

EQSTRA CORPORATION (PROPRIETARY) LIMITED
(Registration No. 1984/007045/07)

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2009

Eqstra Corporation (Proprietary) Limited
Annual Financial Statements
30 June 2009

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

CONTENTS	Page
Independent auditors' report	2
Balance sheet	3
Income statement	4
Statement of changes in equity	5
Cash flow statement	6
Notes to the annual financial statements	7 - 37

ADDITIONAL INFORMATION

Directors' report

A detailed directors' report has not been prepared as the company is a wholly owned subsidiary of Eqstra Holdings Limited which is incorporated in the Republic of South Africa.

Trading results

The trading results included in the attached financial statements represent the twelve month period to 30 June 2009 and the comparative results for the two months trading to 30 June 2008 of the related businesses of Eqstra Corporation (Proprietary) Limited which were unbundled from Imperial Holdings Limited.

Events subsequent to the accounting date

There have been no events subsequent to year end that have a material effect on the financial results as at 30 June 2009.


Approval and Statement of responsibility


The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible for reporting on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1973 in South Africa.

The directors are also responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

The financial statements set out on pages 3 to 37 were approved by the board of directors on 30 November 2009 and are signed on its behalf by:


WS Hill


E Clarke

} Directors

INDEPENDENT AUDITORS REPORT TO

THE MEMBER OF EQSTRA CORPORATION (PROPRIETARY) LIMITED

We have audited the accompanying financial statements of Eqstra Corporation (Proprietary) Limited, which comprise the balance sheet as at 30 June 2009, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 37.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eqstra Corporation (Proprietary) Limited as at 30 June 2009, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

Deloitte & Touche

Per JM Bierman

Partner

15 December 2009

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Tax & Legal and Risk Advisory L Geeringh Consulting L Barn Corporate Finance CR Beukman Finance
TJ Brown Clients & Markets NT Mtoba Chairman of the Board CR Quilly Deputy Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 3 contributor/AA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu

Eqstra Corporation (Pty) Ltd
Balance sheet as at 30 June 2009

	Notes	30 June 2009 R 000	30 June 2008 R 000 Restated
Assets			
<i>Non-current assets</i>		2,612,438	2,486,536
Intangible assets	4	4,685	3,979
Property, plant and equipment	5	70,249	77,608
Leasing assets	6	2,501,290	2,370,928
Other investments and loans	7	36,214	34,021
<i>Current assets</i>		4,800,074	3,469,090
Amounts owing by group companies	8	4,720,547	3,327,127
Inventories	9	19,845	47,198
Trade and other receivables	10	47,060	75,387
Derivative financial asset			10,964
Taxation in advance		12,223	758
Cash and cash equivalents	11	399	7,656
Total assets		7,412,512	5,955,626
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital and premium	12	548,875	548,875
Other reserves	13	(31,240)	
Retained loss		(16,138)	(2,959)
Total shareholders' equity		501,497	545,916
<i>Non-current liabilities</i>		4,079,703	4,778,895
Interest-bearing borrowings	14	3,875,915	4,658,027
Deferred tax liabilities	15	203,788	120,868
<i>Current liabilities</i>		2,831,312	630,815
Amounts owing to group companies	8	121,636	71,326
Trade and other payables	16	317,592	349,806
Provisions for liabilities and other charges	17	280	683
Derivative financial liabilities		31,036	
Current portion of interest-bearing borrowings	14	2,360,768	209,000
Total liabilities		6,911,015	5,409,710
Total equity and liabilities		7,412,512	5,955,626

Eqstra Corporation (Pty) Ltd
Income statement
For the years ended

		30 June 2009 R 000	30 June 2008 R 000
	Notes		
Revenue	18	1,497,434	228,302
Net operating expenses	19	(733,124)	(129,580)
Profit from operations before depreciation and recoupments		764,310	98,722
Depreciation, amortisation and recoupments	20	(494,296)	(74,856)
Operating profit		270,014	23,866
Foreign exchange gains		777	394
Impairment of share scheme loan		(8,758)	(6,470)
Impairment of loan to fellow subsidiary		(63,185)	
Profit before financing costs		198,848	17,790
Net finance costs	21	(192,684)	(21,941)
Finance costs including fair value gains and losses	21	(790,908)	(102,003)
Finance Income	21	598,224	80,062
Profit/(loss) before taxation		6,164	(4,151)
Income tax (expense) credit	22	(19,343)	1,157
Loss after taxation		(13,179)	(2,994)

Eqstra Corporation (Pty) Ltd
Statement of changes in equity
For the years ended

	Share capital and premium R000	Other reserves R000	Retained loss R000	Total R000
Balance at 26 June 2007			35	35
Issue of ordinary shares for the net assets acquired on unbundling	378,875			378,875
Loss for the year			(2,994)	(2,994)
Issue of ordinary shares	170,000			170,000
Balance at 30 June 2008	548,875		(2,959)	545,916
Fair value losses		(26,372)		(26,372)
Share based payments expense		8,119		8,119
Acquisition of share call option (net of taxation)		(12,987)		(12,987)
Loss for the year			(13,179)	(13,179)
Balance at 30 June 2009	548,875	(31,240)	(16,138)	501,497

Eqstra Corporation (Pty) Ltd
Cash flow statement
For the years ended

		30 June 2009 R 000	30 June 2008 R 000
	Notes		
Cash flows from operating activities			
Cash receipts from customers		1,526,097	250,149
Cash paid to suppliers and employees		(498,816)	(96,460)
Cash generated by operations	23 a	1,027,281	153,689
Interest expense	21	(775,280)	(112,967)
Finance Income	21	589,033	80,062
		841,034	120,784
Income tax received/(paid)		57,163	(762)
		898,197	120,022
Cash flows from investing activities			
Net acquisition of businesses	23 b		(371,578)
Purchase of intangible assets		(3,109)	(255)
Purchase of property, plant and equipment		(4,733)	(2,214)
Purchase of leasing assets		(941,942)	(212,226)
Proceeds from sale of intangible assets			13
Proceeds from sale of property, plant and equipment		6,408	2,182
Proceeds from sale of leasing assets		94,360	128,206
Additional investments in and loans to fellow subsidiaries		(1,406,295)	(1,490)
Net movement in amounts due to group companies			(3,255,764)
Increase in other investments and loans		(1,760)	
		(2,257,071)	(3,713,126)
Cash flows from financing activities			
Issue of shares for net assets acquired in unbundling			378,875
Issue of ordinary shares			170,000
Increase in interest bearing borrowings		1,369,656	3,051,885
Acquisition of share call option		(18,039)	
		1,351,617	3,600,760
Net (decrease) increase in cash and cash equivalents		(7,257)	7,656
Cash and cash equivalents at beginning of year		7,656	
Cash and cash equivalents at end of year		399	7,656

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and are consistent in all material respects with those applied during the previous year.

1.1 Basis of preparation

The company financial statements are stated in rands and are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and on a basis consistent with the prior year.

1.2 Intangible assets

Expenditure on acquired patents, trademarks, licences and computer software is capitalised and amortised using the straight-line basis over their useful lives, generally between two and eight years. These intangible assets are recognized if it is probable that economic benefits will flow to the entity from the intangible assets and the costs of the intangible assets can be reliably measured. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment, where it is considered necessary.

1.3 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss, or whether an impairment loss recognised in a previous period has reversed or decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal (if any).

Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. The assessment that the useful lives are indefinite is assessed at least annually.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Impairment losses recognised on goodwill relating to a cash-generating unit are not reversed in a subsequent period.

A reversal of an impairment loss is recognised only if there has been a change in the estimates used to determine the asset's carrying amount. A reversal of an impairment loss is recognised in income immediately.

1.4 Property, plant and equipment and leasing assets

Land is reflected at cost and is not depreciated. New property investments and developments are reflected at cost, which includes holding and direct development costs incurred until the property is available for occupation.

Cost also includes the estimated costs of dismantling and removing the assets and where appropriate the cost is split into significant components. Major improvements to leasehold properties are capitalised and written off over the period of the leases. Where land and buildings are held as portfolio properties and benefits are shared with policyholders, such property is fair valued through the income statement.

All other assets are recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the 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:

Buildings and leasehold improvements	20 years
Equipment and furniture	3 to 10 years
Motor vehicles	3 to 5 years
Leasing assets	3 to 10 years

The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually. Where significant components of an asset have different useful lives to the asset itself, these components are depreciated over their estimated useful lives.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where a reversal of a previously recognised impairment loss is recognised, the depreciation charge for the asset is adjusted to allocate the asset's revised carrying amount, less residual value, on a systematic basis over its remaining useful life.

Gains and losses on disposal are determined by reference to their carrying amount and are taken into account in determining operating profit.

1.5 Capitalised borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Where interest is earned on the temporary investment of borrowed funds, this income is set-off against the finance costs eligible for capitalization.

1.6 Inventories

Inventories are stated at the lower of cost or net realisable value, due recognition having been made for obsolescence and redundancy. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined as follows:

Vehicles	Specific cost
Spares, accessories and finished goods	Weighted average cost
Fuel, oil and merchandise	First in, first out

Work in progress includes direct costs and a proportion of overhead costs but excludes interest expense.

1.7 Financial Instruments

Financial instruments are initially measured at fair value plus transaction costs, where applicable, when the company becomes a party to the contractual provisions of the contract. Subsequent to initial recognition, these instruments are measured as set out below.

Equity and debt security instruments

Equity and debt security instruments are initially recognised at cost on trade date.

At subsequent reporting dates, debt securities that the company has the intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, excluding those held-to-maturity debt securities designated as fair value through profit or loss at initial recognition, less any impairment losses recognised to reflect irrecoverable amounts. Premiums or discounts arising on acquisition are amortised on the yield-to-maturity basis and are included in the income statement.

Equity and debt security instruments other than held-to-maturity debt securities are classified as either fair value through profit and loss or available for sale, and are measured at subsequent reporting dates at fair value.

Where equity and debt security instruments are held for trading purposes, gains and losses arising from changes in fair value are included in the income statement for the year.

Available-for-sale investments and gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the year.

Loans receivable

Loans are recognised at the date that the amount is advanced.

At subsequent reporting dates they are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts.

Trade and other receivables

Trade and other receivables originated by the company are stated at nominal value as reduced by appropriate allowances for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at carrying value which is deemed to be fair value. Bank overdrafts are offset against cash and cash equivalents in the cash flow statement.

Loans payable

Interest-bearing loans are initially recorded on the day that the loans are advanced at the net proceeds received.

At subsequent reporting dates, interest-bearing borrowings are measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on the accrual basis in the income statement using the effective interest rate method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Where interest-bearing loans have interest rate swaps changing the interest rate from fixed to variable or vice versa, they are treated as hedged items and carried at fair value. Gains and losses arising from changes in fair value are included in the income statement for the year.

Where the company has the intention to repurchase its own interest-bearing loans in a recognised marketplace, such loans are designated as held for trade and are carried at fair value. Gains and losses arising from changes in fair value are included in the income statement for the year.

Trade payables

Trade payables are stated at their nominal value, which approximates the fair value and subsequently stated at amortised cost.

Derivative instruments

Derivative financial instruments are initially recognised at fair value, and subsequently measured at fair value. The company uses derivative financial instruments primarily relating to foreign currency protection and to alter interest rate profiles.

The company designates certain derivatives as hedging instruments. They are classified as:

- fair value hedge: a hedge of exposure to changes in fair value of recognised assets and liabilities;
- cash flow hedge: hedges a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and
- hedges of a net investment in a foreign operation.

Forward exchange contracts (FECs) are used to hedge foreign currency fluctuations relating to certain firm commitments and forecast transactions.

Interest rate swap agreements can swap interest rates from either fixed to variable or from variable to fixed and are used to alter interest rate profiles.

Any gains or losses on fair value hedges are included in the income statement for the year.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

Derivatives embedded in other financial instruments or non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with fair value gains or losses reported in the income statement.

Fair value calculations

Investments are fair valued based on regulated exchange-quoted ruling bid prices at the close of business on the last trading day on or before the balance sheet date. Fair values for unquoted equity instruments are estimated using applicable fair value models. If a quoted bid price is not available for dated instruments, the fair value is determined using pricing models or discounted cash flow techniques. Any unquoted equity instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at its cost, including transaction costs, less any provisions for impairment.

All other financial assets' and liabilities' fair values are calculated by present valuing the best estimate of the future cash flows using the risk-free rate of interest plus an appropriate risk premium.

Derecognition

The company derecognises a financial asset when its contractual rights to the cash flow from the financial asset expire, or if it transfers the asset together with its contractual rights to receive the cash flows of the financial assets.

The company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

1.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessor

Finance leases

Amounts due under finance leases are treated as instalment credit agreements.

Operating leases

Income is recognised in the income statement over the period of the lease term on the straight-line basis.

Assets leased under operating leases are included under the appropriate category of asset in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar items of property, plant and equipment.

The company as lessee

Finance leases

Leases where the company assumes substantially all the risks and rewards of ownership, are classified as finance leases. Assets held under finance leases are capitalized as assets of the company at the lower of fair value or the present value of the minimum lease payments at the inception of the lease. The capitalized amount is depreciated over the assets useful life. Lease payments are allocated between capital payments and finance expenses using the effective interest rate method.

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total lease commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease.

Operating leases

Operating lease costs are recognised in the income statement over the lease term on the straight-line basis.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.9 Share-based payments

The company operates equity-settled share-based compensation plans for senior employees and executives.

Equity-settled share-based payments are measured at fair value at the date of grant using a Binomial Model. The fair value determined at the grant date of the equity-settled share-based payment is expensed on the straight-line basis over the vesting period with a corresponding entry to equity. The expense takes into account the best estimate of the number of shares that are expected to vest. Non-market conditions such as time-based vesting conditions and non-market performance conditions are included in the assumptions for the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates on the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, or share awards vest, the proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

1.10 Retirement benefit obligations

The company operates a number of retirement schemes around the world. These schemes have been designed and are administered in accordance with the local conditions and practices in the countries concerned and are defined contribution schemes. The pension costs relating to these schemes are assessed in accordance with the advice of qualified actuaries and are expensed as incurred.

1.11 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Warranty and after-sales services

Where the company sells vehicles and machine stock on which it will incur warranty and after-sales costs, an estimate of this is made based on past experience.

Other provisions

The company is involved in different industries and locations that require many different provisions. These include onerous contracts, decommissioning and restructuring costs, and long-service payments.

1.12 Taxation

The charge for current tax is based on the results for the year as adjusted for items that are non-assessable or disallowable. It is calculated using tax rates that have been substantially enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

In principle, deferred tax liabilities are recognised for all temporary differences arising from depreciation on property, plant and equipment, revaluations of certain non-current assets and provisions for pensions and other retirement benefits. Deferred tax assets are raised only to the extent that their recoverability is probable. Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company is able to and intends to settle its current tax assets and liabilities on a net basis.

1.13 Revenue recognition

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Where there are guaranteed buy-back arrangements in terms of which significant risks and rewards of ownership have not transferred to the purchaser, the transaction is accounted for as a lease.

Revenue arising from the rendering of services is recognised on the accrual basis in accordance with the substance of the agreement.

Revenue from vehicle maintenance plans is recognised only to the extent of the value of parts and services provided, with the balance being recognised at the end of the vehicle maintenance plan.

Where the company acts as agent and is remunerated on a commission basis, the commission is included in revenue. Where the company acts as principal, the total value of business handled is included in revenue.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the company financial statements requires the company's management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions, and in some cases actuarial techniques. Actual results could differ from those estimates.

The following accounting policies have been identified as involving particularly complex or subjective decisions or assessments.

2.1 Impairment of assets

As outlined in the accounting policies, an impairment loss is recognised when the recoverable amount of an asset is estimated to be less than its carrying amount. In assessing value in use, future cash flows are discounted to their present value using a pre-tax discount rate. Management applies its best estimate of the range of economic conditions that will exist over the remaining useful life of an asset. Whilst external evidence is favoured, management applies judgment in circumstances where external evidence is limited.

2.2 Residual values and useful lives

The company depreciates its assets over their estimated useful lives taking into account residual values which are reassessed on an annual basis.

The actual lives and residual values of these assets can vary depending on a variety of factors. Technological innovation, product life cycles and maintenance programmes all impact the useful lives and residual values of assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

2.3 Income taxes

The company is subject to income taxes in South Africa. Significant judgement is required in determining the worldwide provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated taxes based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the balance sheet date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

2.4 Contingent liabilities

Management applies its judgement to the probabilities and advice it receives from its attorney, advocates and other advisers in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

2.5 Revenue recognition

Revenue from vehicle maintenance plans is recognised only to the extent of the value of parts and services provided, with the balance recognised at the end of the plan.

3. IMPACT OF NEWLY ISSUED STANDARDS AND INTERPRETATIONS

3.1 Newly issued standards – early adopted

IFRS 3: Business Combinations (revised in 2008) and IAS 27: Company and Separate Financial Statements (revised in 2008).

In terms of these statements any goodwill arising on changes in ownership interest that does not result in a loss of control is accounted for as an equity transaction. All amendments to the disclosure requirements were included in the annual financial statements. There were no adjustments made.

The company has also adopted the following interpretations which have become applicable in the current financial year:

- IFRIC 12- Service Concession Arrangements
- IFRIC 13- Customer Loyalty Programmes
- IFRIC 14- The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

3.2 Newly issued standards and interpretations – not adopted in the current year

The following new or revised IFRS standards and interpretations have been issued with effective dates applicable to future financial statements of the company. Other than new disclosure requirements, these are not expected to have a significant impact on the company's results, unless otherwise stated.

IFRS 1: First Time Adoption of International Financial Reporting Standards

The amendment to this IFRS will allow first-time adopters to use a 'deemed cost' of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities, and associates in the separate financial statements, it will remove the definition of the cost method from IAS 27 and replace it with a requirement to present dividends as income in the separate financial statements of the investor and require that, when a new parent is formed in a reorganisation, the new parent must measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IFRS 2: Share-based Payments

The amendment to this IFRS clarifies the terms "vesting conditions" and cancellations".

The amendment first becomes applicable for the financial year ending 30 June 2010.

IFRS 5: Non-current Assets Held for Sale and Discontinued Operations

There are consequential amendments to this IFRS, resulting from the annual improvement project, as well as changes to segment reporting.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IFRS 7: Financial Instruments-Disclosures

This statement contains new requirements regarding presentation of finance costs.

The standard first becomes applicable to the company for the financial year ending 30 June 2010.

IFRS 8: Operating Segments

This IFRS introduces the concept of an operating segment and requires a management approach to financial reporting; it expands the identification criteria for segments of an entity and the measurement of segment results. This statement will allow an entity to align its operating segment reporting with the internal identification and reporting structure.

The standard first becomes applicable to the company for the financial year ending 30 June 2010.

IFRS 9 Financial Instruments

On 12 November 2009, the IASB issued IFRS 9 Financial Instruments which introduces new requirements for the classification and measurement of financial assets. The company is in the process of assessing the impact of this new standard on the financial statements.

IAS 1: Presentation of Financial Statements

The amendments to IAS 1 are the introduction of the "statement of comprehensive income", "statement of financial position" and "statement of cash flows" (currently the income statement, and statement of changes in equity, the balance and cash flows statement). The company will adopt these amendments in its financial year ending 30 June 2010.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 8- Accounting policies, changes in accounting estimates and errors

This standard contains implementation guidance regarding IAS 8.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 10 Events after the reporting period

This standard contains new requirements relating to dividends declared after the end of the reporting period.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 16 Property, plant and equipment

This standard contains new requirements regarding the calculation of the recoverable amount and sale of assets held for rental.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 18- Revenue

This standard contains guidance on the treatment of costs of originating a loan.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 19 Employee benefits

This standard contains guidance relating to curtailments and negative past service costs, plan administration costs, replacement of term 'fall due', guidance on contingent liabilities.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 20 Accounting for government grants and disclosure of government assistance

This statement contains guidance regarding government loans with a below-market rate of interest.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 23: Borrowing Costs

This standard has been amended to remove the option of immediately recognizing as an expense borrowing costs incurred on qualifying assets.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 24 Related part disclosures

There are consequential amendments to this statement resulting from IAS 1 amendments. The amendment should have no significant impact on the company's results, and first becomes applicable for the financial year ending 30 June 2010.

IAS 28: Investment in associates

This statement introduces required disclosures when investments in associates are accounted for at fair value through profit and loss.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 29 Financial reporting in Hyperinflationary Economies

This standard contains guidance regarding the description of measurement basis in financial statements.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 31 Interest in joint ventures

This standard introduces required disclosures when interest in jointly controlled entities are accounted for at fair value through profit and loss.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 32: Financial Instruments Presentation

The amendments in this standard are relevant to entities that have issued financial instruments that are puttable financial instruments or instruments, or components of instrument that impose an obligation on an entity to deliver a pro rata share of the net assets of the entity only on liquidation to another party. This standard has been amended in relation to puttable instruments and obligations arising on liquidation. The standard first becomes applicable to the company for the financial year ending 30 June 2010.

Certain financial instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities.

IAS 34 Interim Financial reporting

This standard introduces guidance regarding Earnings per share disclosure in Interim financial reports.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 36 Impairment of assets

This standard contains new disclosures of estimates used to determine recoverable amount.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 38 Intangible assets

This standard contains guidance regarding the treatment of advertising and promotional activities and Unit of production of amortization.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 39 Financial Instruments: Recognition and measurement

This standard contains guidance regarding reclassification of derivatives into or out of the at fair value through profit and loss and designation and documenting hedges at the segment level, and also guidance regarding applicable effective interest rate on cessation of fair value hedge accounting.

The standard clarifies two hedge accounting issues:

- Inflation in a financial hedged item
- A one-sided risk in a hedged item

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 40 Investment property

The standard contains guidance regarding Property under construction or development for future use as investment property and Investment property held under lease.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IAS 41 Agriculture

This standard contains guidance relating to the Discount rate for fair value calculations, additional biological transformation and Point of sale costs.

The amendment first becomes applicable for the financial year ending 30 June 2010.

IFRIC 15: Agreements for the Construction of Real Estate

This interpretation standardises the accounting practice for the recognition of revenue by real estate developers.

The interpretation first becomes applicable for the financial year ending 30 June 2010.

IFRIC 16: Hedges of a Net Investment in a Foreign Operation

This interpretation concludes that presentation currency does not create an exposure to which an entity may apply hedge accounting. A parent may designate as hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.

The interpretation first becomes applicable for the financial year ending 30 June 2010.

IFRIC 17: Distributions of Non-cash Assets to Owners

This interpretation applies to the situation where an entity enters into a non-reciprocal distribution of assets to its owners acting in their capacity as owners.

The Interpretation first becomes applicable for the financial year ending 30 June 2010.

IFRIC 18: Transfers of Assets from Customers

This interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers.

The interpretation first becomes applicable for the financial year ending 30 June 2010.

Eqstra Corporation (Pty) Ltd
Notes to the annual financial statements
For the years ended

4 Intangible assets	30 June 2009 R000	30 June 2008 R000
Year ended 30 June 2008		
- Cost	11,536	8,427
- Accumulated impairment and amortisation	6,851	4,448
	4,685	3,979
Assets acquired on unbundling		3,790
Opening balance	3,979	
Additions	3,109	255
Proceeds on disposals		(13)
Amortisation	(2,403)	(53)
Net book value at end of year	4,685	3,979
Intangible assets consists of computer software.		

5 Property, plant and equipment

R 000	Land, buildings and leasehold improvements	Equipment and furniture	Motor vehicles	Total
Year ended 30 June 2009				
- Cost	66,125	15,174	2,369	83,668
- Accumulated depreciation and impairment	2,859	9,628	932	13,419
	63,266	5,546	1,437	70,249
Opening balance	63,304	5,709	8,595	77,608
Additions	486	2,866	1,381	4,733
Proceeds on disposals		(105)	(6,303)	(6,408)
Depreciation	(540)	(2,912)	(2,160)	(5,612)
Profit (loss) on disposal		31	(103)	(72)
Reclassifications	16	(43)	27	
Net book value at end of year	63,266	5,546	1,437	70,249
The total value of capitalised finance leases included above	13,547			13,547
Year ended 30 June 2008				
- Cost	65,629	13,757	12,675	92,061
- Accumulated depreciation and impairment	2,325	8,048	4,080	14,453
	63,304	5,709	8,595	77,608
Assets acquired on unbundling	62,408	6,873	8,981	78,262
Additions	1,016	457	741	2,214
Proceeds on disposals	(62)	(1,207)	(913)	(2,182)
Depreciation	(58)	(414)	(566)	(1,038)
Profit on disposal			352	352
Net book value at end of year	63,304	5,709	8,595	77,608
The total value of capitalised finance leases included above	13,547			13,547

A schedule of land and buildings is available for inspection by members or their authorised agents at the registered office of the company.

Certain property has been encumbered as security for interest-bearing borrowings (note 14).

Eqstra Corporation (Pty) Ltd
Notes to the annual financial statements
For the years ended

	30 June 2009 R000	30 June 2008 R000
6 Leasing assets		
Cost	3,476,630	3,178,080
Accumulated depreciation and impairment	975,340	807,152
	2,501,290	2,370,928
Assets acquired on unbundling		2,361,425
Opening balance	2,370,927	
Additions	941,942	212,226
Proceeds on disposals	(94,360)	(128,205)
Depreciation	(484,496)	(75,439)
Impairment costs	(10)	(401)
(Loss) Profit on disposal	(1,713)	1,322
Transfer to Inventory	(231,000)	
Net book value at end of year	2,501,290	2,370,928
Leasing assets consist of passenger and commercial vehicles and earthmoving equipment.		
7 Other investments and loans		
Investments		
Unlisted Investments at fair value or directors' valuation (Categorised as Held to maturity)	1,760	
Loans		
Share Incentive loans	34,454	34,021
	36,214	34,021
Maturity analysis		
Maturing after one year but within five years	36,214	34,021
	36,214	34,021
Effective Interest rates		
Loans	8.0%-15.0%	8.0%-15.0%
8 Amounts owing by (to) fellow subsidiaries		
Due by group companies		
Africa Car Hire Swaziland (Pty) Ltd	24,831	36,407
Amasondo Fleet Services (Pty) Ltd	119,863	211,994
Eqstra Construction and Mining Equipment (Pty) Ltd	1,024,432	476,543
Eqstra NM Equipment (Pty) Ltd	349,171	119,959
- Impairment of loan	(56,000)	
Imperial Fleet Services AA Botswana (Pty) Ltd	72	72
Imperial Fleet Services East Africa Limited	10,549	8,007
- Impairment of loan	(6,000)	
Imperial Fleet Services Tanzania Limited	1,185	1,103
- Impairment of loan	(1,185)	
Imperial Specialised Freight Nigeria Limited	12,090	7,667
MCC Contracts (Pty) Ltd	2,285,057	1,720,924
Omatemba (Pty) Ltd	2,769	1,243
Saficon Industrial Equipment (Pty) Ltd	881,857	743,208
Burgundy Rose (Pty) Ltd t/a My Auto	2,976	
Eqstra Lesotho Pty Ltd-Fleet Division	8,488	
Eqstra Fleet Services Namibia (Pty) Ltd	60,392	
Total amounts due by group companies	4,720,547	3,327,127
Due to group companies		
Eqstra Flexi Fleet (Pty) Ltd	53,358	14,798
Eqstra Holdings Limited	55,701	42,176
Eqstra Fleet Services Namibia (Pty) Ltd		4,415
Imperial Fleet Services Lesotho (Pty) Ltd	3,853	400
Imperial Fleet Services (PVPS) (Pty) Ltd	7,708	8,942
Pemberley Fleet Services (Pty) Ltd	1,016	595
Total amounts due by group companies	121,636	71,326
Effective Interest rates		
Loans	10.6% -13.6%	10.6% -13.6%

Eqstra Corporation (Pty) Ltd
Notes to the annual financial statements
For the years ended

	30 June 2009 R000	30 June 2008 R000
9 Inventories		
Used vehicles	19,481	46,977
Spares, accessories and finished goods	364	221
	19,845	47,198
Inventories carried at net realisable value included above	336	196
Net amount of inventory write down expensed in the income statement	572	552
10 Trade and other receivables		
Trade	44,678	56,295
Prepayments and other	15,270	32,316
Less: Provision for impairment of trade receivables*	(12,888)	(13,224)
	47,060	75,387
* An analysis of the provision for impairment of trade receivables is found in note 27.		
11 Cash and cash equivalents		
Cash on hand	78	97
Bank balances	321	7,559
Cash on hand and at bank	399	7,656
Effective interest rates	6.95%	10.50%
12 Share capital and premium		
Authorised share capital		
4 000 000 (2008: 4 000 000) ordinary shares of R0.01 (2008: R0.01) each	4	4
Issued share capital		
600 000 (2008: 600 000) ordinary shares of R 0.01 (2008: R0.01) each	1	1
Share premium	548,874	548,874
	548,875	548,875

Equity Compensation Benefits

Eqstra Share Appreciation Rights (SAR) and Deferred Bonus Plan (DBP) Schemes

During the year, Eqstra introduced a Share Appreciation Rights (SAR) scheme. The SAR scheme allows certain senior employees to earn a long term incentive amount calculated with reference to the increase in the Eqstra Holdings Limited share price between the offer date of the share appreciation rights and the exercise of such rights.

The following share incentive plan was in operation during the financial year

	Date of issue	Period to expiry from date of offer	IFRS 2 classification
Eqstra Holdings Limited	1-September-2008	3 years and 14 days	Equity settled

100% of the issued share appreciation rights vest after three years and 14 days

The value of the SAR has been calculated using the Binomial model based on the following assumptions at 1 September 2008.

Expected volatility	39.85%
Expected dividend yield	4.88%
Expected forfeiture rate	14%
Vesting period	3 years and 14 days

The expected volatility was determined using volatility of similar companies.

The expected forfeiture rate was determined by estimating the probability of participating individuals still being in the employment of Eqstra at vesting date.

The calculation of the share based payment expense requires management to exercise a significant degree of judgement.

Eqstra Corporation (Pty) Ltd
Notes to the annual financial statements
For the years ended

Movement on the number of SAR's granted

Rights granted 7 657 000

Rights forfeited

Balance at 30 June 2009

7,657,000

Grant price of share appreciation rights

R14-00

Fair value of the SAR on grant date

R4-85

Share based payment expense recognised (R 000)

7 734

During the year, Eqstra introduced a Deferred Bonus scheme (DBP scheme). The DBP scheme allows certain employees to acquire shares utilising a portion of their incentive bonus earned. At the vesting date the employee will then be awarded one share for each share purchased and is held in escrow for the duration of the period.

	Date of Issue	Period to expiry from date of offer	IFRS 2 classification
Eqstra Holdings Limited	1-September-2008	3 years and 14 days	Equity settled

100% of the accepted DBP shares vest after three years and 14 days.

The value of the DBP has been calculated using the Binomial model based on the following assumptions at 1 September 2008.

Expected volatility*	39.85%
Expected dividend yield*	4.88%
Expected forfeiture rate*	14%
* - these numbers were the same as that used for the SAR scheme.	
Vesting period	3 years

Movement on the number of SAR's granted

Rights granted 303 000

Rights taken up

Rights forfeited

Balance at 30 June 2009

303,000

Total exercised

Grant price of share appreciation rights

R14-00

Fair value of the SAR on grant date

R11-77

Share based payment expense recognised (R000)

385

	30 June 2009 R000	30 June 2008 R000
--	-------------------------	-------------------------

13 Other reserves
Hedging reserve
Share call option
Share based equity

(26,372)

(12,987)

8,119

(31,240)

Eqstra Corporation (Pty) Ltd
Notes to the annual financial statements
For the years ended

	30 June 2009 R 000	30 June 2008 R 000
14 Interest-bearing borrowings		
Long-term		
- Capitalised finance leases	28,455	33,027
- Unsecured loans	4,543,000	4,834,000
	4,571,455	4,867,027
Short-term		
- Call borrowings and bank overdrafts	1,655,228	
	1,655,228	
Total borrowings	6,236,683	4,867,027
Less : current portion of interest-bearing borrowings	2,360,768	209,000
Long term portion of interest-bearing borrowings	3,875,915	4,658,027

Included in interest bearing borrowings is the following finance lease obligations:

	Up to 1 year R000	1-5 years R000	Total R000
2009			
Minimum lease payments	7,248	36,668	43,916
Finance costs	(4,708)	(10,753)	(15,461)
Present value of minimum lease payments	2,540	25,915	28,455
	Up to 1 year R000	1-5 years R000	Total R000
2008			
Minimum lease payments	6,500	46,987	53,487
Finance costs	(5,001)	(15,459)	(20,460)
Present value of minimum lease payments	1,499	31,528	33,027

Eqstra Corporation has properties that it leases in the form of finance leases. No contingent rentals are payable and there are no restrictions imposed by leasing arrangements. One of these properties are sub-leased.
Total of future minimum sub-lease payments expected to be received under the sub lease are R4m (2008:R6m)

Interest rate analysis	Effective rates	Analysis of debt	Effective rates	Analysis of debt
Fixed				
- Unsecured loans	RSA 10.94% - 14.68%	300,000	11.4%	300,000
Variable linked				
- Capitalised finance leases	6.9% - 11.2%	28,455	11.2%	33,027
- Unsecured loans	8.85% - 11.40%	4,305,228	13.0% - 14.3%	4,534,000
- Commercial paper	9.54%-10.2%	1,603,000		
		6,236,683		4,867,027

2009
Summary of interest -bearing borrowings by year of redemption or repayment in SA Rands.

	2014 and onwards	2013	2012	2011	2010	Total
SA Rands (R'000)		3,559,031	7,537	309,347	2,360,768	6,236,683

Summary of interest -bearing borrowings by year of redemption or repayment in SA Rands.

	2013 and onwards	2012	2011	2010	2009	Total
2008						
SA Rands (R'000)	3,883,027			775,000	209,000	4,867,027

	2009 Debt Secured	Net book value of assets encumbered	2008 Debt Secured	Net book value of assets encumbered
Details of encumbered assets	R'000	R'000	R'000	R'000
Property, plant and equipment	28,455	13 547	33 027	13 547

Borrowing facilities

In terms of the articles of association the borrowing powers of the company are unlimited.

Total facilities established	6,950,000	6,950,000
Less : Total borrowings excluding commercial paper*	4,633,683	4,867,027
Unused borrowing capacity	2,316,317	2,082,973
<i>The above are categorized as follows:</i>		
- Amortised cost	6,236,683	4,867,027

* - Commercial paper

The current portion of interest-bearing borrowings includes R1 603 million commercial paper that is supported by a R1 950 million standby liquidity facility that has an 18-month notice period. The R1 950 million is included in the facility of R6 950 million above.

Eqstra Corporation (Pty) Ltd
Notes to the annual financial statements
For the years ended

	30 June 2009 R 000	30 June 2008 R 000
15 Deferred tax liabilities		
Opening balance	120,868	
Liability acquired on unbundling		122,025
Accounted for in the income statement	87,971	(1,157)
Accounted for against reserves	(5,051)	
	203,788	120,868
Analysis of deferred taxation		
- Provisions and accruals	(15,298)	(5,538)
- Property, plant and equipment	3,902	3,788
- Leasing assets	232,016	128,570
- Hedge for share incentive scheme	(5,051)	
- Estimated assessed tax loss	(40,773)	(2,164)
- Other	28,992	(3,788)
	203,788	120,868
Taxation losses		
Unutilised tax losses available for offset against future profits	145,618	7,729
Remaining tax losses not recognised as deferred tax assets due to unpredictability of future profit streams		
Remaining unutilised tax losses available for offset against future profits	145,618	7,729
Deferred tax assets recognised in respect of such losses	40,773	2,164

16 Trade and other payables		Restated
Trade	13,346	43,431
Other payables and accruals	163,276	162,764
Interest accrual	86,612	99,748
Deferred income	30,847	24,766
Employee related accruals*	23,511	19,097
	317,592	349,806

* In the prior year, leave pay and the bonus accruals were included under note 17 as provisions. In the current year these are presented as accrued expenses.

17 Provisions for liabilities and other charges		Restated
	Warranty and after sales	Total
Year ended 30 June 2009 - R000		
Opening balance	683	683
Unused amounts reversed	(403)	(403)
Charged to income		
Amounts utilised		
Balance at end of year	280	280
Payable in less than one year	280	280
Year ended 30 June 2008 - R000		
Balance acquired on unbundling	1,998	1,998
Charged to income		
Amounts utilised	(1,315)	(1,315)
Balance at end of year	683	683
Payable in less than one year	683	683

Eqstra Corporation (Pty) Ltd
Notes to the annual financial statements
For the years ended

	30 June 2009 R000	30 June 2008 R000
18 Revenue		
An analysis of the company's revenue is as follows:		
Sales of goods	278,026	34,674
Rendering of services	1,219,408	193,628
	1,497,434	228,302
19 Net operating expenses		
Purchase of goods	235,353	80,260
Changes in inventories	27,353	330
Cost of outside services	17,994	1,800
Staff costs	124,947	18,551
Impairment costs	10	401
Other operating income	(55,776)	(6,170)
Other operating costs	383,243	34,408
	733,124	129,580
The above costs are arrived at after including:		
Auditors remuneration		
Audit fees	3,136	1,553
Share based payment expense (Included in staff costs)	8,119	
Rental and operating lease charges		
Properties	3,733	490
Office equipment	551	98
	4,284	588
Defined contribution retirement plan costs included in staff costs	7,429	952
The Eqstra Holdings Limited group provides benefits through independent funds under the control of a board of trustees and all contributions to those funds are charged to the Income statement.		
The large majority of South African employees, other than those employees required by legislation to be members of various Industry funds, are members of the Eqstra Group Pension Fund and the Eqstra Group Provident Fund which are governed by the Pensions Fund Act, 1956.		

Eqstra Corporation (Pty) Ltd
Notes to the annual financial statements
For the years ended

	30 June 2009 R000	30 June 2008 R000
20 Depreciation, amortisation and recoupments		
Intangible assets	2,403	53
Property, plant and equipment	5,612	1,038
Leasing assets	484,496	75,439
	492,511	76,530
Loss (profit) on disposal of property, plant and equipment	72	(352)
Loss (profit) on disposal of leasing assets	1,713	(1,322)
	494,296	74,856
21 Net finance costs		
Interest expense	775,280	112,967
Finance income	(598,224)	(80,062)
Net finance cost	177,056	32,905
Fair value losses (gains) arising from interest swap instruments (unrealised)	15,628	(10,964)
Net finance cost	192,684	21,941
No finance costs were capitalised during the year.		
Included in finance costs is the following:		
- Finance costs on financial liabilities measured at amortised cost	775,140	108,896
- Finance costs on bank overdrafts	140	4,071
- Fair value losses/(gains) arising from interest swap instruments (unrealised)	15,628	(10,964)
Finance costs	790,908	102,003
Included in finance interest income is the following:		
- Finance income on loans and receivables	572,314	76,651
- Finance income on cash and cash equivalents and interest swaps	25,910	3,411
Finance income	598,224	80,062

Eqstra Corporation (Pty) Ltd
Notes to the annual financial statements
For the years ended

	30 June 2009 R000	30 June 2008 R000
22 Income tax expense		
Taxation charge		
South African normal taxation		
- Current		
- Prior year over provisions	68,628	
	68,628	
- Deferred taxation		
- Current year	(19,343)	(1,157)
- Prior year under provisions	(68,628)	
	(87,971)	(1,157)
	(19,343)	(1,157)
Reconciliation of tax rates :	%	%
Profit before taxation - effective rate	313.8	(27.9)
Taxation effect of :		
- Disallowable charges	(285.8)	0.1
	28.0	(28)

Eqstra Corporation (Pty) Ltd
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the years ended

	30 June 2009 R 000	30 June 2008 R 000
23 Notes to the cash flow statement		
a Cash generated by operations		
Profit before net financing costs	198,848	17,790
Adjustments for non cash movements		
- Movement in provisions	(739)	
- Amortisation of Intangible assets, net of recoupments	2,403	53
- Depreciation of property, plant and equipment	5,612	1,038
- Depreciation of leasing assets	484,496	75,439
- Loss (profit) on disposal of property, plant and equipment	72	(352)
- Profit on disposal of leasing assets	1,713	(1,322)
- Impairment of loan	63,185	
- Impairment of property	10	401
- Other non-cashflow movements	2	(1)
- Recognition of share-based payments	8,119	
- Impairment of share scheme loan	8,758	6,470
Cash generated by operations before changes in working capital	772,479	99,516
Working capital movements		
- Decrease in Inventories	258,353	331
- Decrease in accounts receivable	28,663	21,847
- (Decrease)/Increase in accounts payable	(32,214)	31,995
Total cash generated by operations	1,027,281	153,689
b Acquisition of subsidiaries and businesses		
Intangibles		3,790
Property, plant and equipment		78,262
Leasing assets		2,361,425
Other investments and loans		38,993
Inventories		47,529
Trade and other receivables		97,235
Long term loans receivable		7
Trade and other payables		(303,405)
Provisions for liabilities and other charges		(15,089)
Deferred tax assets / (liabilities)		(122,025)
Interest bearing borrowings		(1,815,142)
Cash and cash equivalents		7,297
Current tax liabilities		(2)
		378,875
Less : cash resources acquired		(7,297)
Cash flow on acquisition		371,578

Eqstra Corporation (Pty) Ltd
Notes to the annual financial statements
For the years ended

	30 June R 000	25 June one year
24 Commitments		
Capital expenditure commitments to be incurred		
Authorised by directors but not contracted	868	1,480
	868	1,480

The expenditure is substantially for the acquisition and replacement of leasing assets. Expenditure is financed from proceeds on disposals and existing banking facilities.

Operating lease commitments

	One to five years R000	Less than one year R000	30 June 2009 R000
2009			
Property	2,928	2,239	5,167
2008			
Property	563	253	816

25 Contingent liabilities

There are no current or pending litigation that is considered likely to have a material adverse effect on the company.

26 Operating lease receivable

The minimum future lease payments receivable under non-cancellable operating leases are as follows :

	More than five years	One to five years	Less than one year	30 June 2009
2009				
- Vehicles	1,146,166	2,196,353	926,540	4,269,059
	More than five years	One to five years	Less than one year	30 June R000
2008				
- Vehicles	1,146,032	2,268,274	920,460	4,334,766

Notes to the annual financial statements
For the years ended

27 FINANCIAL INSTRUMENTS

Financial risk factors

The company's treasury activities are aligned to the company's decentralised business model and the asset and liability committee's (ALCO) strategies. The ALCO is a board subcommittee responsible for implementing best practice asset and liability risk management with its main objectives being the management of liquidity, interest rate, price risk and foreign exchange risk. The ALCO meets every quarter and follows a comprehensive risk management process. The treasury implements the ALCO risk management policies and directives and provides financial risk management services to the various divisional businesses, co-ordinates access to domestic and international financial markets for bank as well as debt capital markets funding and monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk. The day-to-day management of foreign exchange risk and credit risk is performed on a decentralised basis by the various business units within the guidelines approved by the board for Eqstra Holdings Limited.

The company's objectives, policies and processes for measuring and managing these risks are detailed below.

The company seeks to minimise the effects of these risks by matching assets and liabilities as far as possible or by using derivative financial instruments to hedge these risk exposures. The adherence to the use of derivative instruments and exposure limits is reviewed on a continuous basis and results are reported to the audit committee.

The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The company enters into financial instruments to manage and reduce the possible adverse impact on earnings of changes in interest rates and foreign exchange rates. Compliance with policies and exposure limits is reviewed by the internal auditors annually, with the results being reported to the audit committee.

Market Risk

This is the risk that changes in the general market conditions, such as foreign exchange rates, interest rates and commodity prices may adversely impact on the company's earnings, assets, liabilities and capital.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

Currency risk

This is the risk of losses arising from the effects of adverse movements in exchange rates on net foreign currency asset or liability positions.

The company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. In order to manage these risks, the company may enter into transactions, which make use of derivatives. Derivative instruments are used by the company for hedging purposes.

The policy of the company is to maintain a fully covered foreign exchange risk position in respect of foreign currency commitments with a few exceptions authorised by the ALCO. Spare parts are settled in the spot market and where specific South African Exchange Control authorisation has been acquired up to 75% of forecasted annual purchases can be covered. The day-to-day management of foreign exchange risk is performed on a decentralised basis by the various business units within the company's hedging policies and guidelines. Trade-related import exposures are managed through the use of natural hedges arising from foreign assets as well as forward exchange contracts.

Notes to the annual financial statements
For the years ended

30 June	30 June
2009	2008
R000	R000

27 FINANCIAL INSTRUMENTS

Financial risk factors (continued)
Currency risk (continued)

Uncovered foreign currency exposure

The company has no uncovered foreign currency exposure.

Fair value is calculated as the difference between the contracted value and the value to maturity at the period end.

The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains/losses on translation of foreign denominated trade receivables and financial assets and liabilities at fair value through profit or loss that are offset by equivalent gains/losses in currency derivatives.

Profit is no more sensitive to movements in currency exchange rates in 2009 than in 30 June 2008, as all foreign currency denominated assets and liabilities are hedged through foreign exchange contracts.

Interest rate risk

This is the risk that fluctuations in interest rates may adversely impact on the company's earnings, assets, liabilities and capital.

The company is exposed to interest rate risk as it borrows and places funds at both fixed and floating rates. The risk is managed by matching fixed and floating rate assets and liabilities wherever possible and achieve a repricing profile in line with ALCO directives through the use of interest rate derivatives. The company analyses the impact on profit and loss of defined interest rate shifts - taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

The company's financial services division, having access to local money markets, provides the subsidiaries with the benefits of bulk financing and depositing. The interest rate profile of total borrowings is reflected in note 14.

The company has entered into interest rate derivative contracts that entitle it to either receive or pay interest at floating rates on notional principal amounts and oblige it to receive or pay interest at fixed rates on the same amounts.

The company's remaining periods and notional principal amounts of the outstanding interest rate derivative contracts are:

	June 2009 R000	June 2008 R000
Less than one year	1,300,000	
One to five years	356,000	300,000
	1,656,000	300,000
Fair value of interest rate swap (liability)/ asset	(30,646)	10,964

The impact of a 1% decrease in interest rates will have a negative R12m (2008: R1.8m) effect on profit or loss.

The impact of a 1% increase in interest rates will have a negative R40m (2008: R23.8m) effect on profit or loss. The majority of this impact relates to contracts with customers where the contract pricing is only reviewed on an annual basis.

Notes to the annual financial statements
For the years ended

Concentration risk

This is the risk of a single customer exceeding 5% of total company revenue. There is no single customer that accounts for more than 5% of company revenue.

Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. None of the financial instruments below were held as collateral for any security provided.

Cash and cash equivalents

It is company policy to deposit short-term cash with reputable financial institutions with high credit ratings assigned by international credit-rating agencies.

Trade accounts receivable

Trade receivables that are neither past overdue nor impaired

Trade accounts receivable consist mainly of a large, widespread customer base. The company monitors the financial position of its customers on an ongoing basis. Creditworthiness of trade debtors 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.

	30 June 2009	30 June 2008
	R000	R000
Trade receivables that are neither past overdue nor impaired	27,456	34,786

Based on past experience, the company believes that no impairment is necessary in respect of trade receivables not past due as the amount relates to customers that have a good track record with the company, and there has been no objective evidence to the contrary.

The credit quality of all derivative financial assets is sound. None are overdue or impaired and the company does not hold any collateral on derivatives. The company's maximum exposure to counterparty credit risk on derivative assets at 30 June 2008 amounted to nil (2008: R11 m).

Past due trade receivables not impaired

Included in trade receivables are debtors which are past the original expected collection date (past due) at the reporting date and no provision has been made as there has not been a significant change in credit quality and the amounts are still considered recoverable. A summarised age analysis of past debtors is set out below.

	30 June 2009	30 June 2008
	R000	R000
Past Due		
Less than 1 month	4,454	11,147
Between 1 - 3 months	12,767	10,362
	17,221	21,509

The overdue debtor ageing profile above is typical of the industry in which certain of our businesses operate.

No significant collateral was held by the company as security and other enhancement over the financial assets during the year.

Provision for doubtful debts for loans and receivables

Before the financial instruments can be impaired, they are evaluated for the possibility of any recovery as well as the length of time at which the debt has been long outstanding. Provision is made for bad debts on trade accounts receivable. Management does not consider that there is any material credit risk exposure not already covered by credit guarantee or a bad debt provision. There were no allowances for impairments on long-term receivables or investments in equity instruments at cost during the period under review.

Analysis of provision for doubtful debts
Provision for doubtful debts

	30 June 2009	30 June 2008
	R 000	R 000
Set out below is a summary of the movement in the provision for doubtful debts for the year:		
Balance at beginning of the year	13,224	
Balance on bundling		14,340
Amounts written off during the year	(15,347)	(10,403)
Amounts recovered during year		
Increase in allowance recognised in profit or loss	15,011	9,287
Balance at end of year	12,888	13,224

There is no significant concentration of risk in respect of any particular customer or industry segment.

Notes to the annual financial statements

For the years ended

Other receivables

The credit quality of all derivative financial assets is sound. None are overdue or impaired and the company does not hold any collateral on derivatives. The company's maximum exposure to counterparty credit risk on derivative assets at 30 June 2009 amounted to Rnil (2008: R10 965k).

Collateral

The company may require collateral in respect of the credit risk on derivative transactions with a third party. The amount of credit risk is the positive fair value of the contract. The amount of credit risk is the positive fair value of the contract. Collateral may be in the form of cash or in the form of a lien over a debtors assets, entitling the company to make a claim for current and future liabilities.

These transactions are conducted under terms that are usual and customary to standard lending and borrowing activities.

No financial assets were re-pledged during the year under review for collateral purposes.

Guarantees

The company did not during the period obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees.

There were no guarantees provided by banks to secure financing during the year.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements.

The company manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained. Unutilised borrowings are reflected in note 14. The company aims to cover at least its net debt requirements through long-term borrowing facilities.

Standard payment terms for the majority of trade payables is the end of the month following the month in which the goods are received or services are performed.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timely matching of orders placed with goods received notes or services acceptances and invoices.

Maturity profile of contractual cash flows (including interest) of financial instruments are as follows:

	Carrying amount	Contractual cash flow	Less than one year	One to five years
	30 June 2009			
	R m	R m	R m	R m
Maturity profile of financial instruments				
Financial assets				
Other investments and loans	36,214	36,214		36,214
Amounts owing by group companies	4,730,612	4,730,612	4,730,612	
Trade and other receivables	47,060	47,060	47,060	
Cash and cash equivalents	399	399	399	
	4,814,285	4,814,285	4,778,071	36,214
Percentage profile (%)			99	1
Financial liabilities				
Amounts owing to group companies	131,701	131,701	131,701	
Interest-bearing borrowings	6,236,683	7,596,683	2,756,768	4,839,915
Trade and other payables	317,592	317,592	317,592	
Provisions for liabilities and other charges	280	280	280	
Derivative financial liabilities	31,036	31,036	31,036	
	6,717,292	8,077,292	3,237,377	4,839,915
Percentage profile (%)			40	60

Notes to the annual financial statements

For the years ended

27 FINANCIAL INSTRUMENTS

Maturity profile of contractual cash flows (including interest) of financial instruments are as follows:

	Carrying amount 30 June 2008 R m	Contractual cash flow R m	Less than one year R m	One to five years R m
Maturity profile of financial instruments				
Financial assets				
Other Investments	34 021	34 021		34 021
Amounts owing by group companies	3 327 127	3 327 127	3 327 127	
Trade and other receivables	75 387	75 387	75 387	
Current derivative financial assets	10 964	10 964	10 964	
Cash and cash equivalents	7 656			
	3 455 155	3 447 499	3 413 478	34 021
Percentage profile (%)			99	1

Financial liabilities				
Amounts owing to group companies	71 326	71 326	71 326	
Interest-bearing borrowings	4 867 027	7 535 027	761 000	6 774 027
Trade and other payables	349 806	349 806	349 806	
Provisions for liabilities and other charges	683	683	683	
	5 288 842	7 956 842	1 182 815	6 774 027
Percentage profile (%)			15	85

	Carrying value 30 June 2009 R000	Fair value 30 June 2009 R000	Carrying value 30 June 2008 R000	Fair value 30 June 2008 R000
Fair value of financial instruments (Rm)				
Financial assets				
Amounts owing by group companies	4,730,612	4,730,612	3,327,127	3,327,127
Other loans				
- Available for sale	36,214	36,214	34,021	34,021
Trade and other receivables				
- Other trade and other receivables - fair value	47,060	47,060	75,387	75,387
Derivative financial asset			10,964	10,964
Cash and cash equivalents - fair value	399	399	7,656	7,656
Financial liabilities				
Amounts owing to group companies	131,701	131,701	71,326	71,326
Interest-bearing borrowings				
- Borrowings at amortised cost	6,236,683	6,236,683	4,867,027	4,867,027
Trade and other payables				
- Derivative instruments - hedge accounted	31,036	31,036		
- Other trade and other payables - fair value	317,592	317,592	349,806	349,806

Notes to the annual financial statements

For the years ended

27 FINANCIAL INSTRUMENTS

The directors consider that the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximates their fair value due to the short-term maturities of these assets and liabilities.

The fair values of financial assets represent the market value of quoted investments and other traded instruments. For non-listed investments and other non-traded financial assets fair value is calculated using discounted cash flows with market assumptions, unless carrying value is considered to approximate fair value.

The fair values of financial liabilities is determined by reference to quoted market prices for similar issues, where applicable, otherwise the carrying value approximates to the fair value.

There were no defaults or breaches in terms of interest-bearing borrowings during both reporting periods.

There were no reclassifications of financial assets or financial liabilities that occurred during the period. There were no financial assets or liabilities that did not qualify for derecognition during the period.

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal mix of liquidity and low cost of capital and to be able to finance future growth.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital includes share capital and borrowings.

During 2009, the company's strategy, which was unchanged from 2008, was to maintain a gearing ratio within 70% to 80% and a A credit rating. The gearing ratios at 30 June were as follows:

	30 June 2009 R000	30 June 2008 R000
Total borrowings	6,236,683	4,867,027
Less: cash and cash equivalents	399	7,656
Net debt	6,236,284	4,859,371
Total equity	501,497	545,916
Total capital	6,737,781	5,405,287
Gearing ratio (debt to capital)	93%	90%

Included in the statement of changes in equity are the following adjustments relating to financial instruments:

	30 June 2009 R000	30 June 2008 R000
Hedge accounting- cash flow hedges		
- Amount recognised in equity	(26 372)	

28 Related Party Transactions

Fellow subsidiaries, the group Pension and Provident Funds and key management are considered to be related parties. During the year the company in the ordinary course of business, entered into sale and purchase transactions with related parties.

These transactions occurred under terms that are no less favourable than those arranged with third parties.

Interest of directors in contracts

The directors have confirmed that they were not materially interested in any transaction of any significance with the company or any of Eqstra Holdings Limited subsidiaries. Accordingly, a conflict of interest with regard to directors' interest in contracts does not exist.

Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the company.

The company has many different operations, retail outlets and service centres where the company staff may be transacting. Often these transactions are minor and are difficult to monitor. Key management have to report any transactions with the company in excess of R100 000.

Key management personnel remuneration comprises:

	30 June 2009 R000	30 June 2008 R000
Short - term employee benefits	22,323	3,254
Long - term employee benefits	2,548	395
	24,871	3,649
Number of key management personnel	13	13

	30 June 2009 R000	30 June 2008 R000
--	-------------------------	-------------------------

Related party balances

Amounts due by (to) group companies

Refer note 8

Trade and other receivables

Amasondo Fleet Services (Pty) Ltd		284
Eqstra Construction and Mining Equipment (Pty) Ltd		404
Eqstra Fleet Support Services (Pty) Ltd		785
Eqstra NH Equipment (Pty) Ltd	148	514
Pemberley Fleet Services (Pty) Ltd		438
	148	2,425

Trade and other payables

Amasondo Fleet Services (Pty) Ltd		(3,992)
Eqstra Flexi Fleet (Pty) Ltd		(11,143)
Eqstra NH Equipment (Pty) Ltd	(4,125)	(4,097)
Eqstra Construction and Mining Equipment (Pty) Ltd	(182)	
Pemberley Fleet Services (Pty) Ltd		(931)
	(4,307)	(20,163)

Related party transactions

Revenue

African Car Hire Swaziland (Pty) Ltd		57
Amasondo Fleet Services (Pty) Ltd	130	36
Eqstra Botswana (Pty) Ltd		90
Eqstra Construction and Mining Equipment (Pty) Ltd	9,028	1,090
Eqstra Fleet Services Namibia (Pty) Ltd		68
Eqstra Flexi Fleet (Pty) Ltd	4,107	990
Eqstra NH Equipment (Pty) Ltd	2,833	548
Imperial Fleet Services (FVPS) (Pty) Ltd	38	16
Imperial Fleet Services East Africa Limited		22
Imperial Fleet Services Lesotho (Pty) Ltd		51
Imperial Specialised Freight Nigeria Limited		43
Omathemba (Pty) Ltd		16
Pemberley Fleet Services (Pty) Ltd	12,999	2,518
Saficon Industrial Equipment (Pty) Ltd	12,308	1,455
Flexi Manufacturing (Pty) Ltd	100	
Ukhamba Fleet Services (Pty) Ltd	1,093	100
	42,636	7,100

Eqstra Corporation (Pty) Ltd
Balance sheet as at 30 June 2009

	Notes	30 June 2009 R 000	30 June 2008 R 000 Restated
Assets			
<i>Non-current assets</i>		2,612,438	2,486,536
Intangible assets	4	4,685	3,979
Property, plant and equipment	5	70,249	77,608
Leasing assets	6	2,501,290	2,370,928
Other investments and loans	7	36,214	34,021
<i>Current assets</i>		4,800,074	3,469,090
Amounts owing by group companies	8	4,720,547	3,327,127
Inventories	9	19,845	47,198
Trade and other receivables	10	47,060	75,387
Derivative financial asset			10,964
Taxation in advance		12,223	758
Cash and cash equivalents	11	399	7,656
Total assets		7,412,512	5,955,626
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital and premium	12	548,875	548,875
Other reserves	13	(31,240)	
Retained loss		(16,138)	(2,959)
Total shareholders' equity		501,497	545,916
<i>Non-current liabilities</i>		4,079,703	4,778,895
Interest-bearing borrowings	14	3,875,915	4,658,027
Deferred tax liabilities	15	203,788	120,868
<i>Current liabilities</i>		2,831,312	630,815
Amounts owing to group companies	8	121,636	71,326
Trade and other payables	16	317,592	349,806
Provisions for liabilities and other charges	17	280	683
Derivative financial liabilities		31,036	
Current portion of interest-bearing borrowings	14	2,360,768	209,000
Total liabilities		6,911,015	5,409,710
Total equity and liabilities		7,412,512	5,955,626