 322)
Exchange gains/(losses) arising on translation of foreign operations		128	(312)
Movement in hedge accounting reserve (net of tax)		560	(1 010)
– Effective portion of the fair value of the cash flow hedges[1]		642	(524)
– Discontinued cash flow hedges[1]		–	(284)
– Amounts recognised in inventory[1]		–	233
– Extension of open hedging instruments		66	(567)
– Reclassification to profit or loss		2	–
– Deferred tax relating to the hedge accounting reserve movements		(147)	132
– Rate changes relating to the hedge accounting reserve movements		(3)	–
Total comprehensive income for the year		4 026	820
Total comprehensive income for the year attributable to:			
Owners of Motus		3 971	834
Non-controlling interests	2.4	55	(14)
Total comprehensive income for the year		4 026	820

[1] *The prior period has been adjusted for the re-presentation to disaggregate the discontinued cash flow hedges and amounts recognised in inventory. Refer to note 1.7 – Re-presentation of prior year disclosures for additional information.*

All amounts recognised in other comprehensive income/(loss) may be subsequently reclassified to profit or loss.

Consolidated statement of cash flows

for the year ended 30 June 2022	Note	2022 Rm	2021 Rm
Cash flows from operating activities			
Cash receipts from customers		92 059	86 914
Cash paid to suppliers and employees		(85 770)	(79 801)
Cash generated by operations before interest, taxation paid and capital expenditure on vehicles for hire	9.1	6 289	7 113
Finance costs paid	8.5.1	(574)	(716)
Finance income received	8.5.2	13	59
Dividend income received	8.2	297	142
Taxation paid	7.1	(1 190)	(694)
Cash generated by operations before capital expenditure on vehicles for hire		4 835	5 904
Replacement capital (expenditure)/proceeds – vehicles for hire		(2 102)	151
– Additions	3.4	(4 017)	(2 098)
– Proceeds on disposals	3.4	1 915	2 249
		2 733	6 055
Cash flows from investing activities			
Cash outflow on acquisition of businesses	2.6	(657)	(219)
Cash inflow from disposal of businesses	2.7	34	22
Cash outflow on payment of contingent consideration arising on acquisition of business	4.4.2	(10)	(2)
Capital expenditure – property, plant and equipment, investment properties and intangible assets		(764)	(325)
Expansion of property, plant and equipment, investment properties and intangible assets	9.2	(445)	(180)
Replacement capital expenditure – property, plant and equipment, investment properties and intangible assets	9.2	(319)	(145)
– Replacement of property, plant and equipment, investment properties and intangible assets	9.2	(523)	(380)
– Proceeds on disposal of property, plant and equipment, investment properties and intangible assets	9.2	204	235
Movements in investments in associates and joint ventures		(27)	(7)
– Additions at cost		(68)	(27)
– Proceeds on disposal		29	–
– Share of dividends		18	23
– Loans advanced		(6)	(3)
Additions to investments		–	(9)
Proceeds on sale of investments		–	6
Advances of other financial assets		(39)	(34)
Cash received on net investment in lease receivables	3.3.4	–	44
		(1 463)	(524)

for the year ended 30 June 2022	Note	2022 Rm	2021[1] Rm
Cash flows from operating and investing activities		**1 270**	5 531
Cash flows from financing activities			
Repurchase of own shares		**(1 351)**	(485)
Dividends paid to equity holders of Motus		**(928)**	(294)
Dividends paid to non-controlling interests		**(36)**	(18)
Acquisition of non-controlling interests		**(40)**	(288)
Advances of loans from non-controlling interests and associates		**4**	4
Cash outflow on payment of contingent consideration arising on remeasurement subsequent to the acquisition of the business	4.4.2	**(19)**	–
Repayment of lease liabilities	3.3.2	**(466)**	(515)
Decrease in floorplan liabilities		**(32)**	(775)
Advances/(repayment) of banking facilities[1]	6.3	**1 505**	(1 496)
– Advances of banking facilities[1]	6.3	**41 293**	5 352
– Repayment of banking facilities[1]	6.3	**(39 788)**	(6 848)
Repayment of settled banking facilities	6.3	**–**	(2 563)
		(1 363)	(6 430)
Decrease in cash and cash equivalents		**(93)**	(899)
Non-cash adjustments on cash and cash equivalents		**(19)**	(253)
– Effects of exchange rate changes		**(19)**	(126)
– Transfer of unsecured loans to bank overdrafts		**–**	(127)
Cash and cash equivalents at the beginning of the year		**833**	1 985
Cash and cash equivalents at the end of the year	6.4	**721**	833

[1] *The prior period has been adjusted for the re-presentation to disaggregate the advances and repayments made on banking facilities. Refer to note 1.7 – Re-presentation of prior year disclosures for additional information.*

Consolidated statement of changes in equity

for the year ended 30 June 2022	Stated capital Rm	Shares repurchased Rm	Common control reserve Rm	Hedge accounting reserve Rm
Opening balance as at 1 July 2020	22 672	(411)	(19 210)	701
Total comprehensive income for the year	–	–	–	(967)
Attributable profit for the year	–	–	–	–
Other comprehensive loss	–	–	–	(967)
1 746 397 shares repurchased and cancelled at an average of R50,96 per share	(89)	–	–	–
2 773 319 shares repurchased and cancelled subsequent to year end at an average of R94,47 per share	(262)	–	–	–
1 962 710 shares repurchased at an average of R68,27 per share	–	(134)	–	–
Issue of 295 922 treasury shares at an average price of R95,98 per share as settlement of share-based equity	–	28	–	–
Incremental interest purchased from non-controlling interests	–	–	–	–
Share-based equity income received in profit or loss (including the effects of taxation)	–	–	–	–
Dividends paid to Motus and non-controlling shareholders	–	–	–	–
Transfers between reserves	–	–	(58)	–
Other movements	–	–	–	–
Closing balance as at 30 June 2021	**22 321**	**(517)**	**(19 268)**	**(266)**
Total comprehensive income for the year	–	–	–	560
Attributable profit for the year	–	–	–	–
Other comprehensive income	–	–	–	560
11 632 021 shares repurchased and cancelled at an average of R104,62 per share	(1 217)	–	–	–
1 307 000 shares repurchased at an average of R102,52 per share	–	(134)	–	–
Issue of 749 155 treasury shares at an average price of R85,43 per share as settlement of share-based equity	–	64	–	–
Purchase of non-controlling interest	–	–	–	–
Incremental interest purchased from non-controlling interests[2]	–	–	–	–
Share-based equity costs charged to profit or loss (including the effects of taxation)	–	–	–	–
Dividends paid to Motus and non-controlling shareholders	–	–	–	–
Amounts transferred to inventory from hedge accounting reserve (including the effects of taxation)	–	–	–	106
Transfers between reserves[3]	–	–	(79)	–
Other movements	–	–	–	–
Closing balance as at 30 June 2022	**21 104**	**(587)**	**(19 347)**	**400**

[1] *Other reserves consist of the statutory reserve.*
[2] *During the year, the Group acquired the remaining shareholding in SWT Group Proprietary Limited. Refer to note 2.4 – Non-controlling interests for additional information.*
[3] *Transfers between reserves relate to:*
- *Shares that were initially obtained from Imperial, which resulted in common control on unbundling, were settled. This resulted in a pro rata R79 million transfer from common control to retained income.*
- *The remaining portion of vested plans in the share-based payment reserve of R21 million was transferred to retained income.*
- *The valuation reserve of R3 million was transferred to retained income.*

Share-based payment reserve Rm	Foreign currency translation reserve Rm	Other reserves[1] Rm	Premium paid on the purchase of non-controlling interests Rm	Total other reserves Rm	Retained income Rm	Attributable to the owners of Motus Rm	Non-controlling interests Rm	Total equity Rm
141	299	8	(404)	44	8 712	12 508	(56)	12 452
–	(297)	–	–	(297)	2 098	834	(14)	820
–	–	–	–	–	2 098	2 098	44	2 142
–	(297)	–	–	(297)	–	(1 264)	(58)	(1 322)
–	–	–	–	–	–	(89)	–	(89)
–	–	–	–	–	–	(262)	–	(262)
–	–	–	–	–	–	(134)	–	(134)
(28)	–	–	–	(28)	–	–	–	–
–	–	–	(490)	(490)	–	(490)	202	(288)
(19)	–	–	–	(19)	–	(19)	–	(19)
–	–	–	–	–	(294)	(294)	(18)	(312)
98	(7)	4	–	95	(37)	–	–	–
(1)	–	–	(2)	(3)	1	(2)	–	(2)
191	**(5)**	**12**	**(896)**	**(698)**	**10 480**	**12 052**	**114**	**12 166**
–	121	–	–	121	3 290	3 971	55	4 026
–	–	–	–	–	3 290	3 290	48	3 338
–	121	–	–	121	–	681	7	688
–	–	–	–	–	–	(1 217)	–	(1 217)
–	–	–	–	–	–	(134)	–	(134)
(64)	–	–	–	(64)	–	–	–	–
–	–	–	–	–	–	–	1	1
–	–	–	(27)	(27)	–	(27)	(13)	(40)
100	–	–	–	100	–	100	–	100
–	–	–	–	–	(928)	(928)	(36)	(964)
–	–	–	–	–	–	106	–	106
(21)	–	3	–	(18)	97	–	–	–
–	–	–	–	–	1	1	–	1
206	**116**	**15**	**(923)**	**(586)**	**12 940**	**13 924**	**121**	**14 045**

Segment financial position

as at 30 June 2022	Group 2022 Rm	Group 2021 Rm	Import and Distribution 2022 Rm	Import and Distribution 2021 Rm
Financial position				
Assets				
Goodwill and intangible assets	**1 959**	1 546	**3**	–
Carrying value of associates and joint ventures (excluding loans to associates)	**194**	200	**37**	25
Property, plant and equipment	**7 201**	6 872	**607**	462
Investment properties	**130**	152	**130**	138
Right-of-use assets	**2 046**	2 132	**19**	128
Investments and other financial instruments	**320**	374	**4**	4
Vehicles for hire	**3 677**	2 426	**1 072**	787
Net investment in lease receivables	**–**	40	**–**	40
Inventories	**18 966**	16 528	**3 648**	3 383
Trade and other receivables[2]	**5 330**	4 246	**2 468**	1 989
Operating assets	**39 823**	34 516	**7 988**	6 956
– South Africa	**26 689**	23 025	**7 988**	6 956
– International[4]	**13 134**	11 491	**–**	–
Liabilities				
Contract liabilities	**3 021**	2 828	**–**	–
Lease liabilities	**2 347**	2 449	**23**	192
Provisions	**983**	1 000	**268**	219
Trade and other payables[2]	**16 147**	14 609	**4 579**	4 260
Other financial liabilities	**62**	56	**–**	–
Operating liabilities	**22 560**	20 942	**4 870**	4 671
– South Africa	**13 970**	13 343	**4 870**	4 671
– International[4]	**8 590**	7 599	**–**	–
Net working capital	**7 166**	5 165	**1 269**	893
– South Africa	**5 831**	4 114	**1 269**	893
– International[4]	**1 335**	1 051	**–**	–
Net debt	**5 036**	3 401	**903**	1 075
– South Africa	**4 706**	2 516	**903**	1 075
– International[4]	**330**	885	**–**	–
Net capital expenditure	**(2 866)**	(174)	**(651)**	580
– South Africa	**(2 719)**	(129)	**(651)**	580
– International[4]	**(147)**	(45)	**–**	–
Non-current assets (including equity investment in associates, excluding investment, deferred tax and other financial instruments)	**11 560**	10 902	**796**	753
– South Africa	**6 825**	6 659	**796**	753
– International[4]	**4 735**	4 243	**–**	–
United Kingdom	**3 180**	2 675	**–**	–
Other regions (Australia and South East Asia)[3]	**1 555**	1 568	**–**	–

[1] *Formerly known as Financial Services.*
[2] *Includes amounts pertaining to derivative financial instruments.*
[3] *Retail and Rental operates in Australia and Aftermarket Parts operates in South East Asia.*
[4] *International operations now includes the holding company for the foreign subsidiaries. The comparative amounts have been amended to align with that of the current year.*

Retail and Rental		Mobility Solutions[1]		Aftermarket Parts		Head Office and Eliminations	
2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
1 074	1 047	19	21	859	470	4	8
29	52	4	12	120	107	4	4
6 088	5 951	136	125	322	284	48	50
–	14	–	–	–	–	–	–
1 720	1 778	1	1	306	225	–	–
–	–	315	366	5	5	(4)	(1)
2 591	1 581	1 143	883	–	–	(1 129)	(825)
–	–	–	–	–	–	–	–
12 389	10 941	349	341	2 630	1 899	(50)	(36)
3 090	2 721	441	255	940	725	(1 609)	(1 444)
26 981	24 085	2 408	2 004	5 182	3 715	(2 736)	(2 244)
15 436	13 104	2 408	2 004	3 598	3 205	(2 741)	(2 244)
11 545	10 981	–	–	1 584	510	5	–
86	136	2 935	2 692	–	–	–	–
1 988	2 006	1	1	335	250	–	–
291	199	236	285	4	3	184	294
11 811	10 550	706	597	1 524	1 190	(2 473)	(1 988)
47	28	–	–	11	21	4	7
14 223	12 919	3 878	3 575	1 874	1 464	(2 285)	(1 687)
6 156	5 546	3 878	3 575	1 355	1 238	(2 289)	(1 687)
8 067	7 373	–	–	519	226	4	–
3 377	2 913	(152)	(286)	2 042	1 431	630	214
2 609	2 043	(152)	(286)	1 475	1 250	630	214
768	870	–	–	567	181	–	–
3 181	3 953	(3 958)	(3 597)	1 587	755	3 323	1 215
2 488	2 871	(4 022)	(3 597)	1 203	714	4 134	1 453
693	1 082	64	–	384	41	(811)	(238)
(2 086)	(638)	(434)	635	(101)	(73)	406	(678)
(1 942)	(535)	(434)	635	(98)	(83)	406	(726)
(144)	(103)	–	–	(3)	10	–	48
8 911	8 842	160	159	1 607	1 086	86	62
4 759	4 710	160	159	1 024	975	86	62
4 152	4 132	–	–	583	111	–	–
2 705	2 675	–	–	475	–	–	–
1 447	1 457	–	–	108	111	–	–

Segment profit or loss

for the year ended 30 June 2022	Group 2022 Rm	Group 2021 Rm	Import and Distribution 2022 Rm	Import and Distribution 2021 Rm
Profit or loss				
Total revenue	**91 978**	87 205	**23 883**	19 683
– South Africa	**61 493**	56 091	**23 883**	19 683
– International[4]	**31 381**	31 680	**–**	–
United Kingdom	**23 188**	23 854	**–**	–
Other regions (Australia and South East Asia)[1]	**8 193**	7 826	**–**	–
– Eliminations between geographic regions	**(896)**	(566)	**–**	–
Earnings before interest, taxation, depreciation and amortisation	**6 785**	5 302	**1 798**	1 133
– South Africa	**5 410**	4 138	**1 798**	1 133
– International[4]	**1 398**	1 175	**–**	–
– Eliminations between geographic regions[3]	**(23)**	(11)	**–**	–
Depreciation, amortisation and impairments net of recoupments	**(1 886)**	(1 526)	**(296)**	(226)
– South Africa	**(1 467)**	(1 127)	**(296)**	(226)
– International[4]	**(419)**	(399)	**–**	–
Operating profit before capital items and net foreign exchange gains/(losses)[2]	**5 029**	3 838	**1 508**	922
– South Africa	**4 074**	3 097	**1 508**	922
– International[4]	**978**	752	**–**	–
– Eliminations between geographic regions[3]	**(23)**	(11)	**–**	–
Finance costs	**(561)**	(666)	**(195)**	(139)
– South Africa	**(430)**	(486)	**(195)**	(139)
– International[4]	**(131)**	(180)	**–**	–
Finance income	**65**	123	**76**	50
– South Africa	**64**	123	**76**	50
– International[4]	**1**	–	**–**	–
Other capital costs	**(104)**	(33)	**–**	–
– South Africa	**(41)**	(22)	**–**	–
– International[4]	**(63)**	(11)	**–**	–
Profit/(loss) before tax	**4 473**	2 860	**1 507**	458
– South Africa	**3 681**	2 295	**1 507**	458
– International[4]	**815**	576	**–**	–
– Eliminations between geographic regions[3]	**(23)**	(11)	**–**	–
Income tax expense	**(1 135)**	(718)	**(300)**	(122)

[1] Retail and Rental operates in Australia and Aftermarket Parts operates in South East Asia.
[2] The prior period has been adjusted for the re-presentation to include share of results from associates and joint ventures. Refer to note 1.7 – Re-presentation of prior year disclosures for additional information.
[3] The unrealised profit adjustment between regions has been disclosed separately to enhance disclosure.
[4] International operations now includes the holding company for the foreign subsidiaries. The comparative amounts have been amended to align with that of the current year.

Retail and Rental		Mobility Solutions		Aftermarket Parts		Head Office and Eliminations	
2022 Rm	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
74 209	70 962	**2 107**	2 019	**8 163**	7 295	**(16 384)**	(12 754)
44 583	40 124	**2 107**	2 019	**7 304**	7 019	**(16 384)**	(12 754)
29 626	30 838	**–**	–	**1 755**	842	**–**	–
22 693	23 854	**–**	–	**495**	–	**–**	–
6 933	6 984	**–**	–	**1 260**	842	**–**	–
–	–	**–**	–	**(896)**	(566)	**–**	–
3 455	2 864	**1 165**	1 022	**802**	685	**(435)**	(402)
2 294	1 748	**1 165**	1 022	**580**	637	**(427)**	(402)
1 161	1 116	**–**	–	**245**	59	**(8)**	–
–	–	**–**	–	**(23)**	(11)	**–**	–
(1 344)	(1 118)	**(164)**	(118)	**(176)**	(139)	**94**	75
(969)	(729)	**(164)**	(118)	**(132)**	(122)	**94**	68
(375)	(389)	**–**	–	**(44)**	(17)	**–**	7
2 206	1 761	**1 004**	912	**644**	578	**(333)**	(335)
1 420	1 058	**1 004**	912	**466**	538	**(324)**	(333)
786	703	**–**	–	**201**	51	**(9)**	(2)
–	–	**–**	–	**(23)**	(11)	**–**	–
(525)	(681)	**(60)**	(67)	**(108)**	(95)	**327**	316
(386)	(487)	**(60)**	(67)	**(97)**	(92)	**308**	299
(139)	(194)	**–**	–	**(11)**	(3)	**19**	17
21	18	**–**	–	**3**	1	**(35)**	54
14	18	**–**	–	**2**	1	**(28)**	54
7	–	**–**	–	**1**	–	**(7)**	–
(65)	(26)	**(39)**	10	**–**	(17)	**–**	–
(65)	(15)	**24**	10	**–**	(17)	**–**	–
–	(11)	**(63)**	–	**–**	–	**–**	–
1 540	1 065	**904**	855	**543**	449	**(21)**	33
885	542	**967**	855	**371**	414	**(49)**	26
655	523	**(63)**	–	**195**	46	**28**	7
–	–	**–**	–	**(23)**	(11)	**–**	–
(452)	(296)	**(218)**	(198)	**(134)**	(94)	**(31)**	(8)

Segment profit or loss (continued)

for the year ended 30 June 2022	Group 2022 Rm	Group 2021 Rm	Import and Distribution 2022 Rm	Import and Distribution 2021 Rm
Additional information				
Revenue by nature				
Sale of goods	**82 339**	78 435	**23 809**	19 559
– New motor vehicle sales	**43 746**	40 167	**20 576**	15 282
– Pre-owned vehicle sales	**21 353**	22 266	**1 018**	2 294
– Parts and other goods sales	**17 240**	16 002	**2 215**	1 983
Rendering of services	**9 639**	8 770	**74**	124
– Vehicle workshops, maintenance, service and warranty	**5 617**	5 555	**49**	61
– Motor vehicle rental	**2 123**	1 339	**–**	–
– Fees on vehicles, parts and services sold	**1 899**	1 876	**25**	63
Total revenue	**91 978**	87 205	**23 883**	19 683
Inter-group revenue	**–**	–	**(15 482)**	(11 964)
Total external revenue	**91 978**	87 205	**8 401**	7 719
Depreciation, amortisation and impairments net of recoupments	**(1 886)**	(1 526)	**(296)**	(226)
Depreciation and amortisation	**(1 795)**	(1 513)	**(302)**	(222)
(Losses)/profits on disposals and impairments	**(91)**	(1)	**6**	(4)
Amortisation of intangible asset arising on business combinations	**–**	(12)	**–**	–
(Costs)/income included in profit before tax				
Total employee costs	**(7 307)**	(6 606)	**(452)**	(410)
Operating lease charges	**(237)**	(95)	**(11)**	(15)
Net foreign exchange gains/(losses)	**135**	(383)	**113**	(370)
Share of results from associates and joint ventures	**39**	43	**12**	10
Operating margin (%)	**5,5**	4,4	**6,3**	4,7

Retail and Rental		Mobility Solutions		Aftermarket Parts		Head Office and Eliminations	
2022 Rm	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
66 158	63 832	**–**	–	**8 081**	7 225	**(15 709)**	(12 181)
36 378	34 045	**–**	–	**–**	–	**(13 208)**	(9 160)
21 220	21 615	**–**	–	**–**	–	**(885)**	(1 643)
8 560	8 172	**–**	–	**8 081**	7 225	**(1 616)**	(1 378)
8 051	7 130	**2 107**	2 019	**82**	70	**(675)**	(573)
4 316	4 249	**1 490**	1 481	**–**	–	**(238)**	(236)
1 928	1 128	**443**	373	**–**	–	**(248)**	(162)
1 807	1 753	**174**	165	**82**	70	**(189)**	(175)
74 209	70 962	**2 107**	2 019	**8 163**	7 295	**(16 384)**	(12 754)
(452)	(440)	**(424)**	(326)	**(33)**	(24)	**16 391**	12 754
73 757	70 522	**1 683**	1 693	**8 130**	7 271	**7**	–
(1 344)	(1 118)	**(164)**	(118)	**(176)**	(139)	**94**	75
(1 252)	(1 108)	**(163)**	(118)	**(178)**	(130)	**100**	65
(92)	(10)	**(1)**	–	**2**	3	**(6)**	10
–	–	**–**	–	**–**	(12)	**–**	–
(5 155)	(4 719)	**(540)**	(490)	**(957)**	(885)	**(203)**	(102)
(200)	(74)	**(2)**	(2)	**(54)**	(28)	**30**	24
(3)	3	**–**	–	**2**	(7)	**23**	(9)
3	4	**2**	8	**21**	19	**1**	2
3,0	2,5			**7,9**	7,9		

Notes to the consolidated annual financial statements

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1. Accounting framework and critical judgements

1.1 Basis for preparation

The audited 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 (IASB) in issue and effective for the Group at 30 June 2022 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) as amended (the Companies Act) and the Listings Requirements of the JSE Limited (JSE Listings Requirements).

The preparation of the audited consolidated and separate annual financial statements are in conformity with IFRS and requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's 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 audited consolidated and separate annual financial statements have been disclosed in note 1.5 – Critical accounting judgements, estimates and assumptions.

The audited consolidated and separate 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 for the period	
	2022	2021	**2022**	2021
US Dollar	**16,39**	14,27	**15,22**	15,40
British Pound	**19,90**	19,72	**20,24**	20,70
Australian Dollar	**11,27**	10,71	**11,03**	11,48
Euro	**17,13**	16,93	**17,15**	18,35

The foreign currency translation reserve consists of the accumulation of the exchange rate differences that occur when translating the foreign subsidiaries, associates and joint ventures' results from their functional currency into the Group's functional currency. On disposal of the net investment, the accumulated foreign currency translation reserve related to the foreign subsidiary is recognised in the statement of profit or loss. The reduction of a net investment in a foreign operation which does not result in loss of control is not treated as a disposal.

The audited consolidated and separate annual financial statements have been prepared on the historical cost basis, except for the following significant items included in the statement of financial position that are measured as described below:

Item	Measurement	Note
Derivative financial instruments		
– Forward exchange contracts	Fair value	4.3 – Currency and hedge accounting reserve
– Interest rate derivative contracts	Fair value	6.1 – Interest-bearing debt
Investment in preference shares	Fair value	3.5 – Investment and other financial instruments
Common control reserve	The differential between the purchase consideration originally paid and that of the Group	1.2 – Business combinations including common control transactions
Share-based payment reserve	Fair value	11.2 – Employee incentive schemes

1. Accounting framework and critical judgements (continued)

1.2 Business combinations including common control transactions

The Group's businesses prior to their unbundling from Imperial did not historically constitute a combined legal group. The historical audited consolidated and separate annual financial statements of the Group are prepared on the assumption that the Company and its subsidiaries Motus Capital Proprietary Limited, Motus Corporation Proprietary Limited and Motus Group Limited traded together as a 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 Capital Proprietary Limited, Motus Corporation Proprietary Limited and Motus Group 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 principles 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 differs from that 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 audited 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 audited consolidated annual financial statements. No additional goodwill is created.
- Transactions with parties external to the Group 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 external parties to the Group 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 Capital Proprietary Limited, Motus Corporation 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.
- Where businesses or assets that were acquired under the common control principle, 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.

1. Accounting framework and critical judgements (continued)

1.2 Business combinations including common control transactions (continued)

- 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 the Group's 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 the owners of the entity. 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 audited consolidated annual financial statements. In applying the equity method, account is taken of the Group's share of accumulated retained earnings and movements in reserves from the effective dates on which the Group of or separate companies became associates and up to the effective dates of disposal. In the event of associates making losses, the Group recognises losses to the extent of the Group's exposure.

1.3 Going concern

The Group's results for the 12 months to June 2022 reflect strong strategic and operational achievements, which supported a resilient financial performance in a challenging and evolving trading environment.

The impact of the COVID-19 crisis on the global automotive industry has been extensive. In its wake, the industry is absorbing manufacturing, supply chain, and operational disruptions. This has resulted in vehicle shortages and substantial increases in production, freight, and logistic costs. The Group has responded well, supported by strong consumer demand and continuous funding by the banks.

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

The Board has reviewed and approved the Group and Company consolidated forecasts prepared by management and the solvency and liquidity positions. The forecast includes a detailed consolidated statement of profit or loss, cash flow, and financial position and is reviewed and approved by the Board.

The consolidated statement of financial position as at 30 June 2022 reports a positive total equity balance of R14 045 million (2021: R12 166 million) and net debt of R5 036 million (2021: R3 401 million). The net debt excluding floorplans is covered by facilities of R11 278 million (R10 388 million committed) (2021: R11 900 million (R10 816 million committed)). The Group generated cash inflow from operations of R4 835 million (2021: R5 904 million) before capital expenditure on vehicles for hire and property, plant and equipment.

On this basis, the Board concluded that the Group would remain comfortably within the existing bank facility limits, with significant headroom, for at least the next 12 months from the date of approval of these audited consolidated and separate annual financial statements.

Due to the inherent level of uncertainty over key assumptions used in the Group's projections, a sensitivity analysis has been performed to model the impact of adverse trends on the Group's ability to operate as a going concern. The result indicated that the Group remains a going concern in these adverse situations. The projections assumed that the Group would continue to trade with no significant restrictions over the next 12 months and that the Group would retain its market shares in the markets in which it operates.

Notes to the consolidated annual financial statements (continued)

1. Accounting framework and critical judgements (continued)

1.3 Going concern (continued)

The Group has access to fixed and floating interest-bearing debt facilities with financial institutions and floorplan facilities with financial institutions and Original Equipment Manufacturers (OEMs).

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

- The net debt to Adjusted EBITDA must be below 3,0 times; and
- The Adjusted EBITDA to Adjusted net interest must be above 3,0 times.

The Group has complied with these banking covenants as at 30 June 2022, with net debt to Adjusted EBITDA at 0,8 times (2021: 0,8 times) and Adjusted EBITDA to Adjusted net interest at 17,9 times (2021: 10,9 times).

This compliance is expected to continue into the foreseeable future as the Group has sufficient unutilised banking facilities available to fund normal trading operations.

The Group is not currently involved in any significant litigation that could significantly affect the Group's ability to operate as a going concern.

The Group's assets are adequately insured or, in certain instances, self-insured where the Group considers the risks are of such a nature that it can be self-insured without creating undue risk to the Group. The full extent of the insurance cover and self-insurance arrangements have been reviewed by senior management and is considered acceptable.

The Board has also 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 audited consolidated annual and separate financial statements.

The Board considers it appropriate to adopt the going concern assumption in preparing the audited consolidated and separate annual financial statements.

1.4 Accounting policies

Accounting policies for which no choice is permitted in terms of IFRS have been included only if management concluded that the disclosure would assist users in understanding the audited consolidated and separate annual financial statements as a whole and considering the materiality of the item being discussed. Accounting policies that 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 audited consolidated and separate annual financial statements. Accounting policies that refer to "consolidated" or "Group" apply equally to the consolidated annual financial statements and the separate annual financial statements of the Company, where relevant.

The accounting policies applicable to each note, together with its critical judgements applicable, are included in related notes to the audited consolidated and separate annual financial statements and are consistent with the prior financial year with the exception of new and revised policies as required by new and revised IFRS issued and in effect.

The following standards were adopted in the current financial year.

Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 with regard to the Interest Rate Benchmark Reform (IBOR) (Phase II) (new and revised)

The Group adopted the Phase 2 amendments Interest Rate Benchmark Reform – Amendments to IFRS 4 – *Insurance Contracts*, IFRS 7 – *Financial Instruments*: *Disclosure*, IFRS 9 – *Financial Instruments*, IFRS 16 – *Leases*, and IAS 39 – *Financial Instruments*: *Recognition and Measurement.*

Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as "risk-free rates" or RFRs) without giving rise to accounting impacts that would not provide useful information to users of the audited consolidated and separate annual financial statements.

1. Accounting framework and critical judgements (continued)

1.4 Accounting policies (continued)

Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 with regard to the Interest Rate Benchmark Reform (IBOR) (Phase II) (new and revised) (continued)

The impact of the amendments on the Group is as follows:

- If the contractual terms of the Group's bank borrowings are amended as a direct consequence of the Interest Rate Benchmark Reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. However, if additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes.
- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- The Group would be required to provide additional information to enable a user to understand the nature and extent of the new risks stemming from the reform and how they manage the risks arising from the transition from IBOR benchmarks to alternative benchmark rates.

The adoption of these amendments had no material impact on the Group. As each interest rate benchmark is replaced, the Group has shifted to alternate reference interest rates. The transition was managed by the Group's treasury department.

IFRS 9 for Hedge Accounting

In the current financial year, the Group has voluntarily adopted the hedge accounting requirements of IFRS 9, which replace the hedge accounting requirements of IAS 39 (except for macro fair value hedges of interest rate risk).

The revised requirements align hedge accounting more closely with risk management and establish a more principle-based approach to hedge accounting, allowing for greater flexibility in the types of transactions and hedging instruments eligible for hedge accounting. It also includes some operational simplifications, such as a revised approach to the testing of hedge effectiveness. The adoption also aims to align the Group's accounting policies with the increasing number of entities that have fully adopted IFRS 9.

As the Group's risk management strategies were aligned with the requirements of IFRS 9 and the hedge documentation for all hedging relationships was updated, existing hedging relationships as of 1 July 2021 were treated as continuing hedging relationships. The IFRS 9 hedge accounting requirements were applied prospectively, so the adoption did not affect the Group's hedge relationships, hedge accounting results, consolidated statement of profit or loss, consolidated statement of financial position, or consolidated statement of cash flows as of 30 June 2021.

Notes to the consolidated annual financial statements (continued)

1. Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions

When preparing the audited consolidated and separate annual financial statements, it is necessary that senior management makes several accounting estimates and judgements that affect the results disclosed. The estimates and underlying assumptions are reviewed on an ongoing basis.

The critical accounting judgements, estimates and assumptions identified are those that have a risk of resulting in a significant adjustment. The estimates are expectations of the future, or other sources of estimation uncertainty, based on assumptions. These assumptions are to the extent possible supported by historical trends or reasonable expectations.

Accounting judgements are made when applying accounting policies. Critical accounting judgements are the judgements made, that can have a significant impact on the amounts recognised in the audited consolidated and separate annual financial statements.

Senior management believes that the estimates are the most likely outcome of future events. Senior management bases the estimates on historical experience and other assumptions that are reasonable under the given circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Further information on the areas that involve a significant degree of judgement, assumption and estimation can be obtained in the respective notes.

Note	Critical judgement, assumption or estimate
Consolidated annual financial statements	
2.1 – Goodwill	Estimation of future cash flows, growth rates and discount rates used when assessing the cash-generating units (CGUs) for impairment.
2.2 – Intangible assets	Estimation of the useful life of the intangible assets.
3.1 – Property, plant and equipment	Estimation of residual value and useful life of plant and equipment. Estimation of future cash flows, growth rates and discount rates used when assessing the owner-occupied properties for impairment.
3.2 – Investment properties	Estimation of future cash flows, growth rates and discount rates used when determining the value of the investment properties.
3.4 – Vehicles for hire	Estimation of residual value and useful life of the vehicles for hire.
3.5 – Investment and other financial instruments	Estimation of future cash flows, growth rates and discount rates used when determining the fair value of the investments.
3.6.1 – Inventories	Estimation in the calculation of the net realisable value of inventory.
3.6.2 – Trade and other receivables	Forward looking information utilised in the expected credit loss model.
3.6.5 – Provisions	Estimation of amount and timing of settlement.
3.7 – Contract liabilities	Estimates of inputs used to determine the stage of completion or the burn rates of the contracts and related revenue recognition.
4.3 – Currency risk and hedge accounting reserve	Assumptions applied in determining the forecasted purchases and delivery dates.
7.2 – Deferred tax	Recoverability of deferred tax assets in respect of future taxable profits.
11.2 – Employee incentive schemes	Estimates and assumptions applied when determining the inputs into the valuation models at inception.
Separate annual financial statements	
2 – Investment in subsidiaries	Estimation of future cash flows, growth rates and discount rates used when assessing the investments for impairment or reversal of impairment.

1. Accounting framework and critical judgements (continued)

1.6 Basis of preparation of segment information

Operating segments are reported in a manner consistent with the internal reporting requirements of the Group as provided to the chief operating decision makers, being the CEO and the CFO. 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:** Importer and distributor of passenger vehicles, light commercial vehicles (LCVs) and parts to serve a network of dealerships, car rental companies, fleets and government institutions in South Africa.
- **Retail and Rental:** Retailer of new and pre-owned passenger and commercial vehicles across all segments in South Africa and the UK and passenger vehicles in Australia, selling of parts and accessories, servicing and maintenance of vehicles and rental of passenger vehicles and LCVs in Southern Africa.
- **Mobility Solutions:** Developer, seller, manager and administrator of service, maintenance and warranty plans and provider of value-added products and services (VAPS). Provider of fleet management services and business process outsourcing through sophisticated technology and call centre capabilities. Leader of the Group's innovation centre.
- **Aftermarket Parts:** Distributor, wholesaler and retailer of parts and accessories mainly for out-of-warranty vehicles in Southern Africa, UK and Europe through retail and franchised stores and specialised workshops in South Africa. Distribution centres in South Africa, Taiwan, China and the UK.

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

Notes to the consolidated annual financial statements (continued)

1. Accounting framework and critical judgements (continued)

1.7 Re-presentation of prior year disclosures

The following have been re-presented to enhance disclosure:

- The operating profit before capital items and net foreign exchange gains/(losses) now include share of results from associates and joint ventures in the consolidated statement of profit or loss;
- The repayments or advances on banking facilities have been disaggregated on the consolidated statement of cash flows; and
- The net change in the fair value of the cash flow hedges has been disaggregated in the consolidated statement of other comprehensive income.

These re-presentations had no impact on the earnings per share, headline earnings per share, diluted earnings per share and movements in the consolidated statement of cash flows.

Re-presentation of operating profit before capital items and net foreign exchange gain/(losses)

In the consolidated statement of profit or loss the operating profit before capital items and net foreign exchange gains/(losses) now include share of results from associates and joint ventures. In the prior year, this was excluded from operating profit before capital items and net foreign exchange gains/(losses) and was disclosed below finance costs and finance income.

The re-presentations are as follows:

	2021 Rm
Operating profit before capital items and net foreign exchange gains/(losses), as disclosed previously	3 795
Share of results from associates and joint ventures	43
Operating profit before capital items and net foreign exchange gains/(losses), re-presented	3 838
Operating profit before financing costs, as disclosed previously	3 360
Share of results from associates and joint ventures	43
Operating profit before finance costs, re-presented	3 403

The profit before share of results from associates and joint ventures aggregation was removed from the consolidated statement of profit or loss as this is no longer required.

The re-presentation was made to include all income and expenditure considered part of the Group's operating activities or an extension thereof, in operating profit before capital items and net foreign exchange gains/(losses). The amended disclosure is intended to give meaningful information to the users of the audited consolidated financial statements for decision making.

1. Accounting framework and critical judgements (continued)

1.7 Re-presentation of prior year disclosures (continued)

Re-presentation of repayments or advances of banking facilities

In the prior year, the Group disclosed the repayment and advances of banking facilities on a net basis in accordance with the utilisation of the facilities.

The Group follows a centralised cash management process, including cash management systems to minimise risk and related finance costs across bank accounts. The cash management systems ensure that any excess cash held in the business units is transferred through the sweeping processes to the treasury departments in the various jurisdictions.

The consolidated borrowing position of the Group is assessed daily and the banking facilities are repaid or drawn down on a short-term basis.

In the current year, this disclosure was expanded to include advances and repayments of banking facilities, to increase transparency, give meaningful information to users of the audited consolidated annual financial statements for decision making and improve comparability with other publicly traded companies.

The re-presentations are as follows:

	2021 Rm
Repayment of banking facilities, as previously disclosed	(1 496)
Now disclosed separately as:	
Repayment of banking facilities	(1 496)
– Advances of banking facilities	5 352
– Repayment of banking facilities	(6 848)

Re-presentation of net change in the fair value of the cash flow hedges

In the current year, the net change in the fair value of the cash flow hedges has been disaggregated to enhance disclosure and improve the comparability of the audited consolidated annual financial statements with other publicly traded companies. This disaggregation includes the disclosure of discontinued cash flow hedges and amounts recognised in inventory.

The re-presentations are as follows:

	2021 Rm
Net change in the fair value of the cash flow hedges, as previously disclosed	(575)
Now disclosed separately as:	(575)
– Effective portion of the fair value of the cash flow hedges	(524)
– Discontinued cash flow hedges	(284)
– Amounts recognised in inventory	233

The amounts recognised in inventory are not a reclassification adjustment to profit or loss as per the requirements of IFRS 9 and are recognised directly in the consolidated statement of changes in equity. The prior year was disclosed in the consolidated statement of other comprehensive income in accordance with IAS 39.

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 synergies of the business combination. 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 (2021: Rnil).

Movements in goodwill are as follows:

2022	Carrying value at the beginning of the year Rm	Acquisition of businesses Rm	Impairment charge Rm	Currency adjustments Rm	Carrying value at the end of the year Rm
Rental and Retail					
United Kingdom	536	–	–	6	542
– Motus Commercials	226	–	–	3	229
– Mercedes Commercials	120	–	–	2	122
– Passenger Division	190	–	–	1	191
Australia Passenger Division	497	–	–	25	522
– SWT	210	–	–	10	220
– Ballarat	287	–	–	15	302
Aftermarket Parts					
South Africa	334	–	–	–	334
– Motus Aftermarket Parts	231	–	–	–	231
– Vehicle Canopy Operations	103	–	–	–	103
United Kingdom	–	156	–	(3)	153
– FAI	–	156	–	(3)	153
Taiwan	76	–	–	1	77
– ARCO Motor Industry	76	–	–	1	77
Significant goodwill	1 443	156	–	29	1 628
Other goodwill[1]	–	81	(81)	–	–
Carrying value of goodwill	1 443	237	(81)	29	1 628

[1] *The Group examines each individual business, which carries goodwill and routinely impairs all individual amounts lower than R15 million (2021: R10 million).*

2. Arising on consolidation (continued)

2.1 Goodwill (continued)

2021	Carrying value at the beginning of the year Rm	Acquisition of businesses Rm	Impairment charge Rm	Currency adjustments Rm	Carrying value at the end of the year Rm
Rental and Retail					
United Kingdom	583	–	–	(47)	536
– Motus Commercials	240	–	–	(14)	226
– Mercedes Commercials	137	–	–	(17)	120
– Passenger Division	206	–	–	(16)	190
Australia Passenger Division	556	12	(11)	(60)	497
– SWT	235	–	–	(25)	210
– Ballarat	321	12	(11)	(35)	287
Aftermarket Parts					
South Africa	334	15	(15)	–	334
– Motus Aftermarket Parts	231	15	(15)	–	231
– Vehicle Canopy Operations	103	–	–	–	103
Taiwan	83	–	–	(7)	76
– ARCO Motor Industry	83	–	–	(7)	76
Significant goodwill	1 556	27	(26)	(114)	1 443
Other goodwill	–	24	(24)	–	–
Carrying value of goodwill	1 556	51	(50)	(114)	1 443

Goodwill relates to the operating segments below:

	2022 Rm	2021 Rm
Rental and Retail	**1 064**	1 033
Aftermarket Parts	**564**	410
	1 628	1 443

Notes to the consolidated annual financial statements (continued)

2. Arising on consolidation (continued)

2.1 Goodwill (continued)

Goodwill impairment testing

The Group tests its assets, including goodwill, for impairment when there is an indicator of impairment or annually. Impairment of goodwill arises when the recoverable amount of the CGU is less than the carrying value, including the goodwill. The recoverable amount is determined as the greater of the fair value less costs to sell and the value in use. The Group has determined the recoverable amount using the value in use method in assessing goodwill for impairment purposes. The model uses cash flow projections based on forecasts approved by senior management for a five-year period, with an appropriate terminal growth rate.

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

	Pre-tax discount rate		Compound annual growth rate in revenue prior to terminal period[1, 2]		Terminal growth rate[3]	
	2022 %	2021 %	**2022 %**	2021 %	**2022 %**	2021 %
Rental and Retail						
United Kingdom						
– Motus Commercials	**10,6**	10,4	**1,8**	2,0	**1,7**	2,0
– Mercedes Commercials	**10,6**	10,1	**1,8**	2,0	**1,7**	2,0
– Passenger Division	**10,4**	10,2	**1,8**	2,0	**1,7**	2,0
Australia Passenger Division						
– SWT	**11,0**	10,0	**2,0**	2,0	**2,0**	2,0
– Ballarat	**11,0**	10,6	**2,0**	2,0	**2,0**	2,0
Aftermarket Parts						
South Africa						
– Motus Aftermarket Parts	**19,2**	19,4	**5,0**	5,0	**5,0**	5,0
– Vehicle Canopy Operations	**21,2**	21,3	**5,0**	6,1	**5,0**	5,0
United Kingdom						
– FAI	**13,0**		**2,5**		**2,5**	
Taiwan						
– ARCO Motor Industry	**15,6**	16,1	**2,5**	2,5	**2,5**	2,5

[1] *The decreases in the compound annual growth rates in Vehicle Retail and Rental United Kingdom year-on-year is based on the future economic outlook within the United Kingdom.*

[2] *The decrease in the compound annual growth rates in the Vehicle Canopy Operations year-on-year is as a result of stable trading results in line with future inflationary increases.*

[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 Motus Aftermarket Parts and Vehicle Canopies Operations factor in price increases, exchange rate fluctuations and expected volume growth.*

2. Arising on consolidation (continued)

2.1 Goodwill (continued)

Goodwill impairment testing (continued)

Key assumptions applied are as follows:

Cash flow projections

The value in use is calculated using the forecast cash inflows and outflows, expected to be derived from the continuing use of the CGU and its ultimate disposal. Cash flow projections, which are approved by senior management, are based on the Group's 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 senior management using past experience but adjusting for the changes in the economic environment in which the CGU operates;
- Volume growth and price increases;
- The Group's market share assumptions in which the CGU operates; and
- Exchange rates used which are consistent with external sources of information.

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.

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

Discount rates

The discount rates present the current market assessment of the risks for each CGU, taking into consideration the geographic location of the CGU, 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, as obtained from an independent expert, are derived from the CGU's weighted average cost of capital (WACC) and take into account the cost of debt, leases and 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 future interest rate benchmarks on the interest-bearing debt the CGU is obliged to service. The cost of leases is based on the incremental borrowing rate applicable to the leases within the CGU.

The net 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 the CGUs exceeded their carrying values and due to the significant headroom, they are not impacted by a 10% variation in the cash flow projections, growth rates and discount rates when comparing the carrying value to the recoverable amount.

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

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 and trademarks vary between one and 20 years.
- Computer software varies between one and ten years.

When assessing the useful life, the Group uses historical experience and other relevant factors, such as the expected future use of the intangible asset, technological advances and current market benchmarks. Based on this assessment, the estimated useful lives are reasonable.

	Customer lists and trademarks Rm	Computer software Rm	Total Rm
As at 30 June 2022			
Cost	337	235	572
Accumulated amortisation and impairment	(89)	(152)	(241)
Carrying value	248	83	331
Carrying value at the beginning of the year	40	63	103
Movement during the year			
Acquisition of businesses[1]	242	–	242
Additions	4	52	56
Amortisation	(32)	(31)	(63)
Impairments	–	(3)	(3)
Currency adjustments	(6)	2	(4)
Carrying value at the end of the year	248	83	331

[1] *The FAI acquisition includes customer lists and trademarks, which have been recognised as an intangible asset, as it meets the requirements of a separately identifiable asset. Refer to note 2.5 – Business combinations for additional information.*

Intangible assets are derecognised where they have reached the end of their economic useful life. During the year, the Group derecognised intangible assets with cost and accumulated amortisation and impairment amounting to R34 million (2021: R210 million). There was no impact on profit or loss.

	Customer lists and trademarks Rm	Computer software Rm	Total Rm
As at 30 June 2021			
Cost	98	217	315
Accumulated amortisation and impairment	(58)	(154)	(212)
Carrying value	40	63	103
Carrying value at the beginning of the year	55	60	115
Movement during the year			
Additions	1	36	37
Amortisation	(12)	(33)	(45)
Currency adjustments	(4)	–	(4)
Carrying value at the end of the year	40	63	103

2. Arising on consolidation (continued)

2.3 Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. An assessment of control is performed based on whether the Group 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, the Group concluded that it did not have a dominant interest to direct the relevant activities of associates and joint ventures.

	2022 Rm	2021 Rm
Shares at cost	**47**	74
Share of post-acquisition reserves	**147**	126
Carrying value of associates and joint ventures	**194**	200
Loans advanced to associates and joint ventures	**75**	89
– Less than one year[1]	**1**	11
– More than five years[2]	**74**	78
Net investment in associates and joint ventures	**269**	289
Maturity profile		
Less than one year	**1**	11
More than five years	**268**	278
	269	289

[1] The loan relates to advances made to Auto MPA Limitada. This loan is interest-free and repayable on demand.
[2] The loan is a shareholder loan advanced to C2 Computer Investments Proprietary Limited. The loan bears no interest and has no fixed terms of repayment. Settlement is expected beyond the current financial year.

The Group has assessed the significance of equity-accounted associates, with reference to the factors outlined in the glossary of terms. The net asset value of the equity-accounted associates was used as a basis for the quantitative measure. Qualitative factors such as the nature of the business and contribution to the profitability of the Group were also considered when assessing the relevant information that will assist the users in their decision-making processes.

The following equity-accounted associates are significant to the Group:

	Nature of relationship with the Group	Principal place of business	Statutory year end	Ownership interest/voting rights held 2022 %	Ownership interest/voting rights held 2021 %
Ukhamba Holdings Proprietary Limited	B-BBEE partner who currently owns ordinary and deferred ordinary Motus shares	South Africa	30 June	**23,45**	23,45
NGK Spark Plugs South Africa Proprietary Limited	Associate that manufactures and sells spark plugs and other parts	South Africa	31 March[1]	**25,00**	25,00

[1] 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)

Ukhamba Holdings Proprietary Limited (Ukhamba) has issued five different classes of shares, namely:

- Class A and B: represents the previous investment held in Imperial ordinary shares. During the year, DP World Limited acquired the entire shareholding of Imperial, including the shares held by Ukhamba. This class of shares is still in effect, however, there are no longer voting rights attached to these shares.
- Class C: represents investments in a portfolio of shares in various companies.
- Class D and E: represent an investment in Motus ordinary shares.

The de-listing of Imperial only impacted the Class A and B shares of Ukhamba. There was no impact on the conditions of Class C, D and E shares.

The Group owns two types of shares in Ukhamba, namely the Class E shares and 23,45% of the Class C shares. The Class E shares entitle the Group to receive 46,9% of any remaining listed Motus ordinary shares owned by Ukhamba after the sale of shares to settle bank financing and any other obligations due by Ukhamba. The Class C entitles the Group to share in any profits of the remaining investments held by Ukhamba.

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 Proprietary Limited		NGK Spark Plugs South Africa Proprietary Limited	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Revenue	**93**	41	**670**	672
Net profit/(loss) for the year	**1 276**	(175)	**74**	68
Other comprehensive (loss)/income	**(944)**	917	**–**	–
Total comprehensive income[1]	**332**	742	**74**	68
– Non-current assets	**2 240**	2 893	**61**	39
– Current assets	**68**	72	**568**	552
Total assets	**2 308**	2 965	**629**	591
– Non-current liabilities	**1 337**	1 807	**25**	11
– Current liabilities	**3**	–	**199**	209
Total liabilities	**1 340**	1 807	**224**	220
Total equity	**968**	1 158	**405**	371
The Group's proportional interest in net assets of associate at the beginning of the year	**529**	47	**93**	76
Share of total comprehensive income	**–**	–	**18**	17
Adjustment relating to the Group's share of investments	**122**	486	**–**	–
Dividends received	**(26)**	(4)	**(10)**	–
The Group's proportional interest in net assets of associate at the end of the year[2]	**625**	529	**101**	93
Reversal of fair value adjustment on Motus shares and losses that exceed the Group's net interest in the associate[3]	**(625)**	(529)	**–**	–
Carrying value of the interest in the associate at the end of the year	**–**	–	**101**	93

[1] *The total comprehensive income from Ukhamba relates to the fair value adjustment in the investments held in Motus shares. In the current year, the valuation reserve relating to the Imperial shares was released to net profit or loss.*

[2] *Refer to the below table for the calculation of the Group's proportionate share of net assets in Ukhamba.*

[3] *The Group does not share in the fair value adjustments in Ukhamba's investments in Motus. The remaining investments are loss-making. As the net investment in Ukhamba is Rnil, no further losses are recognised. The Group is under no obligation to fund future losses.*

2. Arising on consolidation (continued)

2.3 Investments in associates and joint ventures (continued)

The unrecognised losses on Ukhamba for the year amounted to R3 million (2021: R19 million). These losses are exclusive of the fair value adjustments relating to the Imperial and Motus shares, which are reversed on consolidation.

Calculation of proportionate share of net assets in Ukhamba

	2022 Rm	2021 Rm
Fair value of the investment Ukhamba holds in Motus	2 225	1 917
Less: Financing payable to Investec	(892)	(790)
Net investment	1 333	1 127
Attributable to the Group at 46,9%	625	529

Contribution from associates and joint ventures

	Significant associates and joint ventures		Individually insignificant associates and joint ventures		Total associates and joint ventures	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Total comprehensive income for the year attributable to the Group	18	17	21	26	39	43
Carrying value of interest in associates and joint ventures	101	93	93	107	194	200
Number of entities	2	2	10	13	12	15

The following summarised financial information for the Group's interest in individually insignificant associates and joint ventures is based on their respective consolidated annual financial statements prepared in accordance with IFRS:

	Associates		Joint ventures		Total individually insignificant associates and joint ventures	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Total comprehensive income for the year attributable to the Group	18	26	3	–	21	26
Carrying value of interest in insignificant associates and joint ventures	88	100	5	7	93	107

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

The unrecognised profits on these associates for the year amounts to R17 million (2021: R10 million).

Notes to the consolidated annual financial statements (continued)

2. Arising on consolidation (continued)

2.4 Non-controlling interests

The Group has assessed the significance of non-controlling interests, with reference to the factors outlined in the glossary of terms. The net asset value of the non-controlling interests was used as a basis for the quantitative measure. Qualitative factors such as the nature of the business and contribution to the profitability of the Group were also considered when assessing the relevant information that will assist the users in their decision-making processes.

The following non-controlling interests are significant to the Group:

	Principal place of business	Operating segment	Ownership interest held by NCI	
			2022 %	2021 %
ARCO Motor Industry Company Limited	Taiwan	Aftermarket Parts	**40,0**	40,0
SWT Group Proprietary Limited	Australia	Retail and Rental	**–**	10,0

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 the Group.

	ARCO Motor Industry Company Limited		SWT Group Proprietary Limited[1]	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Revenue	**525**	405	**823**	2 836
Net profit for the period	**112**	55	**30**	83
– Net profit attributable to non-controlling interests	**45**	22	**3**	10
Other comprehensive income/(loss)	**11**	(24)	**2**	(7)
– Other comprehensive income/(loss) attributable to non-controlling interests	**4**	(10)	**–**	(1)
Total comprehensive income	**123**	31	**32**	76
– Total comprehensive income attributable to non-controlling interests	**49**	12	**3**	9
– Non-current assets	**11**	11	**660**	665
– Current assets	**285**	245	**450**	488
Total assets	**296**	256	**1 110**	1 153
– Non-current liabilities	**–**	7	**551**	461
– Current liabilities	**63**	65	**425**	591
Total liabilities	**63**	72	**976**	1 052
Total equity	**233**	184	**134**	101
Equity attributable to non-controlling interests	**93**	74	**13**	10
Purchase price allocation attributable to non-controlling interests	**3**	9	**–**	–
Total non-controlling interest	**96**	83	**13**	10

[1] *The total comprehensive income and consolidated statement of financial position is at 30 September 2021, being the effective date of the acquisition of the non-controlling interest.*

2. Arising on consolidation (continued)

2.4 Non-controlling interests (continued)

Acquisition of non-controlling interest

	Effective date	Purchase consideration	Value of non-controlling interest acquired	Premium paid on the purchase of non-controlling interests
SWT Group Proprietary Limited	September 2021	**40**	**(13)**	**27**

Reason for the acquisition of non-controlling interests

This acquisition has continued to enhance operational synergies and will unlock value within the integrated business model.

Amounts attributable to non-controlling interests

The following summarised financial information for the Group's non-controlling interests is based on their respective consolidated annual financial statements prepared in accordance with IFRS:

	Significant non-controlling interest		Individually insignificant non-controlling interest		Total	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
Total comprehensive income/(loss) attributable to non-controlling interests	**52**	(15)	**3**	1	**55**	(14)
Carrying value of non-controlling interests[1]	**96**	93	**25**	21	**121**	114

[1] *The carrying value of the non-controlling interests in the current year excludes the amounts transferred to the premium paid on the purchase of non-controlling interest in SWT Group Proprietary Limited.*

2.5 Business combinations

Acquisitions during the reporting period

The Group acquired FAI in the UK on 1 October 2021. The company is an aftermarket automotive parts business specialising in distributing passenger and light commercial vehicle parts throughout the UK and Europe.

During the year the Group acquired a number of other individual businesses in Retail and Rental South Africa to complement the existing businesses. These included:

- Four passenger vehicle dealerships namely Honda Sandton, Hyundai Rustenburg, Renault Vaal and Hyundai Midrand; and
- The acquisition of an additional 11% shareholding in Synapt Group Proprietary Limited (Synapt), as a result obtaining effective control over the company.

The Group also acquired two additional franchise stores in Aftermarket Parts South Africa.

In compliance with the Group's policy, all individual goodwill values of less than R15 million are impaired. The total impairment relating to the policy amounted to R24 million. The remaining impairments of R57 million are as a result of annual impairment assessments performed.

2. Arising on consolidation (continued)

2.5 Business combinations (continued)

An assessment of control was performed based on whether the Group has the practical ability to direct the relevant activities unilaterally on these acquired businesses. 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, the Group concluded that it is able to direct the relevant activities of the businesses acquired.

The Group has assessed the significance of each of the businesses acquired with reference to aspects outlined in the glossary of terms. The net asset value of the underlying business and purchase consideration was used as a basis for the quantitative measure. Qualitative factors such as the nature of the business acquired and contribution to the profitability of the Group were also considered when assessing the relevant information that will assist the users in their decision-making processes. Based on this assessment, only the acquisition of FAI was deemed significant.

The fair value of assets acquired and liabilities assumed were as follows:

		Other individually insignificant acquisitions		
	FAI Rm	Retail and Rental South Africa Rm	Aftermarket Parts South Africa Rm	Total[1] Rm
Assets				
Intangible assets	242	–	–	**242**
Property, plant and equipment	20	9	2	**31**
Right-of-use assets	93	1	–	**94**
Deferred tax	–	1	–	**1**
Inventories	119	92	5	**216**
Trade and other receivables	174	2	–	**176**
Taxation	2	–	–	**2**
Cash resources	189	–	–	**189**
	839	105	7	**951**
Liabilities				
Lease liabilities	93	1	–	**94**
Other financial liabilities	–	12	–	**12**
Deferred tax	47	–	–	**47**
Trade and other payables	129	12	–	**141**
Interest-bearing debt	–	17	–	**17**
	269	42	–	**311**
Non-controlling interests	–	1	–	**1**
Net assets acquired	570	62	7	**639**
Total purchase consideration	726	143	7	**876**
– Cash paid	726	113	7	**846**
– Interest previously held as an associate	–	30	–	**30**
Goodwill	156	81	–	**237**
Goodwill impaired	–	(81)	–	**(81)**

[1] *Due to the recent nature of the acquisitions, the fair value of the assets and liabilities acquired are still regarded as being provisional.*

2. Arising on consolidation (continued)

2.5 Business combinations (continued)

Process involved with obtaining control

The Group acquired the entire shareholding of FAI and an additional 11% shareholding in Synapt, bringing the total shareholding to 60%, therefore obtaining control of these legal entities. The remainder of the acquisitions related to the purchase of the underlying assets and liabilities of the businesses, which were absorbed into the Group as operating divisions.

Reasons for the acquisitions

These acquisitions are strategically in line with the Group's objective of achieving economies of scale and increasing our footprint with 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 R6 million and have been recognised as an expense in profit or loss in the "Net operating expenses" line.

Impact of the acquisitions on the results of the Group

From the dates of acquisition, the businesses acquired during the period contributed revenue of R1 279 million and after tax profit of R95 million, including the after tax funding costs. Had all the acquisitions been consolidated from 1 July 2021, they would have contributed revenue of R1 607 million and an after tax profit of R130 million (including the after tax impact of funding costs). The Group's total revenue would have been R92 306 million and an after tax profit of R3 373 million (including the after tax impact of funding costs).

From the date of acquisition, FAI has contributed R495 million and R48 million to the Group's revenue and after tax profits (including the after tax impact of funding), respectively. Had the company been consolidated from 1 July 2021, the company would have contributed revenue of R662 million and profit after tax of R64 million (including the after tax impact of funding).

Separately identifiable intangible assets

The FAI acquisition includes customer lists and trademarks that meet the definition of intangible assets as they are identifiable non-monetary assets. These have been recognised as intangible assets and will be amortised over the appropriate economic useful life. The excess purchase consideration over the net asset value, including the separately identifiable intangible assets, is recognised as goodwill.

Other details

Trade and other receivables had a gross contractual amount of R177 million and an allowance for expected credit losses of R1 million.

Notes to the consolidated annual financial statements (continued)

2. Arising on consolidation (continued)

2.6 Cash outflow on the acquisitions of businesses

	2022 Rm	2021 Rm
Non-current assets	**605**	**196**
Goodwill	237	51
Intangible assets	242	–
Property, plant and equipment	31	62
Right-of-use assets	94	83
Deferred tax	1	–
Current assets	**583**	**113**
Inventories	216	110
Trade and other receivables	176	3
Taxation	2	–
Cash resources	189	–
Non-current liabilities	**(153)**	**(87)**
Lease liabilities	(94)	(83)
Other financial liabilities	(12)	(4)
Deferred tax	(47)	–
Current liabilities	**(158)**	**(3)**
Trade and other payables	(141)	(3)
Interest-bearing debt	(17)	–
Non-controlling interest	(1)	–
Net assets acquired	**876**	**219**
Less: Investment in an associate now recognised as a subsidiary	(30)	–
Total cash purchase consideration	**846**	**219**
Cash resources acquired	(189)	–
Cash outflow on acquisition of businesses	**657**	**219**

2. Arising on consolidation (continued)

2.7 Cash inflow on the disposal of businesses

During the year the Group disposed of Nissan Durban, ARC Bloemfontein and Vereeniging in the Retail and Rental South Africa operations.

	2022 Rm	2021 Rm
Non-current assets	**2**	1
Property, plant and equipment	2	–
Right-of-use assets	–	1
Current assets	**19**	20
Inventories	19	14
Trade and other receivables	–	5
Cash resources	–	1
Non-current liabilities	**–**	(2)
Lease liabilities	–	(2)
Current liabilities	**–**	(5)
Trade and other payables	–	(5)
Net assets disposed of	**21**	14
Profit on disposal of businesses	13	9
Total cash received on disposal	**34**	23
Cash resources disposed of	–	(1)
Cash inflow on disposal of businesses	**34**	22

Notes to the consolidated annual financial statements (continued)

3. Operating assets and liabilities

3.1 Property, plant and equipment

Property, plant and equipment mainly comprise the following:

- Land, buildings and leasehold improvements;
- Equipment and furniture; and
- Motor vehicles.

The Group's properties are primarily located in South Africa, the UK and Australia. They mainly relate to vehicle dealerships, workshops, depots, warehouses and administrative buildings which are currently occupied by the Group.

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. 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 50 years;
- Leasehold improvements – varies between two and 50 years;
- Equipment and furniture – varies between three and 20 years; and
- Motor vehicles – varies between three and ten years.

When assessing the useful life, the Group uses historical experience and other relevant factors, such as the expected future use of the asset, expected wear and tear, technical obsolescence arising from changes or improvements and legal or similar limits on the use of the asset.

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 and equipment. In arriving at estimated residual values, the Group 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 programmes and projected disposal values.

The Group reassesses the residual values of its assets on an annual basis. Actual residual values can vary from those previously estimated. Based on this assessment, the estimated useful lives and residual lives are reasonable.

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 2022				
Cost	7 112	2 104	421	9 637
Accumulated depreciation and impairment	(804)	(1 407)	(225)	(2 436)
Carrying value	6 308	697	196	7 201
Carrying value at the beginning of the year	6 038	645	189	6 872
Movement during the year				
Acquisition of businesses	8	21	2	31
Disposal of businesses	–	(2)	–	(2)
Additions	507	293	112	912
Re-classification to assets held-for-sale	(80)	–	–	(80)
Re-classification from assets held-for-sale and now sold	98	–	–	98
Proceeds on disposal	(131)	(9)	(64)	(204)
Profit/(losses) on disposal	33	(5)	19	47
Depreciation	(62)	(251)	(66)	(379)
Impairments	(134)	(1)	–	(135)
Currency adjustments	31	6	4	41
Carrying value at the end of the year	6 308	697	196	7 201

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
As at 30 June 2021				
Cost	6 664	2 088	420	9 172
Accumulated depreciation and impairment	(626)	(1 443)	(231)	(2 300)
Carrying value	6 038	645	189	6 872
Carrying value at the beginning of the year	6 790	640	195	7 625
Movement during the year				
Acquisition of businesses	15	46	1	62
Additions	208	222	93	523
Re-classification to investment properties	(3)	–	–	(3)
Re-classification to assets held-for-sale	(591)	–	–	(591)
Re-classification from assets held-for-sale to owner-occupied	27	–	–	27
Re-classification from assets held-for-sale and now sold	50	–	–	50
Proceeds on disposal	(197)	(15)	(23)	(235)
Profit/(losses) on disposal	57	–	6	63
Depreciation	(76)	(223)	(74)	(373)
Impairments	(64)	–	–	(64)
Currency adjustments	(178)	(25)	(9)	(212)
Carrying value at the end of the year	6 038	645	189	6 872

Refer to note 3.2 – Investment properties and note 12 – Assets and liabilities classified as held-for-sale.

Notes to the consolidated annual financial statements (continued)

3. Operating assets and liabilities (continued)

3.1 Property, plant and equipment (continued)

Impairment losses recognised during the year

Based on the calculations performed, the recoverable amounts, when compared to the external valuations performed, were lower than the carrying value on certain properties. A gross impairment loss was recognised on properties in the following segments:

	2022 Rm	2021 Rm
Import and Distribution	20	5
Retail and Rental	109	68
Aftermarket Parts	–	1
Head Office and Eliminations	5	–
	134	74

During the year, the Group did not reverse any impairments raised in the prior years. In the prior year, an impairment amounting to R10 million was reversed and offset against the impairment raised. No individual property impairment reversal was considered to be significant. The recoverable amount of the properties impaired, as determined by the external valuations, in the current year was R717 million (2021: R1 168 million).

South Africa

In South Africa, the 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 external expert using the income approach method.

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 be 6,0% (2021: 6,0%), taking into account various micro-economic and macro-economic factors. The rental growth is in line with expected normalised trading conditions.
- 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 6,3% (2021: 6,9%) over the medium to long-term was used.
- Capitalisation rate: The capitalisation rate is 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 13,0% (2021: 9,3% and 15,0%).

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.

In the current year, impairments amounting to R125 million (2021: R59 million) was raised on the South African properties.

3. Operating assets and liabilities (continued)

3.1 Property, plant and equipment (continued)

Impairment losses recognised during the year (continued)

Australia

In Australia, the properties are valued over a five-year cycle or earlier should an impairment indicator arise. The properties are assessed for impairment by an internal expert using the same approach as South Africa except for the key inputs utilised. The key inputs are determined with reference to the economic factors in Australia.

Key inputs utilised to assess indicators of impairment include:

- Rental growth per annum: The property valuators approximated future escalations in rental income to be 2,0% (2021: 2,0%), taking into account various micro-economic and macro-economic factors.
- Discount rate: An average pre-tax discount rate of 2,9% (2021: 2,9%) over the medium to long-term was used.
- Capitalisation rate: The capitalisation rate is 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 capitalisation rate used was 6,5% (2021: 6,5%).

In the current year, no impairments (2021: impairment reversal of R2 million) were raised on the Australian properties.

United Kingdom

In the UK, the properties are valued over a three-year cycle or earlier should an impairment indicator arise. The valuation is performed by an internal expert using the income approach method.

Key inputs utilised to assess indicators of impairment include:

- The rental income used is the current pre-tax rental given normal arm's length market conditions. The arm's length rental for the next year is determined by gaining comparable rental evidence in the nearby vicinity for properties of a similar size, use and location.
- Capitalisation rate: The capitalisation rate is 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 6,8% and 8,0% (2021: 7,0% and 13,0%).

In the current year, impairments amounting to R9 million (2021: R7 million) were raised on the UK properties.

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;
- Buildings – 20 years; and
- Carports – 10 years.

When assessing the useful life, the Group uses historical experience and other relevant factors, such as the expected future use of the properties and the expected wear and tear.

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 investment properties are consistent with those utilised in the impairment of properties.

Residual values are also assessed for the carports. In arriving at estimated residual values, the Group considers the existing condition of the carports, the expected condition of the assets at the end of their useful lives and planned maintenance programmes.

The Group reassesses the residual values of its assets on an annual basis. Actual residual values can vary from those previously estimated. Based on this assessment, the estimated useful lives and residual values are reasonable.

Notes to the consolidated annual financial statements (continued)

3. Operating assets and liabilities (continued)

3.2 Investment properties (continued)

	2022 Rm	2021 Rm
Cost	**194**	208
Accumulated depreciation and impairment	**(64)**	(56)
Carrying value	**130**	152
Carrying value at the beginning of the year	**152**	159
Movement during the year		
Depreciation	**(9)**	(10)
Re-classification from property, plant and equipment	**–**	3
Re-classification to assets held-for-sale	**(13)**	–
Carrying value at the end of the year	**130**	152

Rental income amounting to R22 million (2021: R24 million) was earned during the year and direct costs of R8 million (2021: R17 million) were incurred.

Please refer to note 8.1– Revenue for further disclosure of the rental income and note 12 – Assets and liabilities classified as held-for-sale for further disclosure.

Investment properties are valued annually by an external expert using the income approach method. These properties include:

	Segment	Location	External utilisation rate[1]		Capitalisation rate	
			2022 %	2021 %	2022 %	2021 %
Bond stores	Importer and Distribution	South Africa	**94,6**	77,3	**9,3**	10,0 – 10,5
Vehicle dealerships	Retail and Rental	South Africa	**–**	100,0	**–**	10,3 – 11,5

[1] *The external utilisation rate is based on revenue generated for the year.*

The bond stores are used to store vehicles on behalf of the Importers until they are distributed to the dealership. These bond stores also store vehicles owned by third parties. During the year, the vehicle dealerships were reclassified to assets held-for-sale.

Movement in fair values of investment properties

The movement in the fair value is as follows:

	2022 Rm	2021 Rm
Opening balance	**226**	287
Re-classification from property, plant and equipment due to a change in use	**–**	3
Re-classification to assets held-for-sale	**(14)**	–
Fair value adjustment of properties	**3**	(64)
	215	226

No individual property is carried at a value that is higher than its fair value.

3. Operating assets and liabilities (continued)

3.2 Investment properties (continued)

Sensitivity analysis

Management has used a reasonable possible variation of 10,0% of net operating income and 1,5% of capitalisation rate in the determination of the sensitivity of the key inputs. These possible variations have been deemed reasonable based on management's expectation analysis of the key inputs to differ to those used and as such provides relevant and sufficient guidance on the sensitivity of fair value of investment properties.

The impact of the sensitivity analysis is as follows:

	Fair value Rm	Decrease in carrying value Rm	Increase in carrying value Rm
Fair value of investment properties	215	(48)	67

The process and parameters used in determining impairments and residual values are consistent with those used for the South African properties. Refer to note 3.1 – Property, plant and equipment.

3.3 Leases

The Group leases land and buildings, equipment, furniture and motor vehicles. The lease terms vary between two and 13 years and, in some cases, have an option to renew for an additional period after the end of the contractual term.

The following is applicable for leases falling within the scope of IFRS 16:

- 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.
- 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.
- 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.
- Where right-of-use assets are impaired in terms of IAS 36 – *Impairment of Assets* (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.
- Leases that are either short-term in nature or less than R100 000 in value (low-value) are not capitalised. However, they are expensed on a straight-line basis through profit or loss.

The Group leases properties and motor vehicles to external parties. Lessor accounting is applied and the relevant income is recognised as part of revenue. Refer to note 8.1 – Revenue for additional information.

3.3.1 Right-of-use assets

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

- Land and buildings – varies between two and 13 years;
- Equipment and furniture – varies between three and six years; and
- Motor vehicles – varies between one and four years.

When assessing the useful life, the Group uses historical experience and other relevant factors, such as the expected future use of the asset and legal or similar limits on the use of the asset. Based on this assessment, the estimated useful lives are reasonable.

Notes to the consolidated annual financial statements (continued)

3. Operating assets and liabilities (continued)

3.3 Leases (continued)

3.3.1 Right-of-use assets (continued)

	Land and buildings Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
As at 30 June 2022				
Cost	3 575	28	84	3 687
Accumulated depreciation and impairment	(1 563)	(20)	(58)	(1 641)
Carrying value	2 012	8	26	2 046
Carrying value at the beginning of the year	2 088	13	31	2 132
Movement during the year				
Acquisition of businesses	94	–	–	94
New leases entered into or renegotiated	372	1	18	391
Derecognition of right-of-use assets	(91)	–	–	(91)
Impairment of right-of-use assets	(20)	–	–	(20)
Depreciation	(464)	(6)	(22)	(492)
Currency adjustments	33	–	(1)	32
Carrying value at the end of the year	2 012	8	26	2 046

	Land and buildings Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
As at 30 June 2021				
Cost	3 162	26	69	3 257
Accumulated depreciation and impairment	(1 074)	(13)	(38)	(1 125)
Carrying value	2 088	13	31	2 132
Carrying value at the beginning of the year	2 234	18	27	2 279
Movement during the year				
Acquisition of businesses	83	–	–	83
Disposal of businesses	(1)	–	–	(1)
New leases entered into or renegotiated	497	2	25	524
Provision for costs to be incurred for the restoration of property	6	–	–	6
Derecognition of right-of-use assets	(104)	–	–	(104)
Depreciation	(484)	(7)	(20)	(511)
Currency adjustments	(143)	–	(1)	(144)
Carrying value at the end of the year	2 088	13	31	2 132

Right-of-use assets are assessed for indicators of impairment. Indicators may include the worsening performance of the underlying business, the deterioration of the location in the case of properties or management's intention to exit the lease. 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, forming a CGU. The right-of-use asset will be tested for impairment as a part of this larger CGU and included in the carrying amount. If the recoverable amount of the CGU, based on the calculated value in use, is less than its carrying amount, the impairment loss is first allocated to the goodwill and then to the other assets including the right-of-use asset, on a pro rata basis. Where impairment is required, the right-of-use asset is written down to Rnil. The related lease liability will continue to be amortised over the remainder of the lease period.

3. Operating assets and liabilities (continued)

3.3 Leases (continued)

3.3.2 Lease liabilities

The lease liabilities is the present value of the minimum lease payments using the appropriate incremental borrowing rate.

The entity's incremental borrowing rate is defined as the interest rate at which the entity can borrow funds to obtain an asset with a similar value to the right-of-use asset, over a similar term to the lease term, with similar security to the lease and in a similar economic environment.

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.

	2022 Rm	2021 Rm
Carrying value at the beginning of the year	**2 449**	2 658
Movement during the year		
Acquisition of businesses	**94**	83
Disposal of businesses	**–**	(2)
New leases entered into or renegotiated	**391**	524
Derecognition	**(118)**	(127)
Repayment of lease liabilities	**(466)**	(515)
– Finance costs	**137**	155
– Lease payments	**(603)**	(670)
Termination of lease liability relating to net investment in lease receivable[1]	**(40)**	–
Currency adjustments	**37**	(172)
Carrying value at the end of the year	**2 347**	2 449

[1] *Refer to note 3.3.4 – Net investment in lease receivable for additional information.*

	Future lease commitments 2022 Rm	Finance charges 2022 Rm	**Net present value 2022 Rm**	Net present value 2021 Rm
Current liabilities expected to be settled within one year	575	(110)	**465**	486
Non-current liabilities expected to be settled in more than one year	2 296	(414)	**1 882**	1 963
– Between one and two years	466	(88)	**378**	384
– Between two and three years	391	(69)	**322**	339
– Between three and four years	330	(53)	**277**	304
– Between four and five years	280	(39)	**241**	231
– More than five years	829	(165)	**664**	705
	2 871	(524)	**2 347**	2 449

The Group does not face a significant liquidity risk with regard to its lease liabilities. The Group has sufficient banking facilities available to fund normal trading operations, including these lease liabilities.

3. Operating assets and liabilities (continued)

3.3 Leases (continued)

3.3.3 Short-term and low-value leases

The Group has entered into various lease agreements on land and buildings, equipment and motor vehicles that fall into the category of short-term leases and those that are deemed as low-value assets:

Underlying asset	Period	Escalations	2022 Rm	2021 Rm
Short-term leases			**(226)**	(88)
– Land and buildings	Less than one year	–	**(158)**	(76)
– Motor vehicles	Less than one year	–	**(35)**	(2)
– Equipment	Less than one year	–	**(33)**	(10)
Low-value leases			**(11)**	(7)
– Equipment	One to four years	5,0% – 6,0%	**(11)**	(7)
			(237)	(95)

There are lease charges contingent upon revenue in terms of short-term leases. In the current year, these lease charges amounted to R42 million. In the prior year, these lease charges were not significant to the Group.

Operating lease payables

At 30 June 2022 the future non-cancellable minimum lease rentals during the following financial years are:

	More than five years Rm	One to five years Rm	Less than one year Rm	2022 Rm	2021 Rm
Equipment	–	–	(3)	**(3)**	(1)
Motor vehicles	–	–	(27)	**(27)**	–
	–	–	(30)	**(30)**	(1)

3.3.4 Net investments in lease receivables

These leases related to contracts in which an entity within the Group was an intermediate lessor. It accounted for the head lease and the sub-lease as two separate contracts. The sub-lease was classified as a finance lease receivable with reference to the right-of-use asset arising from the head lease. During the year, the head lease and sub-lease were terminated due to the vehicles being returned to the head lessor.

	2022 Rm	2021 Rm
Carrying value at the beginning of the year	**40**	100
Movement during the year		
Cash received on net investment in lease receivable	**–**	(44)
– Interest accrued	**–**	9
– Payments received	**–**	(53)
Termination of net investment in lease receivable	**(40)**	–
Currency adjustments	**–**	(16)
Carrying value at the end of the year	**–**	40

3. Operating assets and liabilities (continued)

3.4 Vehicles for hire

Vehicles for hire have an operating lifecycle, averaging 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 and five years.

When assessing the useful life, the Group uses historical experience and other relevant factors, such as the expected future use of the vehicle, expected wear and tear, lease periods agreed with the customers and cyclical demand for short-term leases.

To arrive at the residual value of the vehicle in today's values, the usage of the vehicle and its anticipated retail value at the end of its useful life needs to be assessed and thereafter present valued. The anticipated retail value of the vehicle is estimated with reference to the current retail prices for a vehicle with similar specifications and mileage.

The Group reassesses the residual values of its assets on an annual basis. Actual residual values can vary from those previously estimated. Based on this assessment, the estimated useful lives and residual values are considered reasonable.

	2022 Rm	2021 Rm
Cost	**4 356**	3 056
Accumulated depreciation	**(679)**	(630)
Carrying value	**3 677**	2 426
Carrying value at the beginning of the year	**2 426**	3 167
Movement during the year		
Additions	**4 017**	2 098
Proceeds on disposal	**(1 915)**	(2 249)
Depreciation	**(852)**	(586)
Currency adjustments	**1**	(4)
Carrying value at the end of the year	**3 677**	2 426

Security

Certain vehicles for hire have been encumbered as security for interest-bearing debt as follows: 2022: R185 million (2021: R76 million), refer to note 6.1 – Interest-bearing debt.

Notes to the consolidated annual financial statements (continued)

3. Operating assets and liabilities (continued)

3.5 Investments and other financial instruments

	2022 Rm	2021 Rm
Preference shares (level 3 in the fair value hierarchy)	**314**	366
Unlisted investments (level 3 in the fair value hierarchy)	**5**	5
Other financial assets	**1**	3
– Gross other financial assets	**73**	34
– Expected credit loss allowance	**(72)**	(31)
	320	374

The preference shares are cell captive arrangements. Investment income received from preference shares has been disclosed in note 8.2 – Net operating expenses, being dividend income and fair value movements 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 forecasted dividends received and no impairment is required.

Credit risk on other financial assets

The carrying value of the other financial assets represents the Group's maximum credit risk exposure. Senior management has assessed the recoverability of the amounts due taking into consideration the nature of the transactions and the underlying performance of the counterparties. Based on these assessments an expected credit loss allowance has been recognised.

Movements in level 3 financial instruments carried at fair value

	Preference shares Rm	Unlisted investments Rm	2022 Rm	2021 Rm
Carrying value at the beginning of the year	366	5	**371**	338
Movement during the year				
Additional investments	–	–	**–**	5
Proceeds on disposal	–	–	**–**	(6)
Fair value movements on the preference share arrangements	(52)	–	**(52)**	34
– Dividend income received	(230)	–	**(230)**	(142)
– Fair value through profit or loss as unrealised gains	178	–	**178**	176
Carrying value at the end of the year	314	5	**319**	371

3. Operating assets and liabilities (continued)

3.6 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.

3.6.1 Inventories

The cost of inventory is determined as follows:

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

	2022 Rm	2021 Rm
New vehicles	8 696	7 785
Goods in transit	1 004	1 172
Pre-owned vehicles	3 611	2 907
Demonstration vehicles	1 861	1 708
Parts accessories and finished goods	3 726	2 906
Other	68	50
	18 966	16 528
Inventories carried at net realisable value included above	3 711	3 353
Inventories expensed to the statement of profit or loss during the year	71 885	69 626

Net realisable value assessment of inventory

A provision is raised against new, pre-owned, 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 (NRV).

This is assessed as follows:

- New, pre-owned 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.

New vehicles

The dealership's policy is generally not to raise a provision relating to new vehicle inventory as various OEMs brands are highly invested in the selling of the vehicles. The OEMs all compete for market shares which are reported monthly by The Automotive Business Council (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 for the foreseeable future.

Where the Group 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 and the movements of the Rand against most major trading currencies, which may require additional provisions to be recognised.

Pre-owned 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 pre-owned 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 the M&M Auto Dealer guide in respect of published trade and retail prices.

3. Operating assets and liabilities (continued)

3.6 Net working capital (continued)

3.6.1 Inventories (continued)

Net realisable value assessment of inventory (continued)

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 vehicle model is launched while the business has ageing parts. Parts inventory 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 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 inventory management, the Group concludes that inventory is adequately valued.

Security

The carrying value of inventories that have been encumbered as security for interest-bearing debt amounts to R634 million (2021: R810 million). Refer to note 6.1 – Interest-bearing debt. For additional information relating to inventory encumbered as security for floorplans from suppliers, refer to note 3.6.4 – Floorplans from suppliers.

3.6.2 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 and instruments for the Group's financial risk management policies.

	2022 Rm	2021 Rm
Trade receivables	**3 861**	3 304
– Gross receivables	**4 172**	3 579
– Expected credit loss allowance	**(311)**	(275)
Prepayments[1]	**359**	470
Value added taxation	**73**	93
Sundry receivables[2]	**353**	269
	4 646	4 136

[1] *The prepayments mainly relate to production rebate 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 mainly include warranty debtors due from OEMs and deposits paid to various government and other authorities. These are considered to be recoverable.*

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 receivables consist of a large, widespread customer base. The Group's businesses 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.

3. Operating assets and liabilities (continued)

3.6 Net working capital (continued)

3.6.2 Trade and other receivables (continued)

Credit risk (continued)

The carrying amount of trade and other receivables represents the maximum credit exposure at 30 June 2022. None were given as collateral for any security provided.

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

	2022 Rm	2021 Rm
Carrying value at the beginning of the year	**(275)**	(362)
Movement during the year		
Acquisition of businesses	**(1)**	–
Movements of the expected credit losses charged to profit or loss	**(31)**	78
– Amounts reversed to profit or loss	**211**	328
– Amounts charged to profit or loss	**(242)**	(250)
Currency adjustments	**(4)**	9
Carrying value at the end of the year	**(311)**	(275)
Expected credit loss ratio (%)	**7,5**	7,7

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

Reconciliation of movements in expected credit losses

	2022 Rm	2021 Rm
Movements in expected credit losses on trade and other receivables	**(31)**	78
Movements in expected credit loss on other financial assets[1]	**(41)**	(31)
Movements in expected credit loss on loans to associates and joint ventures	**(5)**	–
Movements in expected credit losses recognised in profit or loss	**(77)**	47

[1] *Refer to note 3.5 – Investments and other financial instruments for additional information.*

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 its industry. Credit risk on vehicles supplied to external dealerships is generally secured by a dealer floorplan with a financial institution that settles 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 are managed by a 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.

3. Operating assets and liabilities (continued)

3.6 Net working capital (continued)

3.6.2 Trade and other receivables (continued)

Expected credit loss model

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

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 Mobility Solutions, which have a very low default experience.

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.

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

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

The expected credit loss allowance has reduced from 7,7% to 7,5% taking into consideration the improvement of the factors outlined.

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

The Group 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, e.g. when the customer has been placed under liquidation or has entered into bankruptcy proceedings or where the Group has exercised all legal possibilities.

The directors do not consider there to be any significant 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 the Group's revenue.

3. Operating assets and liabilities (continued)
3.6 Net working capital (continued)
3.6.2 Trade and other receivables (continued)
Expected credit loss matrix

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

Past due debtors	2022 Gross receivables Rm	2022 Expected credit loss allowance Rm	2022 Loss ratio %	2021 Gross receivables Rm	2021 Expected credit loss allowance Rm	2021 Loss ratio %
Total[1]	4 172	311	7,5	3 579	275	7,7
– Current (not past due)	3 256	65	2,0	2 951	48	1,6
– 30 days past due	554	35	6,3	388	42	10,8
– 60 days past due	161	55	34,2	66	32	48,5
– 90 days past due	201	156	77,6	174	153	87,9
Import and Distribution	433	86	19,9	472	83	17,6
– Current (not past due)	368	42	11,4	411	37	9,0
– 30 days past due	19	2	10,5	24	11	45,8
– 60 days past due	1	–	–	1	1	100,0
– 90 days past due	45	42	93,3	36	34	94,4
Retail and Rental	2 654	175	6,6	2 294	158	6,9
– Current (not past due)	2 049	14	0,7	1 931	8	0,4
– 30 days past due	361	28	7,8	205	30	14,6
– 60 days past due	143	54	37,8	56	30	53,6
– 90 days past due	101	79	78,2	102	90	88,2
Mobility Solutions	204	10	4,9	110	2	1,8
– Current (not past due)	198	6	3,0	107	1	0,9
– 30 days past due	3	3	100,0	1	–	–
– 60 days past due	1	–	–	1	–	–
– 90 days past due	2	1	50,0	1	1	100,0
Aftermarket Parts	879	39	4,4	699	32	4,6
– Current (not past due)	639	2	0,3	498	2	0,4
– 30 days past due	171	2	1,2	158	1	0,6
– 60 days past due	16	1	6,3	8	1	12,5
– 90 days past due	53	34	64,2	35	28	80,0

[1] *Includes Head Office and Eliminations trade receivables amounting to R2 million (2021: R4 million) and expected credit loss allowance of R1 million (2021: Rnil million).*

3. Operating assets and liabilities (continued)

3.6 Net working capital (continued)

3.6.3 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 and instruments for the Group's financial risk management policies.

	2022 Rm	2021 Rm
Trade payables	**7 209**	6 278
Value added taxation	**285**	192
Payroll accruals	**1 070**	993
Accruals	**2 434**	1 883
Sundry payables	**30**	182
	11 028	9 528

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. The Group has financial risk management policies in place to ensure that all the payables are within the pre-agreed credit terms.

3.6.4 Floorplans from suppliers

	2022 Rm	2021 Rm
Retail and rental		
– Interest-free floorplan from suppliers	**3 376**	3 082
– Interest-bearing floorplan from suppliers	**1 612**	1 397
	4 988	4 479
Effective interest rates (%)	**2,1 – 7,7**	2,4 – 8,8

Floorplans from suppliers consist of interest-bearing and interest-free facilities provided by the finance providers. The floorplans are secured over the vehicles that are included under inventory. These terms and conditions are outlined by the supplier and in some instances, take into account the vehicle model. Interest-bearing floorplans taken directly from financial institutions have been classified as interest-bearing debt. Refer to note 6.1 – Interest-bearing debt.

See note 4.2 – Liquidity risk and 4.4 – Fair value measurement of financial instruments, for further details on liquidity risk and the fair value hierarchy.

3. Operating assets and liabilities (continued)

3.6 Net working capital (continued)

3.6.5 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 the Group 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 service fees, property related provisions, legal fees and claims, present obligations arising under roadside assistance contracts, advertising costs, promotional costs and the losses accrued on joint ventures with banks.

	Maintenance and warranty Rm	Onerous Contracts Rm	Other Rm	**2022 Rm**	2021 Rm
Carrying value at the beginning of the year	412	252	336	**1 000**	857
Movement during the year					
Charged to profit or loss	94	(65)	167	**196**	298
– Amounts raised	100	19	226	**345**	387
– Unused amounts reversed	(6)	(84)	(59)	**(149)**	(89)
Amounts utilised	(106)	(3)	(107)	**(216)**	(174)
Transfer from contract liabilities	–	–	–	**–**	24
Provision for costs to be incurred for the restoration of property	–	–	–	**–**	6
Currency adjustments	2	–	1	**3**	(11)
Carrying value at the end of the year	402	184	397	**983**	1 000
Maturity profile					
Less than one year	180	140	219	**539**	546
One to five years	222	44	178	**444**	454
	402	184	397	**983**	1 000

The Group uses historical experience and current economic conditions when assessing the amount and timing of the provisions. Other factors considered include the duration of the contracts, vehicle mileages, expected parts increases, and the underlying transactions' circumstances.

3. Operating assets and liabilities (continued)

3.7 Contract liabilities

Contract liabilities relate to the service, maintenance and warranty contracts that are sold with vehicles to cover the cash cost of future expenditure over specified periods. The customer pays upfront in full as part of the cost of the vehicle or as a separate stand-alone purchase and this obligation is released over the period of the performance obligations. 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:

- Vehicle parts, consumables and labour inflation;
- Foreign currency movements;
- Policy sale date; and
- Contract duration and mileage.

Contract liabilities are 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, 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.

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

	2022 Rm	2021 Rm
Carrying value at the beginning of the year	2 828	2 797
Movement during the year		
Amounts recognised in revenue	(1 252)	(1 286)
– Prior year contracts	(1 140)	(1 155)
– Current year contracts	(112)	(131)
Transfer to provisions	–	(24)
New business written	1 443	1 341
Currency adjustments	2	–
Carrying value at the end of the year	3 021	2 828
Maturity profile		
Current liability expected to be settled within one year	1 198	1 106
Non-current liabilities expected to be settled in more than one year	1 823	1 722
– Between one and two years	838	784
– Between two and three years	511	504
– Between three and four years	254	283
– Between four and five years	173	131
– More than five years	47	20
	3 021	2 828

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

4. Financial management and instruments

4.1 Financial risk factors

The treasury activities are aligned to the Group's AL strategies and decentralised business model. AL is a board sub-committee responsible for recommending best practice asset and liability risk management with its main objectives being the management of liquidity, interest rate, price and currency risk. AL meets every quarter and follows a comprehensive risk management process. The treasury department implements risk management policies and directives recommended by AL and provides financial risk management services to the various divisional businesses. The treasury department coordinates access to domestic and international financial markets. The treasury department monitors and manages the financial risks relating to the operations of the Group 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 oversight and management of currency and interest rate risk is performed mainly on a centralised basis by the treasury department by applying the Group's hedging policies and guidelines.

The Group 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 risk exposures.

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

Notes	Financial risk factors
3.5 – Investments and other financial instruments	Credit risk
3.6.2 – Trade and other receivables	Credit risk
4.2 – Liquidity risk	Liquidity risk
4.3 – Currency risk and hedge accounting reserve	Currency risk
4.3 – Currency risk and hedge accounting reserve	Credit risk
6.1 – Interest-bearing debt	Interest rate risk
6.2 – Cash resources	Credit risk

4.2 Liquidity risk

Liquidity risk arises should the Group have insufficient funds or marketable assets available to fulfil its future cash flow obligations. The Group's 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 AL, which has developed an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding requirements. The Group manages liquidity risk by monitoring forecast cash flows in compliance with bank covenants and ensuring that adequate unutilised borrowing facilities are maintained. Appropriate probability factors are applied to cash flow forecasts. When forecasts are not certain, quarterly cash flows are updated on a regular basis.

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

The undiscounted cash flow of the Group's 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
Loans to associates and joint ventures[1]	75	1	–	74
Preference shares	314	–	–	314
Unlisted investments	5	–	–	5
Other financial assets	1	1	–	–
Trade and other receivables[2]	4 214	4 214	–	–
Derivative financial assets	684	654	30	–
Cash resources	993	993	–	–
2022	**6 286**	**5 863**	**30**	**393**
2021[1]	5 915	5 463	3	449

[1] *Loans to associates and joint ventures have been included in the current and prior years to enhance disclosure.*
[2] *Trade and other receivables exclude VAT amounting to R73 million (2021: R93 million) and prepayments amounting to R359 million (2021: R470 million) as these are not financial instruments.*

4. Financial management and instruments (continued)

4.2 Liquidity risk (continued)

The undiscounted cash flows of the Group's 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	6 029	6 963	2 474	4 472	17
Lease liabilities	2 347	2 871	575	1 467	829
Loans from associates and non-controlling interests included in other financial liabilities	38	38	36	2	–
Contingent consideration included in other financial liabilities	24	24	20	4	–
Trade and other payables[1]	9 643	9 643	9 643	–	–
Floorplans from suppliers	4 988	4 988	4 988	–	–
Derivative financial liabilities	131	131	131	–	–
2022	23 200	24 658	17 867	5 945	846
2021	20 877	21 794	17 077	3 829	888

[1] *Trade and other payables exclude VAT amounting to R285 million (2021: R192 million), staff costs accrued amounting to R1 070 million (2021: R993 million) and sundry payables amounting to R30 million (2021: R182 million) as these are not financial instruments.*

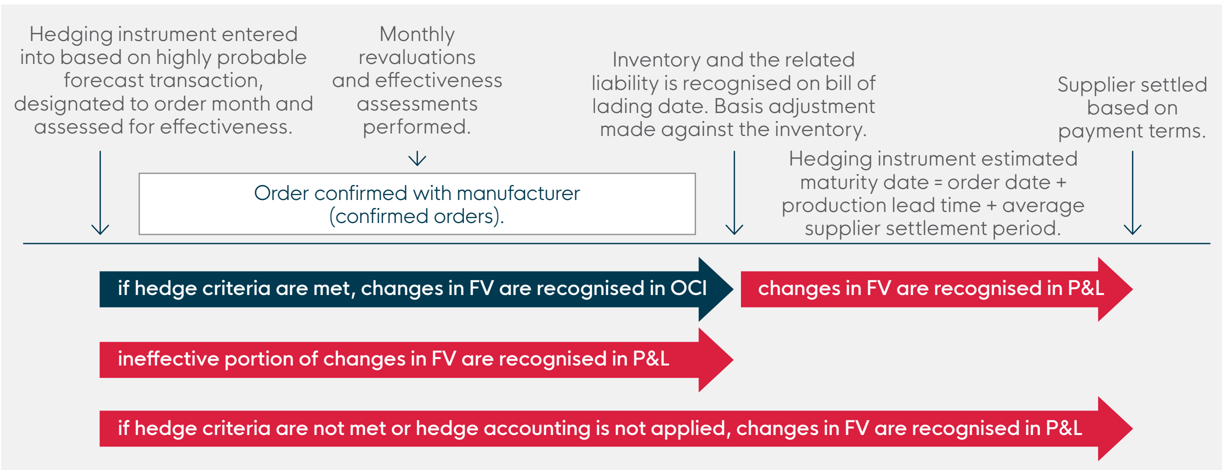
4.3 Currency risk and hedge accounting reserve

An integral part of our operations relates to the importing of vehicles and parts inventory. The cost of the imported inventory is settled in foreign currency and the variation in these cash flows due to exchange rate fluctuations gives rise to the Group's most significant exposure to foreign currency risk. In addition, although the related duties imposed are settled in Rand, the duties are based on the foreign-denominated value of the imported inventory. The Group is also exposed to currency risk as a result of exporting goods and services and obtaining foreign funding. The magnitude of this risk is not as significant as the risk associated with the importation of vehicles and parts.

The Group's policy is to minimise this exposure and volatility on the inventory costing by maintaining a fully covered foreign exchange risk position in respect of foreign currency commitments. The Group has entered into certain FECs and options authorised by AL to cover currency risk relating to actual liabilities arising from obligations relating to imported inventory at 30 June and highly probable forecasted transactions not yet due. The day-to-day management of foreign exchange risk is performed on a decentralised basis by the various business units by applying the Group's hedging policies and guidelines as directed.

The Group does not use derivative financial instruments for speculative purposes.

The hedging transaction cycle includes:



4. Financial management and instruments (continued)

4.3 Currency risk and hedge accounting reserve (continued)

The guidelines and policies outline the following requirements:

<table>
<tr><th>Division</th><th>Currency</th><th>Minimum</th><th>Maximum[1]</th></tr>
<tr><td>Hyundai Automotive South Africa Proprietary Limited</td><td>US Dollar and Euro</td><td>All recognised liabilities and confirmed orders.
Seven-month rolling basis for highly probable forecast transactions.</td><td rowspan="5">Nine-month rolling basis for highly probable forecast transactions.</td></tr>
<tr><td rowspan="2">Kia South Africa Proprietary Limited</td><td>US Dollar</td><td>All recognised liabilities and confirmed orders.
Seven-month rolling basis for highly probable forecast transactions.</td></tr>
<tr><td>Euro</td><td>All recognised liabilities and confirmed orders.</td></tr>
<tr><td>Motus Vehicles Distributor Proprietary Limited</td><td>Euro</td><td>All recognised liabilities and confirmed orders.
Seven-month rolling basis for highly probable forecast transactions.</td></tr>
<tr><td>Brietta Trading Proprietary Limited</td><td>US Dollar and Japanese Yen</td><td>All recognised liabilities and confirmed orders.</td></tr>
<tr><td rowspan="2">Aftermarket Parts</td><td>US Dollar and Euro</td><td>All recognised liabilities and confirmed orders.</td><td>100% of six-month rolling basis for highly probable forecast transactions.</td></tr>
<tr><td>Other currencies</td><td>All recognised liabilities.</td><td>All confirmed orders.</td></tr>
</table>

[1] *Authorisation must be obtained to exceed these maximum levels.*

Under current South African Reserve Bank limits, the maturity date of foreign currency hedging instruments is limited to 12 months ahead at any point in time.

Notes to the consolidated annual financial statements (continued)

4. Financial management and instruments (continued)

4.3 Currency risk and hedge accounting reserve (continued)

The details of these contracts are as follows:

	Final maturity date	Foreign amount (millions)	Average exchange rate	Contract value Rm	Market value Rm	Net derivative asset/ (liability) Rm
2022						
Currency risk						
Derivatives designated in hedge accounting relationships				13 101	13 505	404
– US Dollar	Feb-2023	497	15,59	7 749	8 207	458
– Euro	Feb-2023	281	17,52	4 932	4 901	(31)
– Japanese Yen	Feb-2023	3 247	0,13	420	397	(23)
Derivatives not designated in hedge accounting relationships				3 196	3 303	107
– US Dollar	Mar-2023	120	15,62	1 876	1 982	106
– Euro	Feb-2023	54	17,32	935	936	1
– Australian Dollar	Jul-2022	13	11,01	143	146	3
– Chinese Yuan	Nov-2022	46	2,41	110	112	2
– Japanese Yen	Feb-2023	754	0,13	98	92	(6)
– British Pound	Sep-2022	2	19,62	34	35	1
Net FECs				16 297	16 808	511
Revaluation of currency options						14
Interest rate risk						
Interest rate derivative contracts (IRDCs)[1]						28
– Derivatives designated in hedge accounting relationships						30
– Derivatives not designated in hedge accounting relationships						(2)
Net derivative asset carried on the consolidated statement of financial position						553
The net derivative asset carried on the consolidated statement of financial position comprises of:						
Derivative financial assets						684
Maturity profile						
– Less than one year						654
– One to five years						30
Derivative financial liabilities[2]						(131)
						553

[1] Refer to note 6.1 – Interest-bearing debt for further details.
[2] Derivatives are expected to mature within one year.

4. Financial management and instruments (continued)

4.3 Currency risk and hedge accounting reserve (continued)

	Final maturity date	Foreign amount (millions)	Average exchange rate	Contract value Rm	Market value Rm	Net derivative asset/ (liability) Rm
2021						
Derivatives designated in hedge accounting relationships				10 245	9 811	(434)
– US Dollar	Mar-2022	468	15,07	7 048	6 781	(267)
– Euro	Feb-2022	173	18,18	3 136	2 973	(163)
– Japanese Yen	Aug-2021	441	0,14	61	57	(4)
Derivatives not designated in hedge accounting relationships				2 211	2 214	3
– US Dollar	Mar-2022	113	14,91	1 612	1 638	26
– Euro	Jan-2022	31	18,13	553	532	(21)
– Chinese Yuan	Oct-2021	16	2,21	36	36	–
– Japanese Yen	Sep-2021	56	0,14	9	7	(2)
– British Pound	Aug-2021	–	19,78	1	1	–
Net FECs				12 456	12 025	(431)
Revaluation of currency options						(10)
IRDC[1]						(51)
Net derivative liability carried on the consolidated statement of financial position						(492)
The net derivative liability carried on the consolidated statement of financial position comprises of:						
Derivative financial assets[2]						110
Derivative financial liabilities[2]						(602)
						(492)

[1] *Refer to note 6.1 – Interest-bearing debt for further details. The IRDCs are not designated in hedge accounting relationships.*
[2] *Derivatives are expected to mature within one year.*

	2022 Rm
Changes in the fair value of the hedged item for calculating the hedge ineffectiveness	**323**
Changes in the fair value of the hedging instrument for calculating the hedge ineffectiveness	**318**

4. Financial management and instruments (continued)

4.3 Currency risk and hedge accounting reserve (continued)

Refer to note 10.2 – Contingent liabilities for further details on future commitments relating to the hedging instruments above. The letters of credit relate to the future irrevocable commitments made by the Importers for future purchases of inventory.

The FECs are regarded as level 2 financial instruments which 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.

Hedge accounting

The Group has elected to apply cash flow hedge accounting to FECs and IRDCs. Refer to note 6.1 – Interest-bearing debt for additional information on the IRDCs.

Cash flow hedge accounting is applied to FECs hedging the importation of new vehicles. The Group has elected to not apply hedge accounting to any other currency exposures.

The hedged item is defined as the designated future cash flows, denominated in a foreign currency, arising from the highly probable forecasted purchase of vehicles. The complete fair value, including any forward points on the designated FEC, is defined as the hedging instrument.

The highly probable forecast purchases are based on the expected cash outflows on the settlement of the foreign liability. The expected cash outflows are determined with reference to expected order quantities and order dates, production lead times and the average settlement period specified by the supplier.

Hedge effectiveness is assessed at:

- Each designation date;
- Each reporting date;
- When the underlying hedged item is recognised in inventory; and
- When there was a significant change in the circumstances of the relationship.

For hedges of foreign currency risk, the Group entered into hedging relationships where the critical terms of the hedging instrument and hedged item are aligned. These critical terms include the denominated currency, the nominal value and the expected payment or maturity date. This matching of the critical terms demonstrates the economic relationship and the hedge ratio of 1:1 and the Group therefore, assesses effectiveness qualitatively.

Misalignment in the critical terms between the hedged item and the hedging instrument may, however, arise from deliveries taking place sooner than expected or unforeseen delays. Where the critical terms are not aligned, the economic relationship is assessed quantitatively.

The potential sources of hedge ineffectiveness include:

- Differences between the maturity date of the hedging instrument and the expected cash flow date of the hedged item;
- Extension of the hedging instruments where orders are delayed;
- Early draw-downs on hedging instruments where orders are delivered earlier than anticipated; and
- The impact of changes in credit risk of either the Group or the counterparty bank.

Hedge ineffectiveness is recognised in profit or loss. If significant hedge ineffectiveness is identified that undermines the economic relationship, hedge accounting is discontinued. Hedge accounting will not be discontinued where ineffectiveness is temporary or insignificant.

4. Financial management and instruments (continued)

4.3 Currency risk and hedge accounting reserve (continued)

Hedge accounting (continued)

The hedge accounting reserve consists of the effective portion of gains and losses on hedging instruments designated as cash flow hedges, net of tax. In the current year, the hedge accounting reserve consists of gains or losses relating to FECs and IRDCs.

	Cost of hedging reserve[1] Rm	Interest rate derivative contracts[1] Rm	Forward exchange contracts Rm	**2022 Rm**	2021 Rm
Carrying value at the beginning of the year	–	–	(266)	**(266)**	701
Movement during the year					
– Effective portion of the fair value of the cash flow hedges[2]	(8)	19	631	**642**	(524)
– Discontinued cash flow hedges[2]	–	–	–	**–**	(284)
– Amounts recognised in inventory[2]	–	–	106	**106**	233
– Extension of open hedging instruments	–	–	66	**66**	(567)
– Reclassification to profit or loss	2	–	–	**2**	–
– Deferred tax relating to the hedge accounting reserve movements	–	–	(147)	**(147)**	132
– Rate changes relating to the hedge accounting reserve movements	–	–	(3)	**(3)**	–
– Amounts attributable to non-controlling interests	–	–	–	**–**	43
Carrying value at the end of the year	(6)	19	387	**400**	(266)

[1] *Refer to note 6.1 – Interest-bearing debt for additional information relating to the cost of hedging and IRDCs.*
[2] *The prior period has been adjusted for the re-presentation to disaggregate the discontinued cash flow hedges and amounts recognised in inventory. Refer to note 1.7 – Re-presentation of prior year disclosures for additional information.*

It is anticipated that the liabilities associated with the hedged items will be recognised within the next 12 months. When the new vehicle is sold, the related effective portion of the gains or losses is recognised in profit or loss as part of the cost of the vehicle.

Exchange rate sensitivity

Management has used a reasonable possible variation of 10% on the forward exchange rate and applicable contract forward rate, in determining the after tax impact on profit or loss and other comprehensive income. The 10% variation is based on management's assessment of a reasonable possible change in the market value with reference to the relevant foreign exchange rates, in the foreseeable future.

	Profit or loss		Other comprehensive income	
	Appreciation of 10% Rm	Depreciation of 10% Rm	Appreciation of 10% Rm	Depreciation of 10% Rm
US Dollar	**(142)**	**142**	**(590)**	**590**
Euro	**(67)**	**67**	**(353)**	**353**
Australian Dollar	**(11)**	**11**	**–**	**–**
Chinese Yuan	**(8)**	**8**	**–**	**–**
Japanese Yen	**(7)**	**7**	**(29)**	**29**
British Pound	**(3)**	**3**	**–**	**–**
2022	**(238)**	**238**	**(972)**	**972**
2021	(159)	159	(707)	707

4. Financial management and instruments (continued)

4.3 Currency risk and hedge accounting reserve (continued)

Other derivative instruments

Foreign exchange gains or losses comprise translation differences arising from foreign currency denominated balances such as trade receivables, trade payables, Customer Foreign Currency (CFC) accounts and interest-bearing debt, changes in the fair value of derivative instruments that are not formally designated in a hedge relationship (which include FECs relating to the importation of parts and duties and other structured products), and ineffectiveness from cash flow hedging relationships.

	2022 Rm	2021 Rm
Changes in fair value of the cash flow hedges not formally designated in hedge accounting relationships	190	(43)
Discontinued cash flow hedges	–	(284)
Ineffective portion of the fair value of the cash flow hedges formally designated in hedge accounting relationships	22	(12)
Translation of foreign currency denominated balances:		
– Trade and other receivables	15	5
– Trade and other payables	(97)	(42)
– Cash resources	6	5
– Interest-bearing debt	(1)	(12)
	135	(383)

There has been no reclassification from the hedge accounting reserve to profit or loss during the year from forward exchange contracts. Reclassifications relating to IRDCs are included in finance income and costs.

4.4 Fair value measurements of financial instruments

4.4.1 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.

4. Financial management and instruments (continued)

4.4 Fair value measurements of financial instruments (continued)

4.4.2 Fair value of financial instruments

Where the Group's financial assets and liabilities are not fair valued and are carried at amortised cost, they approximate their fair values. All financial instruments, except for the derivatives designated in hedge accounting relationships, are valued through profit or loss.

	2022 Carrying amount Rm	At fair value level 1 Rm	At fair value level 2 Rm	At fair value level 3 Rm	At amortised cost Rm	2021 Carrying amount Rm
Financial assets						
Loans to associates and joint ventures[1]	75	–	–	–	75	89
Preference shares	314	–	–	314	–	366
Unlisted investments	5	–	–	5	–	5
Other financial assets	1	–	–	–	1	3
Net investment in lease receivables	–	–	–	–	–	40
Trade and other receivables	4 214	–	–	–	4 214	3 573
Derivative financial assets	684	–	684	–	–	110
Cash resources	993	–	–	–	993	1 729
	6 286	–	684	319	5 283	5 915
Financial liabilities						
Interest-bearing borrowings	6 029	–	–	–	6 029	5 130
Lease liabilities	2 347	–	–	–	2 347	2 449
Loans from associates and non-controlling interests included in other financial liabilities	38	–	–	–	38	23
Contingent consideration included in other financial liabilities	24	–	–	24	–	33
Trade and other payables	9 643	–	–	–	9 643	8 161
Floorplans from suppliers	4 988	–	–	–	4 988	4 479
Derivative financial liabilities	131	–	131	–	–	602
	23 200	–	131	24	23 045	20 877

[1] *Loans to associates and joint ventures have been included in the current and prior years to enhance disclosure.*

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.

The significant financial instruments referred to include:

- Derivative financial instruments measured at fair value (level 2);
- Preference shares measured at fair value (level 3); and
- Contingent consideration (level 3).

Refer to note 4.3 – Currency risk and hedge accounting reserve and note 6.1 – Interest-bearing debt for details regarding the valuation of level 2 financial instruments.

Notes to the consolidated annual financial statements (continued)

4. Financial management and instruments (continued)

4.4 Fair value measurements of financial instruments (continued)

4.4.2 Fair value of financial instruments (continued)

Level 3 financial assets

The fair value of the level 3 financial assets of R319 million (2021: R371 million) consists of the investments in preference shares and an unlisted investment.

The fair value of the preference shares of R314 million (2021: R366 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 determined by using regulatory solvency methods. The cash flow projections cover a five-year forecast period and takes into account organic portfolio growth, discounted at a WACC of 18,4% (2021: 18,2%) specifically linked to Mobility Solutions. 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 carrying value of the unlisted investment amounting to R5 million (2021: R5 million) closely approximates its fair value. Consideration has been given to the sensitivity of the fair value. However, this is deemed to have an insignificant impact on the Group.

Refer to note 3.5 – Investments and other financial instruments for movements in the fair value level 3 financial assets.

Sensitivity analysis

The following table shows how the fair value of the level 3 financial assets as at 30 June 2022 would change if the discount rate used to present value future cash flows were to reduce or increase by 1,0%. This possible variation was deemed reasonable based on management's expectation of changes to the discount rate used and as such provides relevant and sufficient guidance on the sensitivity of the fair value of the preference shares.

	Valuation technique	Main assumption	Carrying value Rm	Increase in carrying value Rm	Decrease in carrying value Rm
Preference shares	Cash flow projections	Present value of expected dividend flows	314	7	(7)

4. Financial management and instruments (continued)

4.4 Fair value measurements of financial instruments (continued)

4.4.2 Fair value of financial instruments (continued)

Level 3 financial liabilities

The fair value of the level 3 financial liabilities of R24 million (2021: R33 million) is the contingent consideration that relates to the purchase of an Aftermarket Parts franchise store in Motus Group Limited and a subsidiary acquired in the previous financial years. The contingent consideration relating to the purchase of the Aftermarket store is contingent on requirements being met as per the agreements. It is anticipated that this will be settled in two years. During the year, amounts due to the former owner of a subsidiary acquired in Australia was assessed based on the profitability of the division in the current year and as a result, an additional contingent consideration of R19 million was raised. Consideration has been given as to the impact on the present valuing these future payments. This impact was deemed insignificant.

	2022 Rm	2021 Rm
Carrying value at the beginning of the year	33	17
Movement during the year		
Acquisition of business	–	4
Payment made to former equity holder of the subsidiary acquired	(29)	(2)
– Arising on acquisition of business	(10)	(2)
– Arising on remeasurement subsequent to the acquisition of the business	(19)	–
Remeasurement through profit or loss	19	14
Currency adjustments	1	–
Carrying value at the end of the year	24	33

Transfers between hierarchy levels

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

Notes to the consolidated annual financial statements (continued)

5. Shareholders' interest

5.1 Stated capital

Ordinary shares

Each ordinary share is entitled to one vote and to participate in the dividend distribution. These shares are listed on the JSE and A2X. The ordinary shares owned by the wholly-owned subsidiary of the Company have no voting rights attached.

Deferred ordinary shares

The deferred ordinary shares are unlisted, entitled to one vote per share and are not entitled to participate in the dividend distribution. 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 on a one-for-one basis into ordinary shares annually at a fixed rate of 831 469 shares. The last conversion will be in 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 non-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 annual general meeting (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 or to amend the preference rights, limitations and other terms associated with such preference shares. 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 general authority until the next AGM to issue not more than 5% of the issued share capital at 30 June 2021 for cash.

Directors' interests in issued stated capital

The aggregate shareholdings of the directors in the issued ordinary stated capital of the Company are outlined in the directors' report.

Authorised stated capital

The Company's authorised stated capital comprises the following classes of shares, which remains unchanged from the prior year:

	2022 Number of shares
Ordinary shares of no par value	**394 999 000**
Deferred ordinary shares of no par value	**10 000 000**
Non-redeemable preference shares of no par value	**40 000 000**
Redeemable preference shares of no par value	**2 000 000**

Issued and fully paid stated capital

	2022 Rm	2021 Rm
178 133 390 (2021: 188 933 942) ordinary shares of no par value	**21 104**	22 321
4 373 484 (2021: 5 204 953) deferred ordinary shares of no par value	**–**	–
Stated capital	**21 104**	22 321

5. Shareholders' interest (continued)

5.1 Stated capital (continued)

Ordinary shares in issue	Number of shares	Rm
As at 30 June 2020	192 622 189	22 672
Cancellation of shares repurchased at an average of R50,96 per share	(1 746 397)	(89)
Cancellation of repurchased shares subsequent to year end at an average of R94,47 per share	(2 773 319)	(262)
Conversion of deferred ordinary shares	831 469	–
As at 30 June 2021	188 933 942	22 321
Cancellation of shares repurchased at an average of R104,62 per share	(11 632 021)	(1 217)
Conversion of deferred ordinary shares	831 469	–
As at 30 June 2022	**178 133 390**	**21 104**

Shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the Group, to a maximum of 10,0% (2021: 10,0%) of shares in issue, at the previous AGM held, subject to the JSE Listings Requirements and the provisions set out in the Companies Act. Approval to renew this general authority will be sought at the upcoming AGM.

Deferred ordinary shares in issue	Number of shares	Rm
As at 30 June 2020	6 036 422	–
Conversion of shares into ordinary shares	(831 469)	–
As at 30 June 2021	5 204 953	–
Conversion of shares into ordinary shares	(831 469)	–
As at 30 June 2022	**4 373 484**	**–**

5.2 Shares repurchased (treasury shares)

The treasury shares are repurchased by a wholly-owned subsidiary of the Company for the settlement of employee incentive schemes.

	Repurchased number of shares	Rm
As at 30 June 2020	4 411 001	411
1 962 710 shares repurchased at an average of R68,27 per share	1 962 710	134
Issue of treasury shares as settlement of share-based equity at an average of R95,98 per share	(295 922)	(28)
As at 30 June 2021	6 077 789	517
1 307 000 shares repurchased at an average of R102,52 per share	1 307 000	134
Issue of treasury shares as settlement of share-based equity at an average of R85,43 per share	(749 155)	(64)
As at 30 June 2022	**6 635 634**	**587**

Refer to note 11.2 – Employee incentive schemes for additional information.

5.3 Dividends paid

Interim

In the current year, a gross dividend of 275 cents (2021: 160 cents) per ordinary share was paid on 14 March 2022. The ordinary dividend was subject to the local dividend tax of 20% and the net ordinary dividend for those shareholders who are not exempt from paying tax, was therefore 220 cents (2021: 128 cents) per share.

Final

A gross dividend of 435 cents (2021: 255 cents) per ordinary share is payable on 26 September 2022. The ordinary dividend is subject to the local dividend tax of 20% and the net ordinary dividend for those shareholders who are not exempt from paying tax, is therefore 348 cents (2021: 204 cents) per share.

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

Notes to the consolidated annual financial statements (continued)

6. Interest-bearing funding

6.1 Interest-bearing debt

The Group sources its funding from local and foreign financial institutions. During the year the Group entered into a refinance of its local debt structure and extended a portion of its foreign funding by a year.

The Group extinguished its current syndicated bank term and Rand denominated revolving credit facilities and has secured a syndicated R6 000 million sustainability-linked facilities from a consortium of local financial institutions. This Rand denominated environmental, social and governance (ESG) facilities will enable the next phase of the Group's ESG journey. It will focus on the own-use fuel consumption of the Group, water and electricity consumption, as well as gender equality to drive diversity and inclusion.

The foreign denominated revolving credit facilities are a £120 million three-year revolving credit facility with a consortium of seven foreign financial institutions. This is a sustainability-linked facility aimed at reducing the fuel and water consumption of the Group.

The targets for each indicator were defined by the Group and agreed with the local and foreign financial institutions. If the Group meets the targets the interest rate applicable will be reduced. However, if the targets are not met, a penalty will be applied, resulting in an increase in the interest rate applicable. Where the Group does not meet the target but achieves the minimum threshold, no adjustments will be made to the applicable interest rate. For the local and foreign sustainability-linked facility, each target is measured individually and the ultimate result per sustainability-linked facility will be assessed collectively. The indicators are measured annually and verified by external parties.

The Group has not recognised an embedded derivative, as these targets are specifically defined by the Group and are not linked to a basic lending arrangement.

The components of the debt facilities are as follows:

	Current variable interest rates[1] %	2022 Rm	2021 Rm
Long-term			
Syndicated bank term loans	5,4 – 6,7	2 000	1 000
Revolving credit loans		1 608	885
– Rand denominated loans	5,3 – 6,5	1 300	500
– Foreign currency denominated loans	1,2 – 1,6	308	385
15-month notice loans	5,0 – 6,2	248	273
		3 856	2 158
Short-term			
Foreign currency denominated revolving credit loans		1	–
Other short-term debt		1 305	2 099
– Call borrowings	5,0 – 6,1	1 032	1 203
– 15-month notice loans	5,0 – 6,1	1	–
– Bank overdrafts	2,0 – 15,5	272	896
Total short-term debt		1 306	2 099
Interest-bearing floorplans from financial institutions		867	873
– Rand denominated floorplans	5,0 – 7,0	247	89
– Foreign currency denominated floorplans	1,9 – 3,6	620	784
		2 173	2 972
Interest-bearing borrowings		6 029	5 130

[1] *Reflects the current variable rates applicable to interest-bearing debt. Additional information on the IRDCs is outlined below.*

6. Interest-bearing funding (continued)

6.1 Interest-bearing debt (continued)

The interest-bearing floorplans from financial institutions relate to the operating segments below:

	2022 Rm	2021 Rm
Retail and Rental	677	797
Mobility Solutions	190	76
	867	873

Interest rate risk

Borrowings issued at variable rates expose the Group to cash flow and interest rate risk, while fixed rate borrowings expose the Group to fair value interest rate risk. Cash flow interest rate risk arises from movements in market rates. To mitigate this risk the Group enters into various derivative contracts in line with the recommendations provided by AL.

The IRDCs are regarded as level 2 financial instruments which are fair valued using the present value of estimated future cash flows over the term of the IRDCs, based on future interest rates (from observable forward looking interest rates at the end of the reporting period) including margins.

The Group has entered into the following IRDCs:

	Maturity date	Notional value Rm	Variable interest rates %	Derivative interest rates %	Net derivative asset/ (liability) Rm
2022					
Derivatives designated in hedge accounting relationships		1 000			30
– IRDC 8[1]	Dec-2024	250	6,5	7,9	9
– IRDC 9 (cap)[2]	Dec-2024	250	6,5	8,0	7
– IRDC 10 (cap)[2]	Dec-2024	250	6,5	8,0	7
– IRDC 11 (collar)[3]	Dec-2024	250	6,5	6,0 – 8,0	7
Derivatives not designated in hedge accounting relationships		250			(2)
– IRDC 7[1]	Nov-2022	250	6,7	8,5	(2)
Net derivative asset		1 250			28

[1] *This IRDC is an interest rate swap whereby the Group will receive interest at the variable interest rates on notional values and oblige it to pay interest at the derivative interest rate, which is fixed, on the same amount.*

[2] *This IRDC is an interest rate cap whereby the Group continues to pay interest based on the variable interest rate, should the variable interest rate exceed the derivative interest rates (the strike rate), the Group will receive interest from the financial institution based on the differential. The agreed strike rate is therefore the maximum interest rate.*

[3] *This IRDC is an interest rate collar whereby the minimum interest rate (the floor strike rate) and maximum interest rate (the cap strike rate) are defined. Should the variable interest rate exceed the cap strike rate the Group will receive interest from the financial institution based on the differential. If the variable interest rate falls below the floor strike rate, the Group will pay interest to the financial institution based on the differential.*

Notes to the consolidated annual financial statements (continued)

6. Interest-bearing funding (continued)

6.1 Interest-bearing debt (continued)

Interest rate risk (continued)

	Maturity date	Notional value Rm	Variable interest rates %	Derivative interest rates %	Net derivative asset/ (liability) Rm
2021					
Derivatives not designated in hedge accounting relationships[1]		2 750			(51)
– IRDC 1	Nov-2021	500	5,2	9,1	(7)
– IRDC 2	Nov-2021	500	5,1	9,1	(8)
– IRDC 3	Nov-2021	250	5,1	8,3	(4)
– IRDC 4	Nov-2021	250	5,4	8,5	(4)
– IRDC 5	Dec-2021	500	5,4	9,3	(9)
– IRDC 6	Dec-2021	500	5,4	9,4	(10)
– IRDC 7	Nov-2022	250	5,4	8,5	(9)
Net derivative liability		2 750			(51)

[1] *These IRDCs are interest rate swaps whereby the Group will receive interest at the variable interest rates on notional values and oblige it to pay interest at the derivative interest rate, which is fixed, on the same amount.*

	2022 Rm	2021 Rm
Changes in the fair value of the hedged item for calculating the hedge ineffectiveness	**11**	–
Changes in the fair value of the hedging instrument for calculating the hedge ineffectiveness	**11**	–

A premium amounting to R16 million was paid on the IRDCs. The intrinsic value of the IRDCs is the present value of the interest payments that the Group is expected to receive on the cap, based on the expected interest rates over the life of IRDC. The intrinsic value is recognised in other comprehensive income. The remaining portion between the premium paid and the intrinsic value is recognised in the cost of hedging reserve. The cost of hedging will be realised to profit or loss over the life of the IRDC. Refer to note 8.5 – Finance cost and finance income for additional information.

If interest rates had been 0,5% higher or lower, holding all other variables constant, the Group's other comprehensive income would decrease or increase by R13 million (2021: Rnil million).

The hedge item is defined as the designated future cash flows arising from the quarterly interest payable on the applicable interest-bearing debt. The hedge item is not designated to specific category of debt outstanding but rather the designated future cash flows arising on interest-bearing debt to the value of the nominal value. Any debt arising from future refinancing will be entered into with similar terms and conditions. The complete fair value, including any margins, on the designated IRDCs, is defined as the hedging instrument.

Hedge effectiveness is assessed at:

- Each designation date;
- Each reporting date;
- When the underlying hedged item is recognised; and
- When there was a significant change in the circumstances of the relationship.

For hedges of interest rate risk, the Group entered into hedging relationships where the critical terms of the hedging instrument and hedged item are aligned. These critical terms include the nominal amounts outstanding and the expected quarterly interest payments due. This matching of the critical terms demonstrates the economic relationship and the hedge ratio of 1:1 and the Group, therefore, assesses effectiveness qualitatively. Where the critical terms are not aligned, the economic relationship is assessed quantitatively.

6. Interest-bearing funding (continued)

6.1 Interest-bearing debt (continued)

Interest rate risk (continued)

The potential sources of hedge ineffectiveness include:

- Modification in hedged item; and
- A change in credit risk of either party.

Hedge ineffectiveness is recognised in profit or loss as part of finance income and finance cost. If significant hedge ineffectiveness is identified that disputes the economic relationship, hedge accounting is discontinued. Hedge accounting will not be discontinued where ineffectiveness is temporary or insignificant.

The effect of credit risk does not dominate the value changes that result from the economic relationship, as the derivative contracts have been entered into with reputable financial institutions.

The effective portion of gains and losses on the IRDCs designated as cash flow hedges is recognised in other comprehensive income. Refer to note 4.3 – Currency risk and hedge accounting reserve for additional information. Changes in the fair value of IRDCs that are not formally designated in a hedge relationship are recognised immediately in profit or loss as part of finance income and cost.

Interest rate sensitivity

The interest rate profile of the interest-bearing borrowings is reflected above.

If interest rates had been 0,5% higher or lower, holding all other variables constant, the Group's profit or loss would decrease or increase by R23 million (2021: R7 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings which have not been fixed through the use of IRDCs.

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	247	235	185	50
Foreign currency denominated floorplans	620	584	–	584
2022	**867**	**819**	**185**	**634**
2021	873	886	76	810

Maturity analysis of interest-bearing debt by geographical location

	2026 onwards Rm	2025 Rm	2024 Rm	2023 Rm	**2022 Rm**	2021 Rm
South Africa	3 300	–	248	1 482	**5 030**	3 582
International	–	308	–	691	**999**	1 548
	3 300	308	248	2 173	**6 029**	5 130

6. Interest-bearing funding (continued)

6.1 Interest-bearing debt (continued)

Maturity analysis of interest-bearing debt by denominated currency

	2026 onwards Rm	2025 Rm	2024 Rm	2023 Rm	**2022 Rm**	2021 Rm
SA Rand	3 300	–	248	1 362	**4 910**	3 064
British Pound	–	–	–	219	**219**	1 197
Australian Dollar	–	308	–	403	**711**	736
US Dollar	–	–	–	8	**8**	–
Other[1]	–	–	–	181	**181**	133
	3 300	308	248	2 173	**6 029**	5 130

[1] *Other relates to interest-bearing debt primarily in China, Kenya, Tanzania and Zambia.*

Borrowing facilities

In terms of the MOI, the borrowing powers of the Group are unlimited. The Group's borrowing facilities include:

	2022 Rm	2021 Rm
Total direct borrowing facilities	**14 244**	15 447
– Banking facilities[1]	**11 278**	11 900
– Floorplan facilities (total)	**2 966**	3 547
***Less*: Utilised facilities**	**(6 334)**	(5 484)
– Banking facilities	**(5 162)**	(4 257)
– Floorplan facilities from financial institutions	**(867)**	(873)
– Floorplan facilities from suppliers[2]	**(305)**	(354)
Unutilised borrowing facilities	**7 910**	9 963
– Banking facilities	**6 116**	7 643
– Floorplan facilities (total)	**1 794**	2 320
The total available banking facilities are:	**7 109**	9 372
– Unutilised banking facilities	**6 116**	7 643
– Available cash resources	**993**	1 729

[1] *The banking facilities comprise of committed facilities amounting to R10 388 million (2021: R10 816 million) and uncommitted facilities amounted to R890 million (2021: R1 084 million).*

[2] *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 3.6.4 – Floorplans from suppliers.*

6. Interest-bearing funding (continued)

6.1 Interest-bearing debt (continued)

Capital management

The Group's 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. The Group 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, the Group monitored capital on the basis of its gearing ratio of net debt to equity of 50% to 70% under normal trading conditions.

	2022 Rm	2021 Rm
Interest-bearing borrowings	6 029	5 130
Less: Cash resources	(993)	(1 729)
Net debt	5 036	3 401
Total equity	14 045	12 166
Gearing ratio (%)	35,9	28,0

Bank covenants

In terms of the requirements set out in the banking facility agreements and the Group's treasury policies, the target set for the Group are:

	Bank facility agreement threshold Times	Internal threshold Times	2022 Times	2021 Times
Net debt to Adjusted EBITDA	Below 3,0	Below 2,0	0,8	0,8
Adjusted EBITDA to Adjusted net interest	Above 3,0	Above 4,0	17,9	10,9

Refer to the glossary of terms for further information relating to the calculation parameters.

Refer to note 4.2 – Liquidity risk, for further disclosure related to interest-bearing debt with regards to liquidity risk.

6.2 Cash resources

	2022 Rm	2021 Rm
Deposits and funds at call	977	1 719
Cash on hand	16	10
	993	1 729
Effective interest rates (%)	0,0 – 5,3	0,0 – 5,4

Credit risk

It is the Group's 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 AL.

The carrying amount of these cash resources represents the maximum credit exposure on 30 June 2022. None of the financial assets above were given as collateral for any security provided. The Group has assessed the availability of the cash resources and have noted that all balances are liquid and readily convertible.

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 4.2 – Liquidity risk and 4.4 – Fair value measurement of financial instruments, respectively.

Notes to the consolidated annual financial statements (continued)

6. Interest-bearing funding (continued)

6.3 Cash inflows/(outflows) on banking facilities

	2022 Rm	2021 Rm
Banking facilities at the beginning of the year	**(3 361)**	(7 779)
– Total interest-bearing borrowings	**(5 130)**	(9 563)
– *Less*: Bank overdrafts	**896**	136
– *Less*: Interest-bearing floorplans from financial institutions	**873**	1 648
Extinguishment of facilities as a result of the refinancing[1]	**–**	–
– Repayment of previously held facilities	**(3 300)**	–
– Advances of new facilities	**3 300**	–
Acquisition of businesses	**(17)**	–
Reclassification from liabilities classified as held-for-sale and now settled	**–**	(23)
Reclassification of unsecured loans to bank overdrafts	**–**	127
Reclassification of debt owed to previous associate	**17**	–
Translation of foreign denominated facilities charged to the statement of profit or loss	**(1)**	(12)
Movement in interest rate accruals	**(6)**	–
Currency adjustments	**(17)**	267
Banking facilities at the end of the year	**4 890**	3 361
– Total interest-bearing borrowings	**6 029**	5 130
– *Less*: Bank overdrafts	**(272)**	(896)
– *Less*: Interest-bearing floorplans from financial institutions	**(867)**	(873)
	1 505	(4 059)
The cash inflows/(outflows) on banking facilities for the year comprises of:		
Advances/(repayment) of banking facilities	**1 505**	(1 496)
– Advances of banking facilities	**41 293**	5 352
– Repayment of banking facilities	**(39 788)**	(6 848)
Repayment of settled banking facilities	**–**	(2 563)
	1 505	(4 059)

[1] *The Group has elected to treat the cash flows as a result of the refinancing as a non-cashflow transaction.*

Refer to note 6.1 – Interest-bearing debt for additional information.

The Group follows a centralised cash management process, including cash management systems to minimise risk and related finance costs across bank accounts. The cash management systems ensure that any excess cash held in the business units is transferred through the sweeping processes to the treasury departments in the various jurisdictions.

The consolidated borrowing position of the Group is assessed daily and the banking facilities are repaid or drawn down on a short-term basis.

In the current year, this disclosure was expanded, to disaggregate the advances and repayments of banking facilities and separately disclose the facilities which are settled and no longer available to the Group. This disaggregation aims to increase transparency, give meaningful information to users of the audited consolidated and separate annual financial statements for decision making and improve comparability with other publicly traded companies.

6.4 Cash and cash equivalents

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

	2022 Rm	2021 Rm
Cash resources	**993**	1 729
Bank overdrafts	**(272)**	(896)
	721	833

7. Tax

7.1 Current tax

	2022 Rm	2021 Rm
Income tax	**(1 246)**	(591)
– Current year	**(1 230)**	(597)
– Prior year (under provision)/overprovisions	**(11)**	11
– Capital gains tax	**(5)**	(5)
Deferred tax	**111**	(127)
– Current year	**117**	(139)
– Prior year under provision	**6**	19
– Reversal of impairment/(impairment) of deferred tax assets	**27**	(7)
– Tax rate adjustments	**(39)**	–
	(1 135)	(718)

Reconciliation of effective tax rate (%)

	2022 %	2021 %
South African normal tax rate	**28,0**	28,0
Adjusted for		
– Dividends received	**(1,8)**	(1,7)
– Share-based equity permanent differences	**–**	(0,6)
– Profit on sale of properties	**(0,2)**	(0,2)
– Impairment of non-financial assets	**0,8**	0,7
– Impairment of other financial assets	**0,6**	0,3
– Impairment of goodwill	**0,5**	0,5
– Impairment of/(reversal of impairment of) investment in associates and joint ventures	**0,2**	(0,1)
– Assessed losses recognised	**(2,7)**	(0,4)
– Prior year under provision/(overprovision)	**0,1**	(1,1)
– (Reversal of impairment)/impairment of deferred tax assets	**(0,6)**	0,2
– Tax rate adjustments	**1,0**	–
– Foreign tax rate differential	**(1,1)**	(1,3)
– Other[1]	**0,8**	1,2
Effective tax rate[2]	**25,6**	25,5

[1] *Other includes learnerships allowances received and other non-deductible expenses such as legal fees and donations.*
[2] *Effective tax is calculated on profit before tax excluding the share of income from associates and joint ventures.*

Notes to the consolidated annual financial statements (continued)

7. Tax (continued)

7.1 Current tax (continued)

The corporate tax rates applicable to various jurisdictions the Group operates in are:

	2022 %	2021 %
South Africa[1]	**28,0**	28,0
United Kingdom	**19,0**	19,0
Australia	**30,0**	30,0
Botswana	**22,0**	22,0
China	**25,0**	25,0
Kenya	**30,0**	30,0
Lesotho	**25,0**	25,0
Malawi	**30,0**	30,0
Namibia	**32,0**	32,0
Swaziland	**30,0**	30,0
Taiwan	**20,0**	20,0
Tanzania	**30,0**	30,0
Zambia	**30,0**	35,0

[1] *The reduction in the corporate tax rate to 27,0% applies to all years of assessment ending on or after 31 March 2023. This reduction in the corporate tax rate will impact the Group's current tax charge in the following financial year.*

Taxation paid

	2022 Rm	2021 Rm
Amounts payable at the beginning of the year	**(2)**	(112)
Acquisition of businesses	**2**	–
Charge per the statement of profit or loss (excluding deferred taxation)	**(1 246)**	(591)
Amounts recognised in share-based equity	**18**	8
Currency adjustments	**(1)**	(1)
Amounts payable at the end of the year	**39**	2
	(1 190)	(694)
The amounts payable at the end of the year comprises of:		
Current tax assets	**(189)**	(188)
Current tax liabilities	**228**	190
	39	2

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 forecasts, will be available against which the unused tax losses and unused credits can be utilised. 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.

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 subsidiaries do not show signs of profitability in the foreseeable future. It is expected that the assessed losses will be utilised within five years based on the projected taxable income.

The Group's deferred tax assets primarily arise from contract liabilities in Mobility Solutions, provisions and other timing differences in profitable subsidiaries. As these amounts become deductible, they are replaced with new amounts that are deductible in the future. The profitability of these subsidiaries has been assessed and the deferred tax asset is considered recoverable.

Deferred tax raised in foreign tax jurisdictions is at the tax rate applicable to those jurisdictions.

	2022 Rm	2021 Rm
Balance receivable at the beginning of the year	**1 257**	1 273
Movement during the year		
Net acquisition of businesses	**(46)**	–
Charge per the statement of profit or loss	**111**	(127)
Amounts recognised in share-based equity	**(16)**	(10)
Amounts recognised in hedge accounting reserve	**(147)**	132
Tax rate change on amounts recognised in hedge accounting reserve	**(3)**	–
Amounts recognised on the transfer to inventory from hedge accounting reserve	**(39)**	–
Currency adjustments	**8**	(11)
Balance receivable at the end of the year	**1 125**	1 257
The balance receivable at the end of the year comprises of:		
Deferred tax asset	**1 203**	1 286
Deferred tax liability	**(78)**	(29)
	1 125	1 257

The corporate tax rate for South Africa has been reduced from 28,0% to 27,0% in the next financial year, resulting in a total reduction of the deferred tax asset of R42 million.

7. Tax (continued)

7.2 Deferred tax (continued)

Analysis of deferred tax

	2022 Rm	2021 Rm
Property, plant and equipment	**(213)**	(137)
Right-of-use assets	**(171)**	(186)
Intangible assets	**(67)**	(9)
Vehicles for hire	**(4)**	(8)
Net investment in lease receivables	**–**	(11)
Inventories	**300**	213
Contract liabilities	**347**	377
Lease liabilities	**237**	192
Trade and other payables	**443**	393
Provisions	**261**	264
Net derivative instruments	**(112)**	94
Tax losses	**18**	44
Other	**86**	31
	1 125	1 257

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. There are no deductible temporary differences, unused tax losses, unused tax credits and permanent differences that will expire from tax authorities.

Estimated tax losses

	2022 Rm	2021 Rm
Unused tax losses available for set-off against future taxable income	**1 066**	1 572
Deferred tax assets recognised in respect of such losses	**(67)**	(157)
Remaining tax losses not recognised	**999**	1 415

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 forecasts, against which the assessed losses can be utilised.

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

8. Profit or loss

8.1 Revenue

Included in revenue are invoiced sales, net of discounts, 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 the Group acts as a principal, the total value of the transaction is included in revenue. Where the Group 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.

The Group recognises revenue from contracts with customers in accordance with the five-step approach outlined in IFRS 15 – *Revenue from contracts with customers*. On this basis, revenue is recognised either at a point in time or over-time in the statement of profit or loss. Rental revenue is recognised in accordance with IFRS 16 and disclosed as part of revenue.

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 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 Mobility Solutions 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. No revenue is recognised and the loss is recognised upfront in net operating expenses. Rental income from external operating leases is recognised in Mobility Solutions, on a straight-line basis over the term of the relevant lease.

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. Refer to note 3.7 – Contract liabilities for further details.

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 (such as the Consumer Protection Act of South Africa) 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 dealerships 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 OEMs, the exception to this would be for pre-owned vehicles. The impact on profitability would be the margin made on the vehicle or parts.

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 that 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

	2022 Rm	2021 Rm
Sale of goods	82 339	78 435
– New motor vehicle sales	43 746	40 167
– Pre-owned vehicle sales	21 353	22 266
– Parts and other goods sales	17 240	16 002
Rendering of services	9 639	8 770
– Vehicle workshop, maintenance, service and warranty	5 617	5 555
– Motor vehicle rental	2 123	1 339
– Fees on vehicles, parts and services sold[1]	1 899	1 876
	91 978	87 205
Split as follows between a point in time and over a period of time:		
– Revenue recognised at a point in time	90 726	85 919
– Revenue recognised over a period of time (maintenance, service and warranty of Mobility Solutions)	1 252	1 286

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

8. Profit or loss (continued)

8.1 Revenue (continued)

Operating lease receivables

At 30 June 2022 the future non-cancellable minimum lease rental income during the following financial years are:

	More than five years Rm	One to five years Rm	Less than one year Rm	2022 Rm	2021 Rm
Property	4	92	21	**117**	38
Motor vehicles	–	4	1	**5**	6
	4	96	22	**122**	44

Revenue from the Group's associates and joint ventures and revenue between Group entities is disclosed in note 11.4 – Related parties.

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

8.2 Net operating expenses

	2022 Rm	2021 Rm
Cost of sales[1]	**(73 797)**	(71 520)
– Purchase of goods	**(74 027)**	(66 448)
– Change in inventories	**2 142**	(3 178)
– Cost of outside services	**(1 912)**	(1 894)
Auditors' remuneration	**(51)**	(48)
Dividend income	**346**	142
Fair value movements on preference share arrangements	**(52)**	34
Fair value adjustment on listed shares	**–**	3
Employee costs (including directors' remuneration)	**(6 882)**	(6 325)
Contributions to retirement funds	**(327)**	(298)
Share-based equity (costs)/income charged to profit or loss	**(98)**	17
Profit recognised on termination of lease contracts	**27**	23
– Loss on derecognition of right-of-use assets	**(91)**	(104)
– Profit on derecognition of lease liabilities	**118**	127
Impairment of right-of-use assets	**(20)**	–
Remeasurement of contingent consideration	**(19)**	(14)
Operating lease charges	**(237)**	(95)
Business acquisition costs	**(6)**	–
Other operating expenses[2]	**(4 000)**	(3 869)
	(85 116)	(81 950)

[1] *Cost of sales has been disaggregated into its components to enhance disclosure.*
[2] *Other includes expenses relating to the operating of the Group's businesses, including donations, storage expenses, insurance premiums, repairs and maintenance expenses, local and foreign travel expenses, vehicle expenses, marketing, telecommunication expenses, property related expenditure and IT costs.*

Reconciliation to dividend income received

	2022 Rm	2021 Rm
Reconciliation to dividend income received		
Total dividend income	**346**	142
Less: Movement in dividend accrual	**(49)**	–
	297	142

Notes to the consolidated annual financial statements (continued)

8. Profit or loss (continued)

8.3 Depreciation, amortisation, impairments and recoupments

8.3.1 Depreciation and amortisation

	2022 Rm	2021 Rm
Depreciation and amortisation	(1 795)	(1 513)
– Intangible assets	(63)	(33)
– Property, plant and equipment	(379)	(373)
– Investment properties	(9)	(10)
– Right-of-use assets	(492)	(511)
– Vehicles for hire	(852)	(586)
Profit/(loss) on disposal	–	6
– Intangible assets	–	–
– Property, plant and equipment	–	6
	(1 795)	(1 507)

Refer to note 2.2 – Intangible assets, 3.1 – Property, plant and equipment, 3.2 – Investment properties, 3.3.1 – Right-of-use assets and 3.4 – Vehicles for hire for additional information.

8.3.2 Impairment of property, plant and equipment, net of profit/(losses) on sale

	2022 Rm	2021 Rm
Impairment	(138)	(64)
– Intangible assets	(3)	–
– Property, plant and equipment	(135)	(64)
Profit/(losses) on sale of property, plant and equipment	47	57
	(91)	(7)
Reconciliation to (losses)/profit on disposals and impairments		
Profit on disposal of plant and equipment[1]	–	6
Impairment of properties, plant and equipment, net of profit/(losses) on sale	(91)	(7)
	(91)	(1)

[1] *Refer to note 8.3.1 – Depreciation and amortisation for additional information.*

8.4 Other costs

	2022 Rm	2021 Rm
Impairment of goodwill	(81)	(50)
Profit on disposal of investments in associates and joint ventures	30	–
(Impairment)/reversal of impairments on investments in associates and joint ventures	(66)	8
– (Impairment)/reversal of impairments on investments in associates and joint ventures	(66)	10
– Impairment of a loan to an associate	–	(2)
Profit on disposal of businesses	13	9
Other capital costs	(104)	(33)
Amortisation of intangible assets arising on business combinations	–	(12)
	(104)	(45)

8. Profit or loss (continued)

8.5 Finance costs and finance income

8.5.1 Finance costs

	2022 Rm	2021 Rm
Finance costs on facilities, including floorplans from financial institutions	**(419)**	(511)
Finance costs on lease liabilities	**(137)**	(155)
Changes in fair value of the cash flow hedges designated in hedge accounting relationships[1]	**(3)**	–
Release of cost of hedging from other comprehensive income	**(2)**	–
	(561)	(666)
Reconciliation to finance costs paid		
Total finance costs	**(561)**	(666)
Add: Premium paid on interest rate derivatives	**(16)**	–
Less: Release of cost of hedging from other comprehensive income	**2**	–
Less: Movement in interest rate accruals	**1**	(50)
	(574)	(716)

[1] *Reclassification from other comprehensive income on payment of finance costs relating to IRDC 8.*

Refer to note 6.1 – Interest-bearing debt, for further details on the underlying debt instruments.

8.5.2 Finance income

	2022 Rm	2021 Rm
Finance income earned on cash resources	**13**	50
Interest earned on net investment in lease receivables	**–**	9
Changes in fair value of the cash flow hedges not designated in hedge accounting relationships	**49**	64
Changes in fair value of the cash flow hedges designated in hedge accounting relationships[1]	**3**	–
	65	123
Reconciliation to finance income received		
Total finance income	**65**	123
Less: Changes in fair value of the cash flow hedges not designated in hedge accounting relationships	**(49)**	(64)
Less: Changes in fair value of the cash flow hedges designated in hedge accounting relationships	**(3)**	–
	13	59

[1] *Reclassification from other comprehensive income relating to IRDC 9 to IRDC 11.*

Refer to note 6.1 – Interest-bearing debt, for further details on the underlying debt instruments, note 6.2 – Cash resources, for further details of the cash resources and note 3.3.4 – Net investment in lease receivables, for further details on the net investment in lease receivables.

8. Profit or loss (continued)

8.6 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 1/2021 – *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 antidilutive 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.

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:

	2022 Rm	2021 Rm
Profit attributable to the owners of Motus for basic earnings	**3 290**	2 098
Headline earnings (see reconciliation to follow)	**3 504**	2 145

The weighted average number of ordinary shares used in the calculations is as follows:

	2022 Million	2021 Million
Weighted average number of ordinary shares for basic	**173**	182
Weighted average number of ordinary shares for diluted	**182**	189

8. Profit or loss (continued)

8.6 Earnings per share (continued)

Reconciliation of number of shares in issue to weighted average number of shares

	2022		2021	
	Weighted average number of shares Million	Shares in issue Million	Weighted average number of shares Million	Shares in issue Million
Opening balance at the beginning of the year	182	188	186	195
– Ordinary shares in issue	192	189	194	193
– Deferred ordinary shares in issue	6	5	7	6
– Shares repurchased (treasury shares)	(5)	(6)	(4)	(4)
– Shares of Motus held by associates, at the effective ownership percentage[1]	(11)		(11)	
Movement during the year				
Reset of weighting of opening balance	(5)		(2)	
– Ordinary shares in issue	(3)		(1)	
– Deferred ordinary shares in issue	(1)		(1)	
– Shares repurchased (treasury shares)	(1)		–	
Cancellation of ordinary shares in issue	(4)	(12)	(1)	(5)
Conversion of deferred ordinary shares to ordinary shares	–	–	–	–
– Conversion of deferred ordinary shares to ordinary shares (impact on ordinary shares)	–	1	–	1
– Conversion of deferred ordinary shares to ordinary shares (impact on deferred ordinary shares)	–	(1)	–	(1)
Shares repurchased (treasury shares)	(1)	(1)	(1)	(2)
Issue of treasury shares as settlement of share-based equity	1	1	–	–
Closing balance at the end of the year	173	175	182	188
– Ordinary shares in issue	185	178	192	189
– Deferred ordinary shares in issue	5	4	6	5
– Shares repurchased (treasury shares)	(6)	(7)	(5)	(6)
– Shares of Motus held by associates, at the effective ownership percentage[1]	(11)		(11)	

[1] *The shares are held by Ukhamba, being ordinary shares and deferred ordinary shares at the Group's effective ownership percentage of 46,9% of the Class E shares. The value remains constant as the deferred ordinary shares convert to ordinary shares.*

Refer to note 5 – Shareholders' interest for further details on movements of ordinary, deferred ordinary and shares repurchased.

Reconciliation of weighted average number shares to a diluted number of shares

	2022 Million	2021 Million
Weighted average number of ordinary shares	173	182
Ordinary shares pledged to Investec through the Ukhamba structure	5	5
Potential issue of shares to settle the obligations of the share incentive schemes	4	2
Weighted average number of diluted shares	182	189

Notes to the consolidated annual financial statements (continued)

8. Profit or loss (continued)

8.6 Earnings per share (continued)

	2022 Cents	2021 Cents
Basic earnings per share	1 902	1 153
Diluted basic earnings per share	1 808	1 110
Headline earnings per share	2 025	1 179
Diluted headline earnings per share	1 925	1 135

Headline earnings per share

	Before tax Rm	Tax and NCI Rm	2022 Rm	2021 Rm
Earnings used in the calculation of basic earnings per share			3 290	2 098
Adjusted for:				
– Impairment of goodwill (IAS 36)	81	–	81	50
– Impairment/(reversal of impairment) of associates and joint ventures (IAS 36)	66	–	66	(8)
– Impairment of property, plant and equipment (IAS 36)	135	(2)	133	64
– Impairment of intangible assets (IAS 36)	3	(1)	2	–
– Impairment of right-use-assets (IAS 36)	20	(4)	16	–
– Profit on disposal of investments in an associate and joint venture (IAS 28)	(30)	–	(30)	–
– Profit on disposal of businesses (IFRS 3)	(13)	3	(10)	(7)
– Profit on disposal of property, plant and equipment (IAS 16)	(47)	4	(43)	(52)
– Adjustments included in result of associates and joint ventures	(1)	–	(1)	–
Headline earnings			3 504	2 145

	2022	2021
Equity attributable to owners of Motus (Rm)	13 924	12 052
Shares in issue net of shares repurchased (million)	171	183
Net asset value (NAV) per ordinary share (cents)	8 143	6 586
Tangible net asset value (TNAV) per ordinary share (cents)	6 997	5 741

9. Cash flows

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

	2022 Rm	2021 Rm
Operating profit before financing costs[1]	**4 969**	3 403
Adjusted for:		
– Movements in expected credit losses of other financial assets	**41**	31
– Movements in expected credit losses of loans to associates and joint ventures	**5**	–
– Dividend income	**(346)**	(142)
– Fair value movements on preference share arrangements	**52**	(34)
– Fair value adjustment on listed shares	**–**	(3)
– Impairment of unlisted investments	**–**	4
– Recognition of share-based payment costs/(income)	**98**	(17)
– Profit recognised on termination of lease contracts	**(27)**	(23)
– Impairment of right-of-use assets	**20**	–
– Remeasurement of contingent consideration	**19**	14
– Depreciation, amortisation, impairments and recoupments	**1 795**	1 507
– Share of results from associates and joint ventures	**(39)**	(43)
– Impairment of property, plant and equipment, net of profit/(losses) on sale	**91**	7
– Net foreign exchange gains/(losses)	**(135)**	383
– Impairment of goodwill	**81**	50
– Profit on disposal of businesses	**(13)**	(9)
– Profit on disposal of investments in associates and joint ventures	**(30)**	–
– Impairment/(reversal of impairment) of investments in associates and joint ventures	**66**	(8)
– Amortisation of intangible assets arising on business combinations	**–**	12
– Net movement in contract liabilities	**243**	55
– Net movement in provisions	**19**	148
Cash generated by operations before changes in net working capital	**6 909**	5 335
Movements in net working capital	**(620)**	1 778
(Increase)/decrease in inventories	**(2 077)**	2 614
Increase in trade and other receivables	**(162)**	(346)
Decrease in derivative financial assets	**297**	146
Increase/(decrease) in trade and other payables	**1 599**	(480)
Decrease in derivative financial liabilities	**(277)**	(156)
Cash generated by operations before interest, taxation paid and capital expenditure on vehicles for hire	**6 289**	7 113

[1] *Operating profit before finance costs has been re-presented to include share of income from associates and joint ventures. Refer to note 1.7– Re-presentation of prior year information for additional information.*

Notes to the consolidated annual financial statements (continued)

9. Cash flows (continued)

9.2 Capital expenditure

In the current year, capital expenditure incurred in investing activities amounted to R764 million (2021: R325 million) and the proceeds received from disposals amounted to R204 million (2021: R235 million).

	2022 Rm	2021 Rm
Replacement capital expenditure		
– Property, plant and equipment	(472)	(345)
– Intangible assets	(51)	(35)
Total	(523)	(380)
Proceeds from disposals		
– Property, plant and equipment	204	235
Total	204	235
Replacement capital expenditure		
– Property, plant and equipment	(268)	(110)
– Intangible assets	(51)	(35)
Total	(319)	(145)
Expansion capital expenditure		
– Property, plant and equipment	(440)	(178)
– Intangible assets	(5)	(2)
Total	(445)	(180)
Total capital expenditure		
– Property, plant and equipment	(708)	(288)
– Intangible assets	(56)	(37)
Total	(764)	(325)

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

Details on future capital commitments are provided for in note 10.1 – Capital expenditure commitments.

10. Commitments and contingencies

10.1 Capital expenditure commitments

The commitments are substantially for the construction of buildings to be used by the Group, 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.

	2022 Rm	2021 Rm
Contracted	382	184
Authorised by the directors, but not contracted	133	27
	515	211

10.2 Contingent liabilities

The Group 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

	2022 Rm	2021 Rm
Letters of credit	4 599	3 071
Guarantees	404	693
	5 003	3 764

The letters of credit and guarantees issued by banks on behalf of the Group to suppliers have corresponding guarantees by the Group 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

	2022 Rm	2021 Rm
The Group has received summons for claims	5	9
	5	9

The Group and its legal advisors believe that these claims are unlikely to succeed. Where the Group believes that there is a probable outflow a provision has been raised. There is no current or pending litigation that is considered likely to have a significant adverse effect on the Group.

Notes to the consolidated annual financial statements (continued)

11. Our people

11.1 Directors' and prescribed officers' remuneration

R 000	Salary	Bonus	Retirement and medical aid contributions	Other benefits	Directors' fees paid by the Company	**Total 2022[3]**	Total 2021	**Expected value of long-term incentive awards made in 2022[1]**	Expected value of long-term incentive awards made in 2021[1]
Executive directors									
OS Arbee	10 801	16 717	529	386		**28 433**	26 739	**11 690**	11 130
OJ Janse van Rensburg	5 690	8 938	416	178		**15 222**	14 018	**6 250**	5 800
KA Cassel	4 479	4 893	410	264		**10 046**	9 567	**3 863**	3 675
Total executive directors	20 970	30 548	1 355	828		**53 701**	50 324	**21 803**	20 605
Non-executive directors									
GW Dempster	–	–	–	–	1 951	**1 951**	1 857	**–**	–
A Tugendhaft	–	–	–	–	1 172	**1 172**	1 207	**–**	–
PJS Crouse	–	–	–	–	429	**429**	250	**–**	–
NB Duker	–	–	–	–	500	**500**	285	**–**	–
P Langeni							141		
S Mayet	–	–	–	–	1 026	**1 026**	977	**–**	–
KR Moloko							598		
MJN Njeke	–	–	–	–	934	**934**	1 023	**–**	–
F Roji[2]	–	–	–	–	523	**523**	–	**–**	–
Total non-executive directors	–	–	–	–	6 535	**6 535**	6 338	**–**	–
Prescribed officers									
JK Jefferies							935		–
NW Lynch	3 302	3 960	425	275		**7 962**	7 344	**2 800**	1 775
NE Simelane	2 735	1 814	265	2		**4 816**	1 750	**1 050**	–
C Venter	3 870	4 176	497	275		**8 818**	8 105	**3 248**	2 150
Total prescribed officers	9 907	9 950	1 187	552		**21 596**	18 134	**7 098**	3 925

[1] *This is a future expected value over a period of three and four years and is subject to certain performance obligations being met.*
[2] *Appointed as a non-executive director during the year.*
[3] *The non-executive directors are remunerated by the Company and the executive and prescribed officers are remunerated by a subsidiary company.*

11. Our people (continued)

11.2 Employee incentive schemes

The Group has offered various incentive schemes to select employees, namely share appreciation rights (SARs), deferred bonus plans (DBPs) and conditional share plans (CSPs). Each scheme is based on various performance targets being met, as outlined below. The schemes are measured at fair value at the grant date using a Black-Scholes pricing model. When determining the inputs into the pricing model, the Group will use a combination of publicly available information and inputs based on assumptions made by the Group. The assumptions made will be based on past experience of previous schemes and the anticipated performance of the Group.

11.2.1 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 the Group 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. The last of the SARs schemes in existence prior to the unbundling from Imperial expired on 30 June 2022. No further SARs scheme awards have been made since the 2020 financial year.

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:

	Motus only		Motus and Imperial combined	
	2020[1]	2019	2017	2015
Volatility (%)	34,30	29,00	35,60	32,00
Weighted average share price (Rand)	72,05	89,67	152,65	174,65
Weighted average exercise price (Rand)	72,05	89,67	152,65	174,65
Weighted average fair value (Rand)	17,31	22,10	44,25	48,76
Expected life (years)	4,27	4,27	4,30	4,27
Average risk-free rate (%)	7,22	8,20	7,59	7,47
Expected dividend yield (%)	5,50	4,50	4,00	3,50

[1] *No SARs were issued during 2018, 2021 and 2022.*

The volatilities were determined by calculating the historical volatility of Motus' share price over the prior three years. In the prior years, this was based on Imperial and Motus' share price volatility. The expected life is determined by the rules of the schemes which dictate the final expiry date.

Notes to the consolidated annual financial statements (continued)

11. Our people (continued)

11.2 Employee incentive schemes (continued)

11.2.1 Share appreciation rights (continued)

Details of rights by year of grant

	Vesting date	Expiry date	2022 Remaining number of rights	2022 Average exercise price Rand	2021 Remaining number of rights	2021 Average exercise price Rand
Historical Imperial Share Scheme						
October 2015	September 2018	June 2022	–	–	904 979	174,65
June 2017	September 2020	June 2022	–	–	478 886	152,65
			–	–	1 383 865	167,04
Motus Share Scheme						
November 2018	September 2021	June 2023	**961 831**	**89,67**	2 735 290	89,67
September 2019	September 2022	June 2024	**3 204 087**	**72,05**	3 232 359	72,05
			4 165 918	**76,12**	5 967 649	80,13
Total unexercised rights at the end of the year			**4 165 918**	**76,12**	7 351 514	96,49

Movement in number of rights

	2022 Number of rights	2022 Weighted average exercise price Rand	2021 Number of rights	2021 Weighted average exercise price Rand
Historical Imperial Share Scheme				
Unexercised rights granted at the beginning of the year	**1 383 865**	**167,04**	5 470 194	151,80
– Exercised during the year	**(1 351 472)**	**166,91**	(1 488 745)	127,77
– Forfeited during the year	**(32 393)**	**172,57**	(2 597 584)	157,45
Unexercised rights at the end of the year	**–**	**–**	1 383 865	167,04
Motus Share Scheme				
Unexercised rights granted at the beginning of the year	**5 967 649**	**80,13**	6 647 691	80,11
– Exercised during the year	**(1 340 166)**	**89,67**	–	–
– Forfeited during the year	**(461 565)**	**88,62**	(680 042)	79,93
Unexercised rights at the end of the year	**4 165 918**	**76,12**	5 967 649	80,13
Total unexercised rights at the end of the year	**4 165 918**	**76,12**	7 351 514	96,49

11. Our people (continued)

11.2 Employee incentive schemes (continued)

11.2.1 Share appreciation rights (continued)

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

	Allocation date	Price on allocation date Rand	Vesting date	Expiry date	Number of rights	Number of allocated rights	Number of forfeited rights	Number of exercised rights	Number of remaining rights[1]
Executive directors									
OJ Janse van Rensburg	06 Oct 15	174,65	18 Sep 18	23 Jun 22	32 900	–	–	(32 900)	–
	21 Jun 17	152,65	16 Sep 20	30 Jun 22	21 128	–	–	(21 128)	–
KA Cassel	06 Oct 15	174,65	18 Sep 18	23 Jun 22	20 576	–	–	(20 576)	–
	21 Jun 17	152,65	16 Sep 20	30 Jun 22	29 044	–	–	(29 044)	–
	30 Nov 18	89,67	15 Sep 21	30 Jun 23	182 450	–	(28 901)	(153 549)	–
Prescribed officers									
NW Lynch	06 Oct 15	174,65	18 Sep 18	23 Jun 22	19 829	–	–	(19 829)	–
	21 Jun 17	152,65	16 Sep 20	30 Jun 22	11 692	–	–	(11 692)	–
	30 Nov 18	89,67	15 Sep 21	30 Jun 23	74 138	–	(11 744)	–	62 394
	04 Sep 19	72,05	15 Sep 22	30 Jun 24	99 127	–	–	–	99 127
C Venter	06 Oct 15	174,65	18 Sep 18	23 Jun 22	26 808	–	–	(26 808)	–
	21 Jun 17	152,65	16 Sep 20	30 Jun 22	12 572	–	–	(12 572)	–
	30 Nov 18	89,67	15 Sep 21	30 Jun 23	74 138	–	(11 744)	–	62 394
	04 Sep 19	72,05	15 Sep 22	30 Jun 24	120 070	–	–	–	120 070

[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 which vest could be fewer than the number granted.*

Net gains on SARs, DBPs and CSPs

	2022 R 000	2021 R 000
OS Arbee	**19 694**	4 682
OJ Janse van Rensburg	**11 432**	859
KA Cassel	**6 472**	391
NW Lynch	**3 849**	553
C Venter	**4 066**	636
	45 513	7 121

Notes to the consolidated annual financial statements (continued)

11. Our people (continued)

11.2 Employee incentive schemes (continued)

11.2.2 Deferred bonus plan

These rights entitle participants to invest in Imperial and Motus shares which, if held for three years, were matched by the Group 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
Volatility (%)	29,00
Weighted average share price (Rand)	89,67
Weighted average fair value (Rand)	77,60
Expected life (years)	3,21
Average risk-free rate (%)	8,20
Expected dividend yield (%)	4,50

No deferred bonus plans (DBPs) were issued in 2018, 2020, 2021 and 2022.

There is no weighted average exercise price on the DBPs.

The volatilities were determined by calculating the historical volatility of Motus' share price over the prior three years. In the prior years, this was based on Imperial and Motus' share price volatility. 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 2022**	Remaining number of rights 2021
November 2018	September 2021	–	240 097
Total unexercised rights at the end of the year		–	240 097

Movement in the number of rights granted

	Number of rights 2022	Number of rights 2021
Unexercised rights at the beginning of the year	**240 097**	404 974
– Exercised during the year	**(240 097)**	(164 877)
Total unexercised rights at the end of the year	–	240 097

11. Our people (continued)
11.2 Employee incentive schemes (continued)
11.2.2 Deferred bonus plan (continued)

The DBPs 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 directors					
OS Arbee	30 Nov 18	16 Sep 21	118 211	(118 211)	–
OJ Janse van Rensburg	30 Nov 18	16 Sep 21	61 336	(61 336)	–
Prescribed officers					
NW Lynch	30 Nov 18	16 Sep 21	10 706	(10 706)	–
C Venter	30 Nov 18	16 Sep 21	10 706	(10 706)	–

Net gains or losses on rights is included in note 11.2.1 – Share appreciation rights.

11.2.3 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 CSPs 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 replaced 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:

	2022 3-year	**2022 4-year**	2021	2020	2019
Volatility (%)	**–**	**–**	40,00	34,30	29,00
Weighted average share price (Rand)	**107,34**	**107,34**	30,45	72,05	89,67
Weighted average fair value (Rand)	**93,78**	**89,66**	25,52	57,15	77,60
Expected life (years)	**3,21**	**4,21**	3,21	4,21	3,21
Average risk-free rate (%)	**–**	**–**	4,15	7,22	8,20
Expected dividend yield (%)	**4,50**	**4,50**	5,50	5,50	4,50

There is no weighted average exercise price on the CSPs.

Details of conditional awards taken up that will vest by year of grant

	Vesting date	**Remaining number of conditional awards 2022**	Remaining number of conditional awards 2021
November 2018	September 2021	**–**	356 864
November 2018	September 2022	**535 296**	535 296
September 2019	September 2022	**506 603**	506 603
July 2020	September 2023	**2 148 306**	2 148 306
September 2021 (3-year)	September 2024	**889 855**	–
September 2021 (4-year)	September 2025	**141 157**	–
Total unexercised awards at the end of the year		**4 221 217**	3 547 069

Notes to the consolidated annual financial statements (continued)

11. Our people (continued)

11.2 Employee incentive schemes (continued)

11.2.3 Conditional share plan (continued)

Movement in the number of conditional awards granted

	Number of conditional awards 2022	Number of conditional awards 2021
Unexercised conditional awards granted at the beginning of the year	**3 547 069**	1 398 763
– Awarded during the year	**1 031 012**	2 274 950
– Exercised during the year	**(190 241)**	(3 411)
– Forfeited during the year	**(166 623)**	(123 233)
Total unexercised conditional awards at the end of the year	**4 221 217**	3 547 069

The CSPs for executive directors and prescribed officers are set out below.

	Date of grant	Vesting date	Conditional awards	Forfeited during the year	Vested during the year	Balance
Executive directors						
OS Arbee	30 Nov 18	15 Sep 21	133 824	(62 483)	(71 341)	–
	30 Nov 18	15 Sep 22	200 736	–	–	200 736
	04 Sep 19	15 Sep 22	205 968	–	–	205 968
	01 Jul 20	15 Sep 23	288 884	–	–	288 884
	16 Sep 21	15 Sep 24	169 752	–	–	169 752
OJ Janse van Rensburg	30 Nov 18	15 Sep 21	78 064	(36 449)	(41 615)	–
	30 Nov 18	15 Sep 22	117 096	–	–	117 096
	04 Sep 19	15 Sep 22	107 333	–	–	107 333
	01 Jul 20	15 Sep 23	264 840	–	–	264 840
	16 Sep 21	15 Sep 24	90 757	–	–	90 757
KA Cassel	30 Nov 18	15 Sep 21	55 760	(26 035)	(29 725)	–
	30 Nov 18	15 Sep 22	83 640	–	–	83 640
	04 Sep 19	15 Sep 22	90 678	–	–	90 678
	01 Jul 20	15 Sep 23	167 808	–	–	167 808
	16 Sep 21	15 Sep 24	56 088	–	–	56 088
Prescribed officers						
NW Lynch	30 Nov 18	15 Sep 21	44 608	(20 828)	(23 780)	–
	30 Nov 18	15 Sep 22	66 912	–	–	66 912
	04 Sep 19	15 Sep 22	19 709	–	–	19 709
	01 Jul 20	15 Sep 23	81 050	–	–	81 050
	16 Sep 21	15 Sep 24	29 042	–	–	29 042
	16 Sep 21	15 Sep 25	11 617	–	–	11 617
NE Simelane	16 Sep 21	15 Sep 24	15 247	–	–	15 247
C Venter	30 Nov 18	15 Sep 21	44 608	(20 828)	(23 780)	–
	30 Nov 18	15 Sep 22	66 912	–	–	66 912
	04 Sep 19	15 Sep 22	23 872	–	–	23 872
	01 Jul 20	15 Sep 23	98 174	–	–	98 174
	16 Sep 21	15 Sep 24	33 689	–	–	33 689
	16 Sep 21	15 Sep 25	13 476	–	–	13 476

11. Our people (continued)

11.3 Key management

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

Remuneration paid to key management personnel is as follows:

	2022 Rm	2021 Rm
Salaries and allowances	**47**	41
Bonuses	**59**	53
Company contributions	**4**	4
Share-based equity costs	**54**	14
Other benefits	**2**	1
	166	113
Number of key management personnel	**13**	12
Net gain on share options and cash retention bonuses	**53**	9

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 the directors' report and note 11.1 – Directors' and prescribed officers' remuneration and 11.2 – Employee incentive schemes.

The Group has many different operations where the Group's 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 the Group in excess of R100 000.

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

	2022 Rm	2021 Rm
Total value of the goods and services supplied to or from key management	**9**	3

During the year, the Group paid for direct services amounting to R4 million (2021: R13 million) on an arm's length basis to a firm of attorneys in which Mr. A Tugendhaft has an interest. An additional payment of R1 million (2021: R5 million) was made for senior counsel services outsourced by the firm.

11.4 Related parties

Subsidiaries, associates, joint ventures, the Group's pension and provident funds, directors and prescribed officers are defined as key management and are considered to be related parties. Refer to note 11.3 – 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 Mobility Solutions of the vehicle plans sold by the importers and dealerships; and
- Administration fees, interest, dividends and rental income.

These transactions give rise to inter-company debtors, creditors and loan accounts. These transactions, along with the associated balances are eliminated on consolidation and, accordingly, are not disclosed below.

Notes to the consolidated annual financial statements (continued)

11. Our people (continued)

11.4 Related parties (continued)

Revenues between Group entities

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 of its owned dealerships or a division in Aftermarket Parts selling goods to a dealership, where both entities form part of Motus Group Limited.

The following intra-group revenue has been eliminated:

	2022 Rm	2021 Rm
Sale of goods	**8 135**	5 573
Rendering of services	**1 242**	1 140
	9 377	6 713

Subsidiaries

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

Interest of directors in contracts

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

During the year, the Group sold R92 million (2021: R61 million) worth of goods and purchased R37 million (2021: R31 million) on an arm's length basis from Mr. J Johnson, a director of a subsidiary of the Group. In addition, R31 million (2021: R38 million) was paid to Mr. J Johnson at an arm's length basis for the rental of properties.

The Group also acquired the remaining shareholding in SWT Group Proprietary Limited from Mr. J Johnson. The purchase consideration paid amounted to R40 million.

Associates and joint ventures

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

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

	2022 Rm	2021 Rm
Sale of goods	**11**	5
Rendering of services	**1**	1
	12	6

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

	2022 Rm	2021 Rm
Lereko Motors Proprietary Limited	**6**	6
Car Hire Brokers Proprietary Limited	**15**	8
	21	14
Effective interest rate (%)	**7,0 – 8,0**	8,0 – 9,9

The loans are unsecured and repayable on demand.

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

Assets and liabilities classified as held-for-sale includes assets and liabilities that currently do not align to the Group's long-term strategies. In the current year, the assets classified as held-for-sale relate to dealership and importer properties in South Africa, the UK and Australia. There are no businesses classified as held-for-sale. Disposals are expected to occur within the next 12 months and therefore the properties have been classified as held-for-sale. Assets that are classified as held-for-sale are not depreciated. The proceeds from disposal are expected to exceed or equal the carrying amount of the assets.

	2022 Rm	2021 Rm
Major classes of assets comprising the assets held-for-sale		
Property, plant and equipment	644	649
Investment properties	13	–
	657	649

The movements in assets held-for-sale are:

	2022 Rm	2021 Rm
Carrying value at the beginning of the year	649	146
Movement during the year		
Re-classification from property, plant and equipment	80	591
Re-classification to property, plant and equipment as owner-occupied	–	(27)
Re-classification to property, plant and equipment and now sold	(98)	(50)
Re-classification from investment properties	13	–
Currency adjustments	13	(11)
Carrying value at the end of the year	657	649

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

	2022 Rm	2021 Rm
Import and Distribution	12	28
Retail and Rental	449	425
Head Office and Eliminations	196	196
	657	649

13. Events after the reporting period

Subsequent to financial year end, a final dividend of 435 cents (2021: 255 cents) per ordinary share was declared and is payable on 26 September 2022. The total dividend for the year amounted to 710 cents (2021: 415 cents).

The Group is in the process of acquiring four Mercedes-Benz dealerships in Retail and Rental South Africa. The dealerships include three passenger dealerships located in Sandton, Bryanston, Constantia Kloof and a commercial dealership in Roodepoort. This acquisition is subject to approval from the Competition Commission.

As advised in the cautionary announcements, negotiations are still in progress for the potential acquisition of 100% shareholding in an Aftermarket Parts business for cash. If the acquisition is successfully concluded, this may have a material effect on the price of the Company's securities.

There were no material subsequent events, apart from those mentioned above, that occurred from the year ended 30 June 2022 to the date of these audited consolidated and separate annual financial statements.

Notes to the consolidated annual financial statements (continued)

14. New issued standards not yet effective

The following new and revised International Financial Reporting Standards could have an impact on the Group's future consolidated audited annual and separate financial statements. These standards are effective in the 2023 financial year and beyond and the impact on the financial results is still being assessed.

Standard	Effective date	Scope
Amendments to IAS 16 – *Property, Plant and Equipment*	01 January 2022 (applicable to 2023)	The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.
Amendments to IFRS 3 – *Business Combinations*	01 January 2022 (applicable to 2023)	The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 – *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.
Amendments to IAS 37 – *Provisions, Contingent Liabilities and Contingent assets*	01 January 2022 (applicable to 2023)	The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
Amendments to IAS 1 – *Presentation of Financial Statements*	01 January 2023 (applicable to 2024)	The amendments specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • What is meant by a right to defer settlement. • That a right to defer must exist at the end of the reporting period. • That classification is unaffected by the likelihood that an entity will exercise its deferral right. • That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

14. New issued standards not yet effective (continued)

Standard	Effective date	Scope
IFRS 17 – *Insurance Contracts*	01 January 2023 (applicable to 2024)	IFRS 17 is a new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. Once effective, IFRS 17 will replace IFRS 4 – *Insurance Contracts*. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.
Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*	01 January 2023 (applicable to 2024)	The amendment includes a definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, it clarifies how entities use measurement techniques and inputs to develop accounting estimates.
Amendments to IAS 1 – *Presentation of Financial Statements and IFRS Practice Statement 2 – Making Materiality Judgements*	01 January 2023 (applicable to 2024)	The amendment provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
Amendments to IAS 12 – *Income Taxes*	01 January 2023 (applicable to 2024)	The amendments narrow the scope of the initial recognition exception under IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements or to the related asset component. This judgement is important in determining whether any temporary differences exist on the initial recognition of the asset and liability. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Separate annual financial statements

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

The reports and statements set out below comprise the separate annual financial statements for the year ended 30 June 2022, which have been audited by the Group's independent external auditors, Deloitte & Touche.

Company statement of financial position

as at June 2022	Note	2022 Rm	2021 Rm
Assets			
Non-current assets		**14 080**	13 413
Investment in subsidiaries	2	**14 080**	13 413
Current assets		**70**	64
Loan due by subsidiary company	3	**69**	64
Cash resources	4	**1**	–
Total assets		**14 150**	13 477
Equity and liabilities			
Capital and reserves			
Stated capital	5	**21 104**	22 321
Retained losses		**(6 961)**	(8 847)
Total equity		**14 143**	13 474
Liabilities			
Current liabilities		**7**	3
Provisions	7	**2**	–
Other payables	8	**5**	3
Total liabilities		**7**	3
Total equity and liabilities		**14 150**	13 477

Company statement of comprehensive income

for the year ended 30 June 2022	Note	2022 Rm	2021 Rm
Revenue	9	**2 898**	1 413
Net operating expenses	10	**(27)**	(28)
Operating profit and profit before tax		**2 871**	1 385
Income tax expense	11	**–**	–
Profit after tax and total comprehensive income for the year		**2 871**	1 385

There have been no movements in other comprehensive income in the current and prior year.

Company statement of cash flows

for the year ended 30 June 2022	Note	2022 Rm	2021 Rm
Cash flows from operating activities			
Cash paid to suppliers and employees		(23)	(28)
Cash utilised by operations before interest, taxation paid and dividends received	12	(23)	(28)
Dividend income received	9	2 898	1 413
		2 875	1 385
Cash flows from investing activities			
Increase in investment in subsidiary	2	(667)	(676)
Advances on subsidiary company loan		(5)	(52)
		(672)	(728)
Cash flows from financing activities			
Repurchase of own shares		(1 217)	(351)
Dividends paid to equity holders of Motus		(985)	(306)
		(2 202)	(657)
Increase in cash resources		1	–
Cash resources at the beginning of the year		–	–
Cash resources at the end of the year	4	1	–

Company statement of changes in equity

for the year ended 30 June 2022	Stated capital Rm	Retained losses Rm	Total equity Rm
Opening balance as at 1 July 2020	22 672	(9 926)	12 746
Total comprehensive income for the year	–	1 385	1 385
1 746 397 shares repurchased and cancelled at an average of R50,96 per share	(89)	–	(89)
2 773 319 shares repurchased and cancelled subsequent to year end at an average of R94,47 per share	(262)	–	(262)
Dividends paid to the equity holders of Motus	–	(306)	(306)
Closing balance as at 30 June 2021	**22 321**	**(8 847)**	**13 474**
Total comprehensive income for the year	–	2 871	2 871
11 632 021 shares repurchased and cancelled at an average of R104,62 per share	(1 217)	–	(1 217)
Dividends paid to the equity holders of Motus	–	(985)	(985)
Closing balance as at 30 June 2022	**21 104**	**(6 961)**	**14 143**

Notes to the Company annual financial statements

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Notes to the Company annual financial statements (continued)

1. Accounting policies

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

2. Investment in subsidiaries

The investments are carried at cost less accumulated impairments.

	Motus Capital Proprietary Limited Rm	Motus Corporation Proprietary Limited Rm	Motus Group Limited Rm	Motus South Africa Investment Proprietary Limited[1] Rm	**2022 Rm**	2021 Rm
Investment at cost	4 740	10 822	8 808	–	**24 370**	23 703
Accumulated impairments	(527)	(3 717)	(6 046)	–	**(10 290)**	(10 290)
	4 213	7 105	2 762	–	**14 080**	13 413
Carrying value at the beginning of the year	3 546	7 105	2 762	–	**13 413**	12 737
Movement during the year						
Additional investment in subsidiary	667	–	–	–	**667**	676
Carrying value at the end of the year	4 213	7 105	2 762	–	**14 080**	13 413

[1] *During the year, the Company acquired the investment in Motus South Africa Investment Proprietary Limited from Motus Corporation Proprietary Limited.*

Investments in subsidiaries are assessed for impairment if there is an indicator of impairment. These indicators could include the share prices (including the resulting market capitalisations of the Company) or the financial performance of the underlying subsidiaries, 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.

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

- Future cash flows of the underlying subsidiary;
- The discount rate applicable to the underlying subsidiaries, taking into consideration entity specific and geographical costs of debt, cost of leases and equity; and
- The terminal growth rate based on current growth patterns applicable to the underlying subsidiary.

The Company has not reversed any impairments previously raised, as:

- There has been no significant change in the estimates used to calculate the recoverable amounts of the subsidiary since the last impairment was recognised; or
- There has been no significant change in the underlying structure of the subsidiaries.

During the current year, there has been an improvement in the share price of the Group, the resultant market capitalisation and financial performance in the underlying subsidiaries compared to the prior year. This improvement indicated that no additional impairments were required. Based on this assessment, the assumptions and estimates are reasonable.

3. Loan due by subsidiary company

	2022 Rm	2021 Rm
Motus Group Limited	**69**	64

The loan bears no interest and is unsecured with no fixed terms of repayment. The loan is carried at amortised cost. The loan was 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. Cash resources

	2022 Rm	2021 Rm
Deposits and funds at call	**1**	–
	1	–
Effective interest rates (%)	**1,0 – 2,3**	–

Credit risk

It is the Company's 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 the Group's AL.

The carrying amount of these cash resources represents the maximum credit exposure on 30 June 2022. 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.

5. Stated capital

	2022 Rm	2021 Rm
Ordinary stated capital issued	**21 104**	22 321

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

6. Deferred tax

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

7. Provisions

	2022 Rm	2021 Rm
Carrying value at the beginning of the year	**–**	–
Movement during the year		
Charged to profit or loss	**2**	–
Carrying value at the end of the year	**2**	–

Notes to the Company annual financial statements (continued)

8. Other payables

The directors consider the carrying amount of the 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 the Group's financial risk management policies.

	2022 Rm	2021 Rm
Accruals	5	3

9. Revenue

	2022 Rm	2021 Rm
Dividends received from subsidiary company	2 872	1 230
– Motus Corporation Proprietary Limited	2 872	1 230
Dividends received from associate	26	4
– Ukhamba Holdings Proprietary Limited	26	4
Dividends received from Motus Corporate Services Proprietary Limited	–	179
	2 898	1 413

10. Net operating expenses

	2022 Rm	2021 Rm
Administration fees paid to subsidiary company	(9)	(10)
– Motus Corporation Proprietary Limited	(9)	(10)
Other operating expenses	(18)	(18)
	(27)	(28)

11. Income tax expense

Reconciliation of effective tax rate (%)

	2022 %	2021 %
South African normal tax rate	28,0	28,0
Adjusted for		
– Dividends received	(28,0)	(28,0)
Effective tax rate	–	–

12. Cash utilised by operations before interest, taxation paid and dividends received

	2022 Rm	2021 Rm
Operating profit and profit before tax	**2 871**	1 385
Adjusted for:		
– Dividend income	**(2 898)**	(1 413)
– Movement in provisions	**2**	–
Cash utilised by operations before changes in net working capital	**(25)**	(28)
Increase in other payables	**2**	–
Cash utilised by operations before interest, taxation paid and dividends received	**(23)**	(28)

13. Contingent liabilities and contingent assets

Motus Holdings Limited, in its own name, has signed guarantees in an obligor arrangement, along with Motus Capital Proprietary Limited, Motus Corporation Proprietary Limited, Motus Group Limited, Motus South Africa Investment Proprietary Limited and Hyundai Automotive South Africa Proprietary Limited (the obligor companies) over the Group's interest-bearing debt. The interest-bearing debt excludes the foreign currency denominated floorplans from financial institutions of the operations in the UK and Australia. The obligor companies, 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 other obligor companies.

	2022 Rm	2021 Rm
The contingent liabilities are as follows:		
Group obligor guarantees		
Interest-bearing debt for the Group	**6 029**	5 130
Less: Cash resources for the Group	**(993)**	(1 729)
Less: Foreign currency denominated floorplans	**(620)**	(784)
Add: Loan due by subsidiary company (held in the Company)	**69**	64
Group interest-bearing debt as guaranteed by the Company	**4 485**	2 681
Additional guarantee obligations of the Company	**704**	1 082
Additional guarantee obligations issued as part of the obligor arrangement	**319**	–
Guarantees over the letter of credit facilities by the obligor companies	**4 054**	–
Total contingent liabilities	**9 562**	3 763
The contingent assets are as follows:		
Recovery of contingent liabilities from subsidiaries	**8 858**	2 681

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

14. Directors' remuneration

Refer to notes 11.1 to 11.4 in the audited consolidated annual financial statements for details regarding directors' and prescribed officers remuneration.

15. Events after the reporting date

Refer to note 13 in the audited consolidated annual financial statements for details regarding events after the reporting period.

On 1 July 2022, Motus Corporation Proprietary Limited disposed of its investments in subsidiaries, associates, joint ventures, preference shares and related shareholder loans to Motus South Africa Investment Proprietary Limited in terms of section 45 of the Income Tax Act (No. 58 of 1962). The investment held by the Company in Motus Corporation Proprietary Limited will be adjusted by the proportionate costs of these underlying investments.

Annexure A – Interests in subsidiaries

The Group is a diversified international group of companies that is a non-manufacturing service provider to the automotive sector. The audited consolidated annual financial statements include the accounts of Motus Holdings Limited and all of its subsidiaries as at 30 June 2022.

The Group holds majority voting rights in all of its subsidiaries. There are no significant judgements or assumptions made in determining whether the Group has control, joint control or significant influence.

The Group has 65 wholly-owned operating subsidiaries and five non-wholly owned subsidiaries as at 30 June 2022.

The principal subsidiaries of the Company and their activities are:

Subsidiary	Place of incorporation	Ownership interest %	Nature of business
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 (excluding South Africa), Dubai, United Kingdom, Australia, China and Taiwan. Details on the businesses included are provided below.
Motus Corporation Proprietary Limited	South Africa	**100**	Motus Corporation Proprietary Limited group 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**	Motus Group Limited comprises vehicle rental, motor trading, automotive parts, property investments and Group services. Details on the businesses included are provided below.

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) Proprietary Limited	United Kingdom	**100**	Motus Group (UK) Proprietary Limited participates in the passenger and commercial vehicle market. The commercial vehicles range from light to extra-heavy commercial vehicles. It sells new and pre-owned vehicles as well as related financial services, parts and servicing.
FAI Automotive plc	United Kingdom	**100**	FAI Automotive plc is an aftermarket automotive parts business specialising in distributing passenger and light commercial vehicle parts throughout the UK and Europe.
Australian Automotive Group Proprietary Limited	Australia	**100**	Australian Automotive Group Proprietary Limited retails new and pre-owned passenger vehicles as well as related parts and servicing in Sydney.
SWT Group Proprietary Limited	Australia	**100**	SWT Group Proprietary Limited retails and distributes new and pre-owned passenger vehicles as well as related parts and servicing in Traralgon and Ballarat, Victoria.
ARCO Motor Industry Company Limited	Taiwan	**60**	An international wholesale distributor of aftermarket parts.
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.

The principal operating subsidiaries of Motus Corporation Proprietary Limited and their activities are:

Subsidiary	Place of incorporation	Ownership interest %	Nature of business
Hyundai Automotive South Africa Proprietary Limited	South Africa	**100**	Hyundai Automotive South Africa Proprietary Limited is an importer and distributor of Hyundai vehicles and parts for Southern Africa. The Group has established a network of dealerships in South Africa, Namibia and Botswana.
Kia South Africa Proprietary Limited	South Africa	**100**	Kia South Africa Proprietary Limited is an importer and distributor of Kia vehicles and parts for South Africa.
Motus Vehicles Distributor Proprietary Limited	South Africa	**100**	Motus Vehicles Distributor Proprietary Limited imports and distributes Renault motor vehicles and parts in 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.

The principal business of Motus Group Limited includes the following divisions:

Subsidiary	Place of incorporation	Nature of business
Vehicle Retail	South Africa	The Vehicle Retail business within Motus Group Limited comprises new and pre-owned 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 of Europcar and Tempest.
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: ADCO, Afintapart, Alert Engine Parts, Auto Care And Diagnostics, Battery Hub, CBS, Ferobrake, AAAS (formerly Midas), Motolek, Motor Spare Stop, Parts Incorporated Africa, RiteWay Distributors, Suburban Motor Spares and Team Car Spares.
Finance	South Africa	Provides the treasury function of the Group.

Non-controlling interest in the Group's activities

Subsidiaries with non-controlling shareholding is outlined in note 2.4 – Non-controlling interests in the audited consolidated annual financial statements.

Annexure B – Shareholders' analysis

1. Spread of registered ordinary shareholders

In accordance with the JSE Listings Requirements, the spread of registered ordinary shareholders as at June 2022 is as follows:

Spread of listed holdings

	Number of shareholders	% of total shareholders	Number of shares 000	% of ordinary shares listed
1 – 1 000	4 641	78,0	815	0,5
1 001 – 10 000	768	12,9	2 754	1,5
10 001 – 100 000	388	6,5	13 342	7,5
Over 100 000	152	2,6	161 222	90,5
Total	5 949	100,0	178 133	100,0

Distribution of shareholders (listed ordinary shares)

	Number of shareholders	Number of shares 000	% of ordinary shares listed
Public shareholders	5 939	119 415	67,0
Non-public shareholders	10	58 718	33,0
– Shareholder holding more than 10%	2	43 603	24,5
– Shareholder entitled to appoint a director	–	–	–
– Directors and prescribed officers	7	8 479	4,8
– Treasury shares	1	6 636	3,7
Total	5 949	178 133	100,0

Shareholder type

	Number of shares 000	% of voting shares net of treasury shares
Financial institutions, pension and provident funds	120 119	68,3
Unit trusts	11 645	6,6
Individuals	4 933	2,8
Directors and prescribed officers	8 479	4,8
Corporate holdings	26 321	15,0
Listed ordinary shares (net of treasury shares)	171 497	97,5
Unlisted deferred ordinary shares	4 373	2,5
Total voting shares in issue (net of treasury shares)	175 870	100,0
Treasury shares	6 636	
Total shares in issue	182 506	

2. Substantial investment management and beneficial interests

Through regular analysis of registered ordinary holdings, and with reference to the provisions set out in section 56 of the Companies Act, shareholders who held ordinary shares of the Company equal to or in excess of 2% of the issued share capital as at June 2022 is as follows:

		Number of shares 000	% of listed stated capital
Ordinary listed shares[1]			
Public Investment Corporation	South Africa	25 221	14,2
Ukhamba Holdings Proprietary Limited[2]	South Africa	18 382	10,3
Coronation Fund Managers	South Africa	16 423	9,2
M&G Investment Management	United Kingdom	12 457	7,0
Lynch Family Holding	South Africa	8 159	4,6
Visio Capital Management	South Africa	7 951	4,5
Wooddale Investments	South Africa	6 954	3,9
M&G Investment Management	South Africa	5 795	3,3
Vanguard Group	United States of America	5 790	3,3
LSV Asset Management	United States of America	4 273	2,4
Deferred ordinary shares			
Ukhamba Holdings Proprietary Limited[2]	South Africa	4 373	–

[1] *Excluding treasury shares held by Motus Group Limited.*
[2] *In total, Ukhamba Proprietary Limited owns 12,94% of the voting shares in the Group.*

The direct and non-direct interest of directors and prescribed officers in the shares of the Company is outlined in the directors' report.

Glossary of terms

Sub-committees	• AL — Asset and Liability Committee • AR — Audit and Risk Committee • NOM — Nomination Committee • REM — Remuneration Committee • SES — Social, Ethics and Sustainability Committee
Prescribed officer	Prescribed officers include every person, by whatever title the office is designated, that: • Exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the Group; or • Regularly participates, to a material degree, in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the Group.
Significance	Significance is determined by referring to qualitative and quantitative factors. Qualitative factors include providing the users of the audited consolidated and separate financial statements with relevant information that assists with their decision-making process. These include both the nature of the transactions together with the contributions to amounts reported. Quantitative factors measure the transactions with reference to the Group's internal materiality threshold of 5% of profit before tax.
Operating assets	Operating assets are all assets less loans receivable, taxation assets, cash resources and assets classified as held-for-sale.
Operating liabilities	Operating liabilities are all liabilities less all interest-bearing debt, floorplans from financial institutions and taxation liabilities.
Net working capital	Net working capital includes inventories, trade and other receivables, derivative instruments less provisions, trade and other payables and floorplans from suppliers.
Interest-bearing borrowings	Interest-bearing borrowings include interest-bearing debt and floorplans from financial institutions. Lease liabilities are excluded.
Debt	Debt includes interest-bearing borrowings and lease liabilities less cash resources.
Core debt	Core debt includes interest-bearing borrowings less floorplans from financial institutions and cash resources.
Net debt	Net debt includes interest-bearing borrowings less cash resources.
Net capital expenditure	Net capital expenditure includes expansion and net replacement expenditure of property, plant and equipment, investment properties, intangible assets and vehicles for hire.
EBITDA	Earnings before interest, tax, depreciation, amortisation and share of results from associates and joint ventures.
Depreciation, amortisation and impairments, net of recoupments	Depreciation and amortisation include depreciation and amortisation of property, plant, equipment, investment properties, intangible assets, right-of-use assets and vehicles for hire. Impairments include impairments on property, plant, equipment, investment properties and intangible assets. Recoupments include profit or losses on the sale of property, plant, equipment, investment properties and intangible assets.
Operating profit before capital items and net foreign exchange gains/(losses)	Operating profit is the earnings before capital items, net foreign exchange adjustments for items that do not qualify for cash flow hedge accounting including non-hedged items, net finance costs and taxation.

Other costs	Other costs are items of income and expenditure relating to the: • Impairment of goodwill and investments in associates and joint ventures; and • Profit or loss on the sale of investment in subsidiaries, associates, joint ventures and other businesses.
Operating profit margin (%)	Operating profit before capital items and net foreign exchange adjustments divided by revenue.
Net asset value per share	Net asset value (NAV) 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 ordinary share	Tangible net asset value (TNAV) per ordinary 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.
Return on invested capital (%)	The return divided by invested capital. The return is the aggregate of a post-tax operating profit for the last 12 months. Post-tax operating profit is calculated as: • Operating profit before capital items and net foreign exchange movements • *Less* share of results from associates and joint ventures, which already includes the impact of tax • *Less* the impact of tax using a blended tax rate • *Add* share of results from associates and joint ventures. The blended tax rate is an average of the actual tax rates applicable in the various jurisdictions in which the Group operates. Invested capital is a 12-month average of total equity plus debt.
Weighted average cost of capital (WACC) (%)	The weighted average cost of capital is the 12-month average of the monthly calculated weighted average cost of capital. The monthly weighted average cost of capital is calculated by multiplying the cost of each invested capital component by its proportionate share of invested capital and then aggregating the results. The cost of debt and equity is determined with reference to the prevailing rates in the various jurisdictions in which the Group operates.
Adjusted EBITDA	Adjusted EBITDA is calculated as: • EBITDA • Adjusted for the impact of net foreign exchange movements • Adjusted for the impact of share of results from associates and joint ventures • *Less* the profit attributable to non-controlling interests • *Add* the EBITDA relating to businesses acquired, grossed up for a full year where the underlying acquisitions only contributed for a portion of the year • *Less* EBITDA relating to businesses disposed of during the current year • *Less* adjustments relating to the impacts on the EBITDA that arose on the application of IFRS 16. The adjustments include the reversal of profit on terminations of leases and includes lease payments.
Adjusted net interest	Adjusted net interest is calculated as: • Finance cost • *Less* finance income • *Less* facility set-up costs incurred • *Less* adjustments relating to the impacts on finance costs and income that arose on the application of IFRS 16. The adjustments include the reversal of the finance cost on lease liabilities.

Corporate information

Key company information

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Incorporated in the Republic of South Africa
Registration number: 2017/451730/06
ISIN: ZAE000261913
Share code: MTH

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