

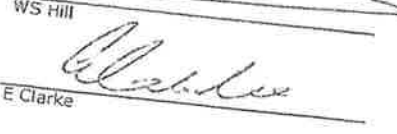
Eqstra Corporation (Proprietary) Limited  
Registration Number: 1984/007045/07

Annual Financial Statements  
30 June 2010

Eqstra Corporation (Proprietary) Limited  
Annual Financial Statements  
30 June 2010

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

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ADDITIONAL INFORMATION	
<u>Directors' report</u>	
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.	
<u>Trading results</u>	
The trading results included in the attached financial statements represent the twelve month period to 30 June 2010 and the comparative results for the twelve months trading to 30 June 2009 of the related businesses of Eqstra Corporation (Proprietary) Limited.	
<u>Events subsequent to the accounting date</u>	
There have been no events subsequent to year end that have a material effect on the financial results as at 30 June 2010.	
<u>Approval and Statement of responsibility</u>	
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 of 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 7 December 2010 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 statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows 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 2010, 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.



**Per JM Bierman**  
**Partner**  
**7 December 2010**

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 MJ Comber 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 Limited

Eqstra Corporation (Pty) Ltd  
Statement of financial position as at

		30 June 2010 R 000	30 June 2009 R 000
	Notes		
<b>Assets</b>			
<i>Non-current assets</i>		2 455 643	2 612 438
Intangible assets	4	4 761	4 685
Property, plant and equipment	5	65 274	70 249
Leasing assets	6	2 384 608	2 501 290
Other investments and loans	7	1 000	36 214
<i>Current assets</i>		4 265 386	4 800 074
Amounts owing by group companies	8	3 966 624	4 720 547
Inventories	9	17 382	19 845
Trade and other receivables	10	77 343	47 060
Taxation in advance		11 189	12 223
Cash and cash equivalents	11	192 848	399
<b>Total assets</b>		<b>6 721 029</b>	<b>7 412 512</b>
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Share capital and premium	12	548 875	548 875
Other reserves	13	(15 388)	(31 240)
Retained income (loss)		128 941	(16 138)
<b>Total shareholders' equity</b>		<b>662 428</b>	<b>501 497</b>
<i>Non-current liabilities</i>		4 822 074	4 079 703
Interest-bearing borrowings	14	4 590 064	3 875 915
Deferred tax liabilities	15	232 010	203 788
<i>Current liabilities</i>		1 236 527	2 831 312
Amounts owing to group companies	8	332 241	121 636
Trade and other payables	16	303 752	317 592
Provisions for liabilities and other charges	17	226	280
Derivative financial liabilities	27	27 457	31 036
Current portion of interest-bearing borrowings	14	572 851	2 360 768
<b>Total liabilities</b>		<b>6 058 601</b>	<b>6 911 015</b>
<b>Total equity and liabilities</b>		<b>6 721 029</b>	<b>7 412 512</b>

Eqstra Corporation (Pty) Ltd  
Statement of comprehensive income  
For the years ended

		30 June 2010 R 000	30 June 2009 R 000
	Notes		
Revenue	18	1 390 040	1 497 434
Net operating expenses	19	(654 871)	(733 124)
Profit from operations before depreciation and recoupments		735 169	764 310
Depreciation, amortisation and recoupments	20	(506 066)	(494 296)
Operating profit		229 103	270 014
Foreign exchange gains			777
Reversal of impairment (impairment) of share scheme loan		16 089	(8 758)
Reversal of impairment (impairment) of loan to fellow subsidiaries		63 176	(63 185)
Profit before financing costs		308 368	198 848
Net finance costs	21	(133 459)	(192 684)
Finance costs including fair value gains and losses	21	(626 852)	(790 908)
Finance income	21	493 393	598 224
Profit before taxation		174 909	6 164
Income tax expense	22	(29 830)	(19 343)
Profit (loss) after taxation		145 079	(13 179)
Other comprehensive income			
Fair value gain (loss) on derivative instruments		8 782	(26 372)
Other comprehensive income (loss) for the year (net of tax)		8 782	(26 372)
Total comprehensive income (loss) for the year		153 861	(39 551)

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

	Share capital and premium	Other reserves	Retained (loss) income	Total
	R000	R000	R000	R000
Balance at 30 June 2008	548 875		(2 959)	545 916
Total comprehensive loss for the year		(26 372)	(13 179)	(39 551)
Share based payments expense		8 119		8 119
Acquisition of share call option (net of taxation)		(12 987)		(12 987)
Balance at 30 June 2009	548 875	(31 240)	(16 138)	501 497
Total comprehensive income for the year		8 782	145 079	153 861
Equity loan received from Eqstra Holdings Limited				
Share call option		(173)		(173)
Share based payments expense		7 243		7 243
Balance at 30 June 2010	548 875	(15 388)	128 941	662 428

Eqstra Corporation (Pty) Ltd  
Statement of cash flows  
For the years ended

		30 June 2010 R 000	30 June 2009 R 000
	Notes		
Cash flows from operating activities			
Cash receipts from customers		1 351 629	1 526 097
Cash paid to suppliers and employees		(515 780)	(498 816)
Cash generated by operations	23	835 849	1 027 281
Interest expense	21	(621 651)	(775 280)
Finance income	21	493 393	589 033
		707 591	841 034
Income tax (paid) received		(574)	57 163
		707 017	898 197
Cash flows from investing activities			
Purchase of intangible assets		(2 441)	(3 109)
Purchase of property, plant and equipment		(5 433)	(4 733)
Purchase of leasing assets		(681 261)	(941 942)
Proceeds from sale of intangible assets		96	
Proceeds from sale of property, plant and equipment		5 992	6 408
Proceeds from sale of leasing assets		126 178	94 360
Net movement in amounts due to group companies		1 027 704	(1 406 295)
Net movement in other investments and loans		88 538	(1 760)
		559 373	(2 257 071)
Cash flows from financing activities			
(Decrease) increase in interest bearing borrowings		(1 073 768)	1 369 656
Acquisition of share call option		(173)	(18 039)
		(1 073 941)	1 351 617
Net increase (decrease) in cash and cash equivalents		192 449	(7 257)
Cash and cash equivalents at beginning of year		399	7 656
Cash and cash equivalents at end of year		192 848	399

**Eqstra Corporation (Pty) Ltd**  
**Notes to the annual financial statements**  
**For the year ended 30 June 2010**

**1. ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the 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 International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective for the company's financial year. The financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These accounting policies are consistent with the previous 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 recognised 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 reporting 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 are 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.

**Eqstra Corporation (Pty) Ltd**  
**Notes to the annual financial statements**  
**For the year ended 30 June 2010**

**1 ACCOUNTING POLICIES (continued)**

**1.3 Impairment of tangible and intangible assets excluding goodwill (continued)**

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.

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	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 capitalisation.

**Eqstra Corporation (Pty) Ltd**  
**Notes to the annual financial statements**  
**For the year ended 30 June 2010**

**1. ACCOUNTING POLICIES (continued)**

**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
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 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 recognised in profit or loss.

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 recognised in profit or loss for the year.

Available-for-sale investments and gains and losses arising from changes in fair value are recognised in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised is recognised in profit or loss 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 initially stated at fair value and reduced by appropriate allowances for doubtful debts. These allowances are recognised in profit or loss.

**Eqstra Corporation (Pty) Ltd**  
**Notes to the annual financial statements**  
**For the year ended 30 June 2010**

**1. ACCOUNTING POLICIES (continued)**

**1.7 Financial instruments (continued)**

*Cash and cash equivalents*

Cash and cash equivalents are measured at carrying value which is deemed to be fair value.

*Loans payable*

Interest-bearing loans are initially recorded on the day that the loans are advanced at fair value.

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 other comprehensive income.

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 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.

Foreign currency forward 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 profit or loss 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 other comprehensive income and any ineffective portion is recognised immediately in the income statement.

**Eqstra Corporation (Pty) Ltd**  
**Notes to the annual financial statements**  
**For the year ended 30 June 2010**

**1. ACCOUNTING POLICIES (continued)**

**1.7 Financial instruments (continued)**

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 other comprehensive income 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.

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 reporting 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 statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar items of property, plant and equipment.

**Eqstra Corporation (Pty) Ltd**  
**Notes to the annual financial statements**  
**For the year ended 30 June 2010**

**1. ACCOUNTING POLICIES (continued)**

**1.8 Leases (continued)**

*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 capitalised 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 capitalised 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 statement of financial position 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 the 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 reporting 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. These schemes have been designed and are administered in accordance with the local conditions 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.

**Eqstra Corporation (Pty) Ltd**  
**Notes to the annual financial statements**  
**For the year ended 30 June 2010**

**1. ACCOUNTING POLICIES (continued)**

**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 inventory on which it will incur warranty and after-sales costs, an estimate of this is made based on past experience.

**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 reporting date.

Deferred tax is recognised 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.

Interest income is accrued on the time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Dividend income from investments is recognised when the shareholders' right to receive payment is established.

## **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 judgement 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**

Significant judgement is required in determining the provision for income taxes due to the complexity of legislation and the different tax jurisdictions involved. 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 reporting 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.

**Eqstra Corporation (Pty) Ltd**  
**Notes to the annual financial statements**  
**For the year ended 30 June 2010**

**2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

**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.

**2.6 Fair value of financial instruments**

*Basis for determining fair values*

*Derivatives*

The fair values of derivative financial assets and liabilities are calculated by determining the net present value of all future cash flows, discounted at prevailing market curves of the different currencies at reporting date. Only observable market data is used (no estimates) when constructing the curves and basis swap adjustments are added to provide for liquidity in the market. Black-Scholes principles are used for valuing options.

*Other non-derivative assets and liabilities*

The fair values of other non-derivative financial assets and liabilities are calculated by determining the net present value of all future cash flows, discounted at prevailing market curves of the different currencies at reporting date.

*Other financial instruments*

The carrying amounts of financial assets and liabilities with a maturity of less than six months are assumed to approximate their fair value.

**3. IMPACT OF NEWLY ISSUED STANDARDS AND INTERPRETATIONS**

**3.1 Newly issued standards – early adopted**

There were no standards or interpretations that were early adopted in the current year. The company has adopted the following interpretations and standards which have become applicable in the current financial year:

- IFRS 2 – Share based payments
- IFRS 3 – Business Combinations
- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operation
- IFRS 8 – Operating segments
- IAS 1 – Presentation of Financial Statements
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 – Events after the Reporting Period
- IAS 16 – Property, Plant and Equipment
- IAS 18 – Revenue
- IAS 19 – Employee Benefits
- IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
- IAS 23 – Borrowing Costs
- IAS 27 – Consolidated and Separate Financial Statements
- IAS 28 – Investment in Associates

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**3 IMPACT OF NEWLY ISSUED STANDARDS AND INTERPRETATIONS**

**3.1 Newly issued standards – early adopted**

- IAS 29 – Financial Reporting in a Hyperinflationary Economies
- IAS 31 – Interest in Joint Ventures
- IAS 32 – Financial Instruments – Presentation
- IAS 34 – Interim Financial Reporting
- IAS 36 – Impairment of Assets
- IAS 38 – Intangible Assets
- IAS 39 – Financial Instruments – Recognition and Measurement
- IAS 40 – Investment Property
- IAS 41 – Agriculture
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfers of Assets from Customers

**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 first becomes applicable to the company for the financial year ending 30 June 2011.

**IFRS 2: Share Based Payments**

The Amendment relates to company cash-settled share-based payment transactions and clarity of the definition of the term "Company" and where in a company share based payments must be accounted for.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IFRS 3: Business Combinations**

The amendments include transition requirements for contingent consideration from a business combination that occurred before the effective date of transition, clarification on the measurement of non-controlling interests and additional guidance provided on un-replaced and voluntarily replaced share based payment awards.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

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

The amendment is to clarify that IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations specifies the disclosure required in respect of non-current assets (or disposal companies) classified as held for sale or discontinued operations. Consequently, disclosures in other IFRSs do not apply to such assets.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**Eqstra Corporation (Pty) Ltd**  
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**3 IMPACT OF NEWLY ISSUED STANDARDS AND INTERPRETATIONS**

**3.2 Newly issued standards and interpretations – not adopted in the current year (continued)**

**IFRS 7 Financial Instruments: Disclosures**

The amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IFRS 8: Operating Segments**

The amendments are to the Basis of Conclusion, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief decision maker.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IFRS 9 Financial instruments**

This is a new standard that forms part of a three-part project to replace *IAS 39 Financial Instruments: Recognition and Measurement*.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IAS 1: Presentation and disclosure of financial statements**

The amendment relates to the classification of convertible instruments between current and non-current clarification on the presentation on the statement of changes in equity.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IAS 7: Cash flow statements**

The amendment requires that only expenditure that result in a recognised asset in the statement of financial position can be classified as investing activities and contains clarification on expenditures on unrecognised assets.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IAS 17: Leases**

The amendment deletes the specific guidance regarding classification of leases of land, this results in land being classified using the general principles of IAS 17, as either an operating or a finance lease.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**3 IMPACT OF NEWLY ISSUED STANDARDS AND INTERPRETATIONS (continued)**

**3.2 Newly issued standards and interpretations – not adopted in the current year (continued)**

**IAS 21 The effects of changes in foreign exchange rates**

The amendment contains consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements (clarification on the transition rules in respect of the disposal of an interest in a foreign operation.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IAS 24 Related party disclosures**

The amendment contains simplification of the disclosure requirements for government related entities and clarification of the definition of a related party.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IAS 27 Consolidated and Separate Financial Statements**

The amendment contains transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IAS 28 Investments in associates**

The amendment contains consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IAS 31 Interest in Joint Ventures**

The standard contains consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IAS 32: Financial Instruments – Presentation**

In the amendment, rights, options and warrants otherwise meeting the definition of equity instruments in IAS 32.11 issued to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are classified as equity instruments provided the offer is made pro-rata to all existing owners of the same class of the entity's non-derivative equity instruments.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

3. IMPACT OF NEWLY ISSUED STANDARDS AND INTERPRETATIONS (continued)

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

**IAS 34 Interim Financial Reporting**

The standard contains clarification of disclosure requirements around significant events and transaction including financial instruments.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IAS 36: Impairment of assets**

The amendment clarifies that the largest cash-generating unit (or company of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined in IFRS 8.5.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IAS 39: Intangible Assets**

The amendment is to clarify the requirement under IFRS 3 regarding accounting for intangible assets acquired in a business combination and the description of valuation techniques commonly used by entities when measuring the fair value of intangibles acquired in a business combination that are not traded in an active market.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IAS 39: Financial Instruments – Recognition and measurement**

The amendment is to clarify that in repayment options, the exercise price of which compensates the lender the loss of interest reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract. Amendments have also been made to the scope exemption for clarifying the exemption for business combinations.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

**IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments**

The interpretation addresses the accounting by the entity that issue equity instruments in order to settle, in full or in part, a financial liability.

The amendment first becomes applicable to the company for the financial year ending 30 June 2011.

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4 Intangible assets	30 June 2010 R000	30 June 2009 R000
- Cost	12 976	11 536
- Accumulated impairment and amortisation	8 215	6 851
	4 761	4 685
Opening balance	4 685	3 979
Additions	2 441	3 109
Proceeds on disposals	(96)	
Amortisation	(2 269)	(2 403)
Net book value at end of year	4 761	4 685

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 2010				
- Cost	59 963	15 870	3 032	78 865
- Accumulated depreciation and impairment	435	11 650	1 506	13 591
	59 528	4 220	1 526	65 274
Opening balance	63 266	5 546	1 437	70 249
Additions	2 122	2 231	1 080	5 433
Proceeds on disposals	(5 400)	(266)	(326)	(5 992)
Depreciation	(801)	(3 255)	(670)	(4 726)
Profit (loss) on disposal	341	(36)	5	310
Net book value at end of year	59 528	4 220	1 526	65 274
The total value of capitalised finance leases included above	13 547			13 547
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

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  
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	30 June 2010 R000	30 June 2009 R000
<b>6 Leasing assets</b>		
Cost	3 556 741	3 476 630
Accumulated depreciation and impairment	1 172 133	975 340
	2 384 608	2 501 290
Opening balance	2 501 290	2 370 927
Additions	681 261	941 942
Proceeds on disposals	(126 178)	(94 360)
Depreciation	(515 378)	(484 496)
Impairment costs		(10)
Profit (loss) on disposal	15 997	(1 713)
Transfer to inventory	(172 384)	(231 000)
Net book value at end of year	2 384 608	2 501 290
Leasing assets consist of passenger and commercial vehicles and earthmoving equipment.		
<b>7 Other investments and loans</b>		
Investments		
Unlisted investments at fair value or directors' valuation (Categorised as Held to maturity)	1 000	1 760
Loans		
Share incentive loans		34 454
	1 000	36 214
Maturity analysis		
Maturing after one year but within five years	1 000	36 214
	1 000	36 214
Effective interest rates		
Loans	8.0%-15.0%	8.0%-15.0%
<b>8 Amounts owing by (to) fellow subsidiaries</b>		
Due by group companies		
Africa Car Hire Swaziland (Pty) Ltd	16 995	24 831
Amasondo Fleet Services (Pty) Ltd	58 738	119 863
Eqstra Construction and Mining Equipment (Pty) Ltd	615 874	1 024 432
Eqstra NH Equipment (Pty) Ltd	144 447	349 171
- Impairment of loan		(56 000)
Imperial Fleet Services AA Botswana (Pty) Ltd	72	72
Imperial Fleet Services East Africa Limited		10 549
- Impairment of loan		(6 000)
Imperial Fleet Services Tanzania Limited	9	1 185
- Impairment of loan	(9)	(1 185)
Imperial Specialised Freight Nigeria Limited		12 090
MCC Contracts (Pty) Ltd	2 353 190	2 285 057
Omatemba (Pty) Ltd	6	2 769
Saficon Industrial Equipment (Pty) Ltd	773 964	881 857
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
Advacure (Pty) Ltd t/a Eqstra Connect	1 411	
Eqstra Collections (Pty) Ltd t/a Safedrive	1 927	
Total amounts due by group companies	3 966 624	4 720 547
Due to group companies		
Eqstra Flexi Fleet (Pty) Ltd	55 511	53 358
Eqstra Holdings Limited	216 655	55 701
Eqstra Fleet Services Namibia (Pty) Ltd	1 875	
Imperial Fleet Services Lesotho (Pty) Ltd	8 365	3 853
Imperial Fleet Services (PVPS) (Pty) Ltd	30 966	7 708
Fleet Support Services (Pty) Ltd	15 775	
Burgundy Rose (Pty) Ltd t/a My Auto	447	
Pemberley Fleet Services (Pty) Ltd	2 647	1 016
Total amounts due by group companies	332 241	121 636
Effective interest rates		
Loans	10.6% -13.6%	10.6% -13.6%

Eqstra Corporation (Pty) Ltd  
Notes to the annual financial statements  
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	30 June 2010 R000	30 June 2009 R000
9 Inventories		
Used vehicles	15 891	19 481
Spares, accessories and finished goods	1 491	364
	17 382	19 845
Inventories carried at net realisable value included above	16 393	336
Net amount of inventory write down (reversed) expensed in the income statement	(71)	572
10 Trade and other receivables		
Net	38 497	31 790
Trade	59 513	44 678
Less: Provision for impairment of trade receivables*	(21 016)	(12 888)
Prepayments and other	38 846	15 270
	77 343	47 060
* An analysis of the provision for impairment of trade receivables is found in note 27.		
11 Cash and cash equivalents		
Cash on hand	112	78
Bank balances	192 736	321
Cash on hand and at bank	192 848	399
Effective interest rates	6.95%	10.50%
12 Share capital and premium		
Authorised share capital		
4 000 000 (2009: 4 000 000) ordinary shares of R0.001 (2009 : R0.001) each	4	4
Issued share capital		
600 000 (2009: 600 000) ordinary shares of R 0.001 (2009: R0.001) 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

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%	39.85%
Expected dividend yield	4.88%	4.88%
Expected forfeiture rate	14%	14%
Vesting period	3 years and 14 days	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  
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	30 June 2010 R000	30 June 2010 R 000
Movement on the number of SAR's granted		
Balance at 30 June 2009	7 657 000	
Rights granted		7 657 000
Rights forfeited and transferred	(1 512 000)	
Balance at 30 June 2010	6 145 000	7 657 000
Grant price of share appreciation rights	R14-00	R14-00
Grant price of share appreciation rights after rights issue in Eqstra Holdings Limited	R12-72	
Fair value of the SAR on grant date	R4-85	R4-85
Fair value of the SAR after rights issue in Eqstra Holdings Limited	R4.41	
Share based payment expense recognised (R 000)	6 466	7 734

In the prior 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 and 14 days
----------------	------------------------

Movement on the number of DBP's granted

Rights at beginning of year	303 000	
Rights granted	77 080	303 000
Rights taken up		
Increase due to rights offer	72 587	
Rights forfeited		
Balance at 30 June 2009	452 667	303 000
Fair value of the DBP on grant date	R11-77	R11-77
Fair value of the DBP after rights issue in Eqstra Holdings Limited	R10-70	
Share based payment expense recognised (R 000)	777	385

13 Other reserves

Hedging reserve	(17 590)	(26 372)
Share call option	(13 160)	(12 987)
Share based equity	15 362	8 119
	(15 388)	(31 240)

Eqstra Corporation (Pty) Ltd  
Notes to the annual financial statements  
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	30 June 2010 R 000	30 June 2009 R 000
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14 Interest-bearing borrowings

Long-term		
- Capitalised finance leases	25 915	28 455
- Unsecured loans	4 568 000	4 543 000
	<b>4 593 915</b>	<b>4 571 455</b>
Short-term		
- Call borrowings and bank overdrafts	569 000	1 665 228
	<b>569 000</b>	<b>1 665 228</b>
Total borrowings	<b>5 162 915</b>	<b>6 236 683</b>
Less : current portion of interest-bearing borrowings	572 851	2 360 768
Long term portion of interest-bearing borrowings	<b>4 590 064</b>	<b>3 875 915</b>

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

	Up to 1 year R000	1-5 years R000	Total R000
2010			
Minimum lease payments	8 081	28 587	36 668
Finance costs	(4 229)	(6 524)	(10 753)
Present value of minimum lease payments	<b>3 852</b>	<b>22 063</b>	<b>25 915</b>
	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	<b>2 540</b>	<b>25 915</b>	<b>28 455</b>

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 (2009:R4m)

Interest rate analysis	Effective rates		Analysis of debt		Effective rates	Analysis of debt	
Fixed							
- Unsecured loans	RSA	14.4%	156 000		RSA 10.94% - 14.58%		300 000
Variable linked							
- Capitalised finance leases		6.9% - 11.2%	25 915		6.9% - 11.2%		28 455
- Unsecured loans		8.04% - 12.90%	4 412 000		8.85% - 11.40%		4 350 228
- Commercial paper		7.93%-9.83%	569 000		9.54%-10.2%		1 603 000
			5 162 915				6 236 683

2010

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

	2015 and onwards	2014	2013	2012	2011	Total
SA Rands (R'000)	270 000	9 031	3 310 538	1 000 495	572 851	<b>5 162 915</b>

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		<b>6 236 683</b>

	2010 Debt	Net book value of Secured assets encumbered	2009 Debt	Net book value of Secured assets encumbered
Details of encumbered assets	R'000	R'000	R'000	R'000
Property, plant and equipment	25 915	13 547	28 455	13 547

Borrowing facilities

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

Total facilities established	6 329 000	6 950 000
Less : Total borrowings excluding commercial paper and bond*	(4 323 915)	(4 633 683)
Unutilised borrowing capacity	<b>10 652 915</b>	<b>2 316 317</b>
The above are categorised as follows:		
- Amortised cost	<b>5 162 915</b>	<b>6 236 683</b>

\*- Commercial paper

The current portion of interest-bearing borrowings includes R569 million (2009: 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 329 million (2009: R6 950 million) above.

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	30 June 2010 R 000	30 June 2009 R 000
15 Deferred tax liabilities		
Opening balance	203 788	120 868
Accounted for in the income statement	28 222	87 971
Accounted for against reserves		(5 051)
	232 010	203 788
Analysis of deferred taxation		
- Provisions and accruals	(23 153)	(15 298)
- Property, plant and equipment	4 109	3 902
- Leasing assets	254 999	232 016
- Hedge for share incentive scheme	(5 051)	(5 051)
- Estimated assessed tax loss	(64 881)	(40 773)
- Other	65 986	28 992
	232 010	203 788
Taxation losses		
Unutilised tax losses available for offset against future profits	231 717	145 618
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	231 717	145 618
Deferred tax assets recognised in respect of such losses	64 881	40 773
16 Trade and other payables		
Trade	21 071	13 346
Other payables and accruals	161 788	163 276
Interest accrual	57 847	86 612
Deferred income	32 663	30 847
Employee related accruals*	30 383	23 511
	303 752	317 592
* Included in accrued expenses is leave pay and the bonus accruals		
17 Provisions for liabilities and other charges		
	Warranty and after sales	Total
Year ended 30 June 2010 - R000		
Opening balance	280	280
Unused amounts reversed	(54)	(54)
Charged to income		
Amounts utilised		
Balance at end of year	226	226
Payable in less than one year	226	226
Year ended 30 June 2009 - R000		
Opening balance	683	683
Charged to income		
Amounts utilised	(403)	(403)
Balance at end of year	280	280
Payable in less than one year	280	280

Eqstra Corporation (Pty) Ltd  
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	30 June 2010 R000	30 June 2009 R000
<b>18 Revenue</b>		
An analysis of the company's revenue is as follows:		
Sales of goods	214 696	278 026
Rendering of services	1 175 344	1 219 408
	<b>1 390 040</b>	<b>1 497 434</b>
<b>19 Net operating expenses</b>		
Purchase of goods	177 015	235 353
Changes in inventories	2 463	27 353
Cost of outside services	10 283	17 994
Staff costs	188 013	124 947
Impairment costs		10
Other operating income	(63 403)	(55 776)
Other operating costs	340 500	383 243
	<b>654 871</b>	<b>733 124</b>
The above costs are arrived at after including:		
Auditors remuneration		
Audit fees	2 991	3 136
Share based payment expense (included in staff costs)	7 243	8 119
Rental and operating lease charges		
Properties	1 446	3 733
Office equipment	288	551
	<b>1 734</b>	<b>4 284</b>
Defined contribution retirement plan costs included in staff costs	8 482	7 429
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.		

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	30 June 2010 R000	30 June 2009 R000
20 Depreciation, amortisation and recoupments		
Intangible assets	2 269	2 403
Property, plant and equipment	4 726	5 612
Leasing assets	515 378	484 496
	522 373	492 511
(Profit) loss on disposal of property, plant and equipment	(310)	72
(Profit) loss on disposal of leasing assets	(15 997)	1 713
	506 066	494 296
21 Net finance costs		
Interest expense	621 651	775 280
Finance income	(493 393)	-598 224
Net finance cost	128 258	177 056
Fair value losses (gains) arising from interest swap instruments (unrealised)	5 201	15 628
Net finance cost	133 459	192 684
No finance costs were capitalised during the year.		
Included in finance costs is the following:		
- Finance costs on financial liabilities measured at amortised cost	621 629	775 140
- Finance costs on bank overdrafts	22	140
- Fair value losses/(gains) arising from interest swap instruments (unrealised)	5 201	15 628
Finance costs	626 852	790 908
Included in finance interest income is the following:		
- Finance income on loans and receivables	487 740	572 314
- Finance income on cash and cash equivalents and interest swaps	5 653	25 910
Finance income	493 393	598 224

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	30 June 2010 R000	30 June 2008 R000
22 Income tax expense		
Taxation charge		
South African normal taxation		
- Current		
- Prior year under (over) provisions	1 564	(68 628)
Capital Gains Tax	44	
	1 608	(68 628)
- Deferred taxation		
- Current year	26 720	19 343
- Prior year under provisions	1 502	68 628
	28 222	87 971
	29 830	19 343
Reconciliation of tax rates :	%	%
Profit before taxation - effective rate	17.1	313.8
Taxation effect of :		
- Disallowable and non taxable charges	9.1	(285.8)
- Current year over (under) provisions	1.8	(35.6)
	28.0	28.0

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	30 June 2010 R 000	30 June 2009 R 000
23 Note to the cash flow statement		
Cash generated by operations		
Profit before net financing costs	308 368	198 848
Adjustments for non cash movements		
- Movement in provisions	(54)	(739)
- Amortisation of intangible assets, net of recoupments	2 269	2 403
- Depreciation of property, plant and equipment	4 726	5 612
- Depreciation of leasing assets	515 378	484 496
- Loss (profit) on disposal of property, plant and equipment	(310)	72
- Profit on disposal of leasing assets	(15 997)	1 713
- (Reversal of impairment) impairment of loan	(63 176)	63 185
- Impairment of property		10
- Other non-cashflow movements	(29 105)	2
- Recognition of share-based payments	7 243	8 119
- (Reversal of impairment) impairment of share scheme loan	(16 089)	8 758
Cash generated by operations before changes in working capital	713 253	772 479
Working capital movements		
- Decrease in inventories	174 847	258 353
- (Increase) decrease in accounts receivable	(38 411)	28 663
- (Decrease)/Increase in accounts payable	(13 840)	(32 214)
Total cash generated by operations	835 849	1 027 281

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	30 June 2010 R 000	30 June 2009 R 000
24 Commitments		
Capital expenditure commitments to be incurred		
Authorised by directors but not contracted	969 032	870 582
	<u>969 032</u>	<u>870 582</u>

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 2010 R000
2010			
Property	588	218	806
2009			
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 2010
2010				
- Vehicles	775 534	2 702 054	1 097 493	4 575 081
2009				
- Vehicles	1 146 166	2 196 353	926 540	4 269 059

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

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.

27 Financial instruments (continued)

Financial risk factors (continued)  
Currency risk (continued)

Uncovered foreign currency exposure	nil	nil
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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 2010 than in 2009, 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 2010 R000	June 2009 R000
Pay fixed receive floating		
Less than one year	200 000	1 300 000
One to five years	656 000	356 000
	856 000	1 656 000
Pay floating receive inflation		
One to five years	270 000	
Fair value of interest rate swap (liability)/ asset	(27 457)	(31 036)

The impact of a 1% decrease in interest rates will have a negative R16m (2009: R12m) effect on profit or loss.

The impact of a 1% increase in interest rates will have a negative R23m (2009: R40m) 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.

27 Financial instruments (continued)  
Financial risk factors (continued)

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 2010 R000	30 June 2009 R000
Trade receivables that are neither past overdue nor impaired	23 767	27 456

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 2010 amounted to nil (2009: nil).

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 2010 R000	30 June 2009 R000
Past Due		
Less than 1 month	6 037	4 454
Between 1 - 3 months	6 166	12 767
	12 203	17 221

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 2010 R 000	30 June 2009 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	12 888	13 224
Amounts written off during the year	(19 506)	(15 347)
Increase in allowance recognised in profit or loss	27 634	15 011
Balance at end of year	21 016	12 888

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

27 Financial instruments (continued)

*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 2010 amounted to Rnil (2009: nil).

*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 timeous 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 2010				
Maturity profile of financial instruments	R000	R000	R000	R000
Financial assets				
Other investments and loans	1 000	1 000	1 000	
Amounts owing by group companies	3 966 624	3 966 624	3 966 624	
Trade receivables	71 859	71 859	71 859	
Cash and cash equivalents	192 848	192 848	192 848	
	4 232 331	4 232 331	4 232 331	0
Percentage profile (%)			100	0
Financial liabilities				
Amounts owing to group companies	332 241	332 241	332 241	
Interest-bearing borrowings	5 162 915	6 446 000	585 000	5 861 000
Trade and other payables	303 752	303 752	303 752	
Provisions for liabilities and other charges	226	226	226	
Derivative financial liabilities	27 457	27 457	27 457	
	5 826 591	7 109 676	1 248 676	5 861 000
Percentage profile (%)			18	82

27 Financial instruments (continued)

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

	Carrying amount 30 June 2 009 R000	Contractual cash flow R000	Less than one year R000	One to five years R000
<b>Maturity profile of financial instruments</b>				
Financial assets				
Other investments and loans	36 214	36 214	36 214	
Amounts owing by group companies	4 720 547	4 720 547	4 720 547	
Trade and other receivables	47 060	47 060	47 060	
Cash and cash equivalents	399	399	399	
	<b>4 804 220</b>	<b>4 804 220</b>	<b>4 804 220</b>	
Percentage profile (%)			<b>100</b>	
Financial liabilities				
Amounts owing to group companies	121 636	121 636	121 636	
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	
	<b>6 707 227</b>	<b>8 067 227</b>	<b>3 227 312</b>	<b>4 839 915</b>
Percentage profile (%)			<b>40</b>	<b>60</b>

	Carrying value 30 June 2010 R000	Fair value 30 June 2010 R000	Carrying value 30 June 2009 R000	Fair value 30 June 2009 R000
<b>Fair value of financial instruments (Rm)</b>				
Financial assets				
Amounts owing by group companies	3 966 624	3 966 624	4 720 547	4 720 547
Other loans				
- Available for sale	1 000	1 000	36 214	36 214
Trade receivables				
- Trade receivables - fair value	71 859	71 859	47 060	47 060
Cash and cash equivalents - fair value	192 848	192 848	399	399
Financial liabilities				
Amounts owing to group companies	332 241	332 241	121 636	121 636
Interest-bearing borrowings				
- Borrowings at amortised cost	5 162 915	5 162 915	6 236 683	6 236 683
Trade and other payables				
- Derivative instruments - hedge accounted	27 457	27 457	31 036	31 036
- Other trade and other payables - fair value	303 752	303 752	317 592	317 592

For the years ended

## 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 2010, the company's strategy, which was unchanged from 2009, 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 2010 R000	30 June 2009 R000
Total borrowings	5 162 915	6 236 683
Less: cash and cash equivalents	192 848	399
Net debt	4 970 067	6 236 284
Total equity	662 428	501 497
Total capital	5 632 495	6 737 781
Gearing ratio (debt to capital)	88%	93%

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

	30 June 2010 R000	30 June 2009 R000
Hedge accounting- cash flow hedges		
- Amount recognised in other comprehensive income	8 782	( 26 372)