

Eqstra Corporation Limited  
Registration Number: 1984/007045/06

Audited Annual Financial Statements  
30 June 2014

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

CONTENTS	Page
Directors' responsibility	1
Independent auditor's report	2
Directors' report	3 - 4
Statement of financial position	5
Income statement	6
Other comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the annual financial statements	9 - 43

Directors' responsibility for the annual financial statements


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 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 preparer of the financial statements is N Gomes CA (SA) and the supervisor JL Serfontein CA (SA).

The financial statements set out on pages 3 to 43 were approved by the board of directors on 13 October 2014 and are signed on its behalf by:

  
WS Hill

  
JL Serfontein

} Directors

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF EQSTRA CORPORATION LIMITED

We have audited the annual financial statements of Eqstra Corporation Limited, set out on pages 5 to 43, which comprise the statement of financial position as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### *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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *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 about 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.

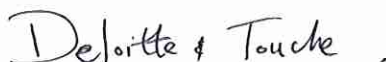
#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eqstra Corporation Limited, as at 30 June 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### *Other reports required by the Companies Act*

As part of our audit of the financial statements for the year ended 30 June 2014, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between the report and the audited financial statements.

This report is the responsibility of the board of directors. Based on reading the report we have not identified material inconsistencies between the report and the audited financial statements. However, we have not audited the report and accordingly do not express an opinion on the report.



**Deloitte & Touche**  
Registered Auditor

Per: Martin Bierman  
Partner  
13 October 2014

National Executive: LL Barn Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit  
DL Kennedy Risk Advisory NB Kader Tax TP Pillay Consulting K Black Clients & Industries  
JK Mazzocco Talent & Transformation CR Beukman Finance M Jordan Strategy S Gwala Special Projects  
TJ Brown 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 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

The directors have pleasure in submitting their report on the annual financial statements of the company for the year ended 30 June 2014.

#### FINANCIAL PERFORMANCE AND MAIN BUSINESS AND OPERATIONS

The core business is the provision of capital equipment and related value-added services to clients in the construction, mining, industrial and commercial sectors in South Africa in addition to providing the funding vehicle for all entities within the Eqstra Holdings Limited group.

The financial results for the year ended 30 June 2014 are set out in detail on pages 5 to 43. The company recorded a profit before taxation of R77 million (2013: R54 million).

#### DIVIDENDS

No dividends were declared and paid during the year under review (2013: R182 million).

#### AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes in the authorised or issued share capital of the company during the current year.

#### DIRECTORS

The directors of the entity are:

WS Hill

JV Carr

JL Serfontein

P Siddall

E Clarke (Resigned on 1 January 2014)

#### SPECIAL RESOLUTIONS

During the financial year the following special resolutions were passed:

##### Special Resolution 1 - Financial assistance for subscription of securities

Resolved in terms of section 44(3)(a)(ii) of the Companies Act of 2008 (Act 71 of 2008) ("the Act"), as a general approval, that the board of the Company may from time to time authorise the Company to provide any direct or indirect financial assistance for subscription of securities, as defined in section 44(1) of the Act, provided that the aforementioned approval shall be valid for a period of two years from approval of this resolution.

##### Special Resolution 2 - Financial assistance to related or inter-related companies and others

Resolved in terms of section 45(3)(a)(ii) of the Companies Act of 2008 (Act 71 of 2008) ("the Act"), as a general approval, that the board of the Company may from time to time authorise the Company to provide any direct or indirect financial assistance, as defined in section 45(1) of the Act, to any related or inter related company or corporation as contemplated in section 45(2) of the Act, for such amounts and on such terms and conditions as the board of the Company may determine, provided that the aforementioned approval shall be valid for a period of two years from passing hereof.



#### SPECIAL RESOLUTIONS (continued)

##### Special Resolution 3 – Conversion of authorised share capital to no par value shares

Resolved to convert the entire authorised ordinary shares of 4 000 000 of the Company with a par value of R0.001 each into no par value shares as well the entire issued ordinary shares of 600 002 with a par value of R0.001 in accordance with the provisions of item 6(3) of Schedule 5 of the Companies.

##### Special Resolution 4 – Conversion of company to a public company

Resolved that the company be converted to public company and that the name of the company be changed from Eqstra Corporation Proprietary Limited to Eqstra Corporation Limited.

##### Special Resolution 5 – Adoption of Memorandum of Incorporation

Resolved that, in accordance with Section 16(1)(c) of the Companies Act a new Memorandum of Incorporation of the Company will replace its Memorandum and Articles of Association.

#### GOING CONCERN

The directors consider that the company have adequate resources to continue operating for the foreseeable future. It therefore believes that it is appropriate to adopt the going concern basis in preparing the company annual financial statements. The directors have satisfied themselves that the company is in a sound financial position and that they have access to sufficient borrowing facilities to meet its foreseeable cash requirements.

#### AUDITORS

Deloitte & Touche continued in office as external auditors with Mr JM Bierman as the designated partner.

#### EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

The board of directors is not aware of any other matter or circumstance arising since the end of the reporting period which significantly affects the financial position of the company as at 30 June 2014 or the results of its operations or cash flows for the year then ended which is not dealt with in the financial statements.

#### COMPANY SECRETARY AND REGISTERED OFFICE

The company secretary is Ms L Möller. Her address and that of the registered office are as follows:

Business address 61 Maple Street Pomona, Kempton Park, 1619	Postal address PO Box 1050 Bedfordview, 2008
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Eqstra Corporation Limited  
Statement of financial position  
as at

	Notes	30 June 2014 R 000	30 June 2013 R 000
<b>Assets</b>			
<b>Non-current assets</b>			
		3 182 618	3 040 304
Intangible assets	4	112 340	52 601
Property, plant and equipment	5	120 500	133 041
Leasing assets	6	2 902 956	2 734 375
Derivative financial asset	7	-	52 709
Other investments and loans	8	46 822	67 578
<b>Current assets</b>			
		4 989 464	4 669 728
Derivative financial asset	7	48 485	45 800
Amounts owing by group companies	9	4 628 160	4 136 539
Inventories	10	39 406	57 975
Trade and other receivables	11	273 255	211 098
Cash and cash equivalents	12	158	218 316
<b>Total assets</b>		<b>8 172 082</b>	<b>7 710 032</b>
<b>Equity and liabilities</b>			
Stated capital	13	548 874	548 874
Other reserves	14	8 263	17 364
Retained income/(loss)		33 661	( 19 556)
<b>Total equity</b>		<b>590 798</b>	<b>546 682</b>
<b>Non-current liabilities</b>			
		4 903 106	4 920 533
Interest-bearing borrowings	15	4 543 299	4 583 021
Deferred tax liabilities	16	359 807	337 512
<b>Current liabilities</b>			
		2 678 178	2 242 817
Derivative financial liabilities	7	2 451	1 561
Amounts owing to group companies	9	277 560	274 934
Current portion of interest-bearing borrowings	15	1 963 869	1 555 666
Trade and other payables	17	434 298	410 235
Provisions for liabilities and other charges	18	-	421
<b>Total equity and liabilities</b>		<b>8 172 082</b>	<b>7 710 032</b>

Eqstra Corporation Limited  
Income statement  
For the years ended

	Notes	30 June 2014 R 000	30 June 2013 R 000
<b>Revenue</b>	19	2 081 919	1 985 917
Net operating expenses	20	(1 223 668)	(1 165 592)
<b>Profit from operations before depreciation, amortisation and recoupments</b>		858 251	820 325
Depreciation, amortisation and recoupments	21	(609 365)	(590 656)
<b>Operating profit</b>		248 886	229 669
Net foreign exchange gains		1 396	3 062
Net reversal (impairment) of amounts owing by group companies and leasing assets		9 223	(13 506)
<b>Profit before net finance costs</b>		259 505	219 225
Net finance costs	22	(182 205)	(165 557)
Finance costs including fair value gains	22	(555 494)	(524 803)
Finance income	22	373 289	359 246
<b>Profit before taxation</b>		77 300	53 668
Income tax expense	23	(22 013)	(17 487)
<b>Profit for the year</b>		55 287	36 181

Statement of other comprehensive income  
For the years ended

Other comprehensive income

Fair value gains on derivative instruments	1 006	10 799
Taxation	( 282)	(3 024)
Other comprehensive income for the year, net of taxation	724	7 775
<b>Total comprehensive income for the year</b>	56 011	43 956

Eqstra Corporation Limited  
Statement of changes in equity  
For the years ended

	Stated capital	Other reserves	Retained income (loss)	Total
	R 000	R 000	R 000	R 000
<b>Balance at 1 July 2012</b>	<b>549 972</b>	<b>1 571</b>	<b>126 727</b>	<b>678 270</b>
Total comprehensive income for the year	-	7 775	36 181	43 956
Dividend declared	-	-	(182 464)	(182 464)
Expenses recorded against stated capital	(1 098)	-	-	(1 098)
Share-based payments expense	-	8 018	-	8 018
<b>Balance at 30 June 2013</b>	<b>548 874</b>	<b>17 364</b>	<b>(19 556)</b>	<b>546 682</b>
Total comprehensive income for the year	-	724	55 287	56 011
Net share based payment reversal	-	(1 090)	-	(1 090)
Vesting of share incentive scheme	-	(9 046)	(1 759)	(10 805)
Reclassification to retained income	-	311	( 311)	-
<b>Balance at 30 June 2014</b>	<b>548 874</b>	<b>8 263</b>	<b>33 661</b>	<b>590 798</b>



Eqstra Corporation Limited

Statement of cash flows

For the years ended

		30 June 2014 R 000	30 June 2013 R 000
	Notes		
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2 024 579	1 930 954
Cash paid to suppliers and employees		(681 204)	(727 681)
Cash generated by operations	24A	1 343 375	1 203 273
Interest expense	22	(556 027)	(535 613)
Finance income	22	373 289	359 246
Income tax received		-	( 143)
		1 160 637	1 026 763
<b>Cash flows from investing activities</b>			
Disposal of business	24B	-	(41 838)
Purchase of intangible assets	4	(65 516)	(26 723)
Purchase of property, plant and equipment	5	(9 351)	(50 166)
Purchase of leasing assets	6	(1 262 029)	(1 223 459)
Proceeds from sale of intangible assets	4	26	54
Proceeds from sale of property, plant and equipment	5	5 576	17 221
Proceeds from sale of leasing assets	6	-	13 565
Net movement in amounts due by group companies		(479 772)	8 636
Net movement in other investments and loans		73 048	6 798
		(1 738 018)	(1 295 912)
<b>Cash flows from financing activities</b>			
Dividends paid		-	(182 464)
Net increase in interest-bearing borrowings		312 795	163 305
Decrease in finance lease receivable		-	30 656
		312 795	11 497
Net decrease in cash and cash equivalents		(264 586)	(257 652)
Cash and cash equivalents at beginning of year		218 316	475 968
Cash and cash equivalents at end of year	24C	(46 270)	218 316

## 1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the annual 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 the IFRS Interpretations Committee interpretations issued and effective for the company's financial year.

#### Foreign currencies

The company financial statements are presented in the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than rands are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Gains and losses arising on translation are included in net profit or loss for the period, except where the item relates to equity loans in which case the gain or loss will be deferred in other comprehensive income, until such time as the equity loan is repaid.

In order to hedge its exposure to foreign exchange risks, the company enters into forward contracts and options. See below for details of the company's accounting policies in respect of such derivative financial instruments.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the closing rate at the reporting date with exchange differences arising being recognised in equity.

### 1.2 OTHER 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.

### 1.3 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL (continued)

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 assessments 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-taxation 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.

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 and leasehold improvements	up to 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.



#### 1.4 PROPERTY, PLANT AND EQUIPMENT AND LEASING ASSETS (continued)

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.

#### 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

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.

## 1.7 FINANCIAL INSTRUMENTS (continued)

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.

In the company's financial statements, investments in associates are carried at cost less provision for impairment.

### 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 costs and reduced by appropriate allowances for doubtful debts. These allowances are recognised in profit or loss.

### 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 statement of comprehensive income 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 market place, 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 statement of comprehensive income 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.



## 1.7 FINANCIAL INSTRUMENTS (continued)

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 the statement of comprehensive income 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 statement of comprehensive income.

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 same period in which the hedged item affects the statement of comprehensive income.

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 statement of comprehensive income.

### 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 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 installment credit agreements.

#### *Operating leases*

Income is recognised in the statement of comprehensive income over the period of the lease term on the effective interest rate 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.

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.

### 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 statement of comprehensive income over the term of the relevant lease.

#### *Operating leases*

Operating lease costs are recognised in the statement of comprehensive income 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 statement of comprehensive income, 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 stated capital.

## 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 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 taxation 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.



#### 1.12 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 recognised at the end of the plan. An assessment is performed on a bi-annual basis to determine the value of profits already earned.

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.

#### 1.13 NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held-for-sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held-for-sale, non-current assets and disposal groups are recognised at the lower of carrying amount and the fair value less costs to sell.

Non-current assets classified as held-for-sale are not depreciated or amortised whilst classified as such.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resell.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for sale, if earlier. A disposal group that is to be abandoned may also qualify as a discontinued operation.

## 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 VALUE 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 lifecycles 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 numerous jurisdictions. 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.



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

### 2.3 INCOME TAXES (continued)

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 taxation deductions in future periods.

### 2.4 CONTINGENT LIABILITIES

Management applies judgement to the probabilities and advice it receives from its attorneys, advocates and other advisors 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. An assessment is performed on a bi-annual basis to determine the value of profits already earned.

### 2.6 INVENTORY PROVISIONS

The provision for inventory obsolescence is based on a physical count and inspection of inventory items which is performed at least annually and takes into account the age, condition and usage rates of the inventory.

### 2.7 FAIR VALUES AND FINANCIAL INSTRUMENTS

#### Basis for determining 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.

## 2.7 FAIR VALUES AND FINANCIAL INSTRUMENTS (continued)

### Basis for determining values

#### *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.

## 2.8 ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the unavoidable costs of meeting the company's obligations under a contract exceed the economic benefits expected to be received under the contract.

### 3. IMPACT OF NEWLY ISSUED AND REVISED STANDARDS AND INTERPRETATIONS

#### 3.1 NEWLY ISSUED AND REVISED STANDARDS

There were no standards or interpretations that were early adopted in the current year.

The company has adopted the following Revisions and Amendments which have become applicable in the current financial year, which doesn't have any material impact to the company:

- IFRS 10 : *Consolidated Financial Statements*
- IFRS 11 : *Joint Arrangements*
- IFRS 12 : *Disclosure of Interest in Other Entities*
- IAS 27 : *Separate Financial Statements (as revised in 2011)*
- IAS 28 : *Investment in Associates and Joint Ventures*
- IFRS 13 : *Fair Value Measurement*
- IFRS 19 : *Employee Benefits*
- IFRS 7 : *Disclosures - Offsetting Financial Assets and Financial Liabilities*

#### 3.2 NEWLY ISSUED AND REVISED 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 9: Financial Instruments

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

The new standard first becomes applicable to the company for the financial year ending 1 January 2018.

##### IAS 32: Financial Instruments – Presentation

Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently' has a legally enforceable right of set-off;
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The amendment first becomes applicable to the company for the financial year ending 30 June 2015.

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

**IFRS 10, IFRS 12 AND IAS 27: Investment Entities**

The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. The amendments to IFRS 12 and IFRS 27 introduce new disclosure requirements for investment entities.

The amendment first becomes applicable to the company for the financial year ending 30 June 2015.

**IAS 19 Employee Benefits**

Amended standard resulting from the post-employment benefits and termination benefits projects (Annual periods beginning on or after 1 July 2014).

**IFRS 15 Revenue from Contracts with Customers**

Applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017.

**IAS 16 Property Plant and Equipment and 38 Intangible Assets**

- Amendments regarding proportionate restatement of accumulated depreciation on revaluation (Annual periods beginning on or after 1 July 2014).
- Amendments regarding the clarification of acceptable methods of depreciation and amortisation (Annual periods beginning on or after 1 January 2016).

The amendment first becomes applicable to the company for the financial years year ending 30 June 2015 and year ending 30 June 2017 respectively.

**IAS 36 Impairment of Assets**

Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets (Annual periods beginning on or after 1 January 2014).



Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
<b>4 Intangible assets</b>		
- Cost	129 346	64 073
- Accumulated amortisation and impairment	(17 006)	(11 472)
	<b>112 340</b>	<b>52 601</b>
Net book value at beginning of year	52 601	30 254
Additions	65 516	26 723
Net disposal of businesses	-	( 202)
Proceeds on disposals	( 26)	( 54)
Amortisation	(5 707)	(4 120)
Net loss on disposal	( 44)	-
Net book value at end of year	<b>112 340</b>	<b>52 601</b>

Intangible assets consists of computer software.

**5 Property, plant and equipment**

R 000	Land, buildings and leasehold improvements	Equipment and furniture	Motor vehicles	Total
<b>Year ended 30 June 2014</b>				
- Cost	87 966	35 294	39 394	162 654
- Accumulated depreciation and impairment	(3 990)	(28 474)	(9 690)	(42 154)
	<b>83 976</b>	<b>6 820</b>	<b>29 704</b>	<b>120 500</b>
Net book value at beginning of year	92 672	9 689	30 680	133 041
Additions	4 891	4 423	37	9 351
Proceeds on disposals	(3 087)	(1 511)	( 978)	(5 576)
Depreciation	(1 664)	(5 389)	(8 181)	(15 234)
Net (loss) profit on disposal	( 199)	( 352)	428	( 123)
Disposal of land and buildings held under capitalised finance lease	(8 637)	-	-	(8 637)
Transfer (to)/from leasing assets	-	(40)	7 718	7 678
Net book value at end of year	<b>83 976</b>	<b>6 820</b>	<b>29 704</b>	<b>120 500</b>
The total value of capitalised finance leases included above	-	-	-	-
<b>Year ended 30 June 2013</b>				
- Cost	95 484	34 249	39 501	169 234
- Accumulated depreciation and impairment	(2 812)	(24 560)	(8 821)	(36 193)
	<b>92 672</b>	<b>9 689</b>	<b>30 680</b>	<b>133 041</b>
Net book value at beginning of year	105 933	11 725	4 160	121 818
Additions	7 588	6 680	35 898	50 166
Net acquisitions and disposal of businesses	(11 134)	(1 449)	(2 047)	(14 630)
Proceeds on disposals	(15 501)	(1 171)	( 549)	(17 221)
Depreciation	(1 536)	(5 927)	(7 093)	(14 556)
Net profit (loss) on disposal	7 322	( 169)	311	7 464
Net book value at end of year	<b>92 672</b>	<b>9 689</b>	<b>30 680</b>	<b>133 041</b>
The total value of capitalised finance leases included above	8 637	-	-	8 637

Certain property has been encumbered as security for interest-bearing borrowings (note 15).



Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
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## 6 Leasing assets

Cost	4 308 676	4 139 463
Accumulated depreciation and impairment	(1 405 720)	(1 405 088)
	<b>2 902 956</b>	<b>2 734 375</b>
Net book value at beginning of year	2 734 375	2 651 146
Additions	1 262 029	1 223 459
Net disposal of businesses	-	(204 582)
Proceeds on disposals	-	(13 565)
Depreciation	(587 638)	(578 862)
Impairment reversal	-	344
Net loss on disposal	( 619)	( 582)
Transfer to inventory	(505 191)	(342 983)
Net book value at end of year	<b>2 902 956</b>	<b>2 734 375</b>

Leasing assets consist of passenger and commercial vehicles and earthmoving equipment.

## 7 Derivative financial instruments

### Long-term

#### Assets

Inflation-linked swap	-	52 709
<i>Fair value through profit and loss</i>	-	<i>52 709</i>

### Short-term

#### Assets

Cross currency swaps	48 485	38 163
Interest rate derivatives	-	7 637
	<b>48 485</b>	<b>45 800</b>
<i>Fair value through profit and loss</i>	<i>48 485</i>	<i>45 800</i>

#### Liabilities

Interest rate derivatives	2 451	1 561
	<b>2 451</b>	<b>1 561</b>

Arising on long-term financial instruments used for cash flow hedging

Fair value through profit and loss

-	1 101
2 451	460

### Fair value of derivative financial instruments

Long-term financial assets are stated at fair value. The fair value of derivatives is based upon market valuations.

### Interest rate

The fair value of interest rate derivatives were determined by reference to quoted market prices for similar instruments.

Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
<b>8 Other investments and loans</b>		
<b>Investments</b>		
Listed investments at market value	43 522	64 278
Unlisted investments at fair value	3 300	3 300
<b>Total other investments and loans</b>	<b>46 822</b>	<b>67 578</b>
<i>The above are categorised as follows:</i>		
- Available-for-sale	46 822	67 578
	<b>46 822</b>	<b>67 578</b>

The listed investment comprises 6 098 319 (2013: 8 980 831) ordinary shares in Eqstra Holdings Limited. The investment has been recognised and measured as available-for-sale.

Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
<b>9 Amounts owing by (to) group companies</b>		
<b>Due by group companies</b>		
Eqstra Swaziland Proprietary Limited	10 909	10 538
Amasondo Fleet Services Proprietary Limited	24 198	26 236
Eqstra NH Equipment Proprietary Limited	166 044	278 510
MCC Contracts Proprietary Limited	2 459 017	2 446 649
Mutual Construction Company (Transvaal) Proprietary Limited	222 964	13 175
Saficon Industrial Equipment Proprietary Limited	1 679 883	1 317 201
GPS Tracking Solutions Proprietary Limited	-	1 914
Eqstra Fleet Services Namibia Proprietary Limited	58 099	28 353
Advacure Proprietary Limited t/a Eqstra Connect	4 035	3 976
Eqstra Collections Proprietary Limited t/a Safedrive	-	41
Leopont 595 Properties Proprietary Limited t/a Quick Cab	-	11 381
Eqstra Lesotho Proprietary Limited	4 353	3 065
Eqstra FlexiFleet Proprietary Limited	-	4 329
Octavopoint Proprietary Limited	2 618	4 513
Eqstra Zambia Limited	582	436
Other smaller group companies	85	72
<b>Total amounts due by group companies</b>	<b>4 632 787</b>	<b>4 150 389</b>
<b>Impairment of amounts owing by group companies</b>	<b>(4 627)</b>	<b>(13 850)</b>
	<b>4 628 160</b>	<b>4 136 539</b>
<b>Due to group companies</b>		
Eqstra FlexiFleet Proprietary Limited	21 477	83 616
Eqstra Holdings Limited	170 970	119 869
Eqstra Fleet Services (PVPS) Proprietary Limited	67 008	63 982
Eqstra Transformation Trust	2 587	-
Burgundy Rose Proprietary Limited t/a My Auto	-	47
Pemberley Fleet Services Proprietary Limited	4 038	4 331
Eqstra NH Equipment Proprietary Limited	483	-
Omathemba Proprietary Limited	1 258	1 160
Octavopoint Proprietary Limited	2 016	1 921
Other smaller group companies	-	8
MCC Equipment Rental (Namibia)	5 950	-
GPS Tracking Proprietary Limited	1 773	-
<b>Total amounts due to group companies</b>	<b>277 560</b>	<b>274 934</b>
<b>Effective interest rates</b>		
Loans	8.6%	8.0%

The carrying amount of amounts owing by (to) group companies approximates its fair value.

Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
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10 Inventories

Used vehicles	39 010	57 285
Spares, accessories and finished goods	396	690
	39 406	57 975
Inventories carried at net realisable value included above	22 396	4 497
Net amount of inventories write down expensed in the income statement	3 835	2 157

11 Trade and other receivables

Net trade receivables	184 066	131 860
Trade receivables	203 544	150 679
Less: Provision for impairment of trade receivables*	(19 478)	(18 819)
Prepayments and other	89 189	79 238
	273 255	211 098

\* An analysis of the provision for impairment of trade receivables is found in note 28.  
The carrying amount of trade and other receivables approximates its fair value.

12 Cash and cash equivalents

Cash on hand	158	209
Bank balance	-	218 107
Net cash and cash equivalents	158	218 316
Effective interest rates	4.3%	4.0%

13 Stated capital

Authorised stated capital		
4 000 000 (2013: 4 000 000) ordinary shares	4	4
Issued stated capital		
600 002 (2013: 600 002) ordinary shares	548 874	548 874

Equity Compensation Benefits

Eqstra 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.

Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

30 June  
2014

30 June  
2013

### 13 Stated capital (continued)

The following share incentive plans were in operation during the financial year:

	Date of issue	Period to expiry	IFRS 2 classification
Eqstra Holdings Ltd	1-September-2011	3 years	Equity settled
Eqstra Holdings Ltd	1-September-2012	3 years	Equity settled
Eqstra Holdings Ltd	1-September-2013	3 years	Equity settled

The value of the SAR has been calculated using the Binomial model based on the following assumptions:

	2011 Scheme	2012 Scheme	2013 Scheme
Expected volatility (%)	42.07	38.81	38.39
Expected dividend yield (%)	5.44	8.76	6.47
Expected forfeiture rate (%)	70.00	70.00	20.00
Exercise price of share appreciation rights	R 7.20	R 6.56	R 7.14
Fair value of the SAR on grant date	R 2.05	R 1.70	R 2.02

	30 June 2014	30 June 2013
Share based payment (income) expense recognised (R000)		
2010 Scheme	-	1 901
2011 Scheme	( 2 916)	2 558
2012 Scheme	( 569)	2 272
2013 Scheme	1 360	-
	( 2 125)	6 731

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 the entity at vesting date. The calculation of the share based payment expense requires management to exercise a degree of judgement.

#### Movement on the number of SAR's granted

Balance at beginning of year	16 077 000	11 879 000
Share appreciation rights transferred	-	(205 000)
Share appreciation rights granted	3 234 000	6 944 000
Share appreciation rights forfeited	(2 482 140)	(2 541 000)
Share appreciation rights exercised	(3 292 860)	-
Balance at end of year	13 536 000	16 077 000



Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
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13 Stated capital (continued)

Deferred Bonus Plan (DBP) Schemes

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	IFRS 2 classification
Eqstra Holdings Ltd	1-September-2011	3 years	Equity settled
Eqstra Holdings Ltd	1-September-2012	3 years	Equity settled
Eqstra Holdings Ltd	1-September-2013	3 years	Equity settled

The value of the DBP has been calculated using the Binomial model based on the following assumptions:

	2011 Scheme	2012 Scheme	2013 Scheme
Expected volatility (%)	42.07	38.81	38.39
Expected dividend yield (%)	5.44	8.76	6.47
Fair value of the DBP on grant date	R6.21	R5.84	R 5.98

	30 June 2014	30 June 2013
Share based payment expense recognised (R000)	-	373
2010 Scheme	208	461
2011 Scheme	350	453
2012 Scheme	477	-
2013 Scheme	1 035	1 287

Movement on the number of DBP's granted

Rights at beginning of year	805 000	583 000
Deferred bonus plan shares exercised	(248 000)	
Deferred bonus plan shares granted	287 000	307 000
Deferred bonus plan shares forfeited	(138 000)	(85 000)
Rights at end of year	706 000	805 000

14 Other reserves

Hedging reserve	(199)	(1 205)
Deferred taxation in equity	56	337
Share-based equity	8 406	18 232
	8 263	17 364

For further disclosure of the share-based equity reserve refer to note 13, stated capital.

Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
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15 Interest-bearing borrowings

<b>Long-term in nature</b>		
- Capitalised finance leases	-	5 433
- Unsecured loans	5 521 031	5 133 254
	<b>5 521 031</b>	<b>5 138 687</b>
<b>Short-term in nature</b>		
- Unsecured and call borrowings	939 709	1 000 000
- Overdraft	46 428	-
	<b>986 137</b>	<b>1 000 000</b>
<b>Total borrowings (at amortised cost)</b>	<b>6 507 168</b>	<b>6 138 687</b>
Less : current portion of interest-bearing borrowings	(1 963 869)	(1 555 666)
Long term portion of interest-bearing borrowings	<b>4 543 299</b>	<b>4 583 021</b>

The current portion of interest-bearing borrowings includes R823 million (2013: R900 million) commercial paper that is supported by a R1 000 million standby liquidity facility that has an 13-month notice period.

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

	Up to 1 year R 000	1-5 years R 000	Total R 000
<b>Year ended 30 June 2014</b>			
Minimum lease payments	-	-	-
Finance costs	-	-	-
Present value of minimum lease payments	-	-	-
	Up to 1 year R 000	1-5 years R 000	Total R 000
<b>Year ended 30 June 2013</b>			
Minimum lease payments	5 522	-	5 522
Finance costs	( 89)	-	( 89)
Present value of minimum lease payments	<b>5 433</b>	<b>-</b>	<b>5 433</b>

Eqstra Corporation (Pty) Ltd 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 R0 million (2013: R2 million)

Interest rate analysis

Interest rate analysis	30 June 2014	30 June 2014	30 June 2013	30 June 2013
		R 000		R 000
	Effective rates	Analysis of debt	Effective rates	Analysis of debt
Fixed				
- Unsecured loans	-	-	8.71%	250 000
- Bonds	12.92%	50 000	12.92%	50 000
Variable linked				
- Unsecured loans	3.0% - 9.35%	2 846 062	7.76% - 8.48%	2 754 459
- Unsecured call borrowings and overdraft	3.25% - 14.5%	171 428	-	-
- Bonds	7.73% - 11.58%	2 616 678	7.15% - 11.42%	2 178 795
- Commercial paper	6.67%	823 000	5.50%	900 000
		6 507 168		6 133 254

Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

15 Interest-bearing borrowings (continued)

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

	2019 and onwards	2018	2017	2016	2015	Total
<b>2014</b>						
SA Rands (R 000)	46 500	1 319 500	1 612 739	1 440 057	1 935 215	6 354 011
Other (R 000)		67 195	28 654	28 654	28 654	153 157
<b>Total</b>	<b>46 500</b>	<b>1 386 695</b>	<b>1 641 393</b>	<b>1 468 711</b>	<b>1 963 869</b>	<b>6 507 168</b>
	2018 and onwards	2017	2016	2015	2014	Total
<b>2013</b>						
SA Rands (R 000)	726 000	1 294 945	1 348 040	1 107 894	1 489 257	5 966 136
Other (R 000)	20 181	28 653	28 654	28 654	66 409	172 551
<b>Total</b>	<b>746 181</b>	<b>1 323 598</b>	<b>1 376 694</b>	<b>1 136 548</b>	<b>1 555 666</b>	<b>6 138 687</b>

Borrowing facilities

In terms of the memorandum of incorporation the borrowing powers of the company are unlimited.

Total facilities established	4 804 353	4 813 715
Less : Total borrowings, excluding commercial paper and bonds	2 971 062	3 004 459
Unutilised borrowing facilities	1 833 291	1 809 256

The current portion of interest-bearing borrowings includes R823 million (2013: R900 million) commercial paper that is supported by a R1 000 million standby liquidity facility that has a 13 month notice period. The R1 000 million is included in the facility of R4 804 353 million (2013: R4 813 715 million) above.

Details of encumbered assets

	2014 Debt Secured R 000	2014 Net book value of assets encumbered R 000	2013 Debt Secured R 000	2013 Net book value of assets encumbered R 000
Property, plant and equipment	-	-	5 433	8 637

16 Deferred tax liabilities

	30 June 2014 R 000	30 June 2013 R 000
Balance at beginning of year	337 512	317 591
Net acquisitions and disposal of businesses	-	( 447)
Accounted for in the income statement	22 013	17 344
Accounted for in statement of comprehensive income	282	3 024
<b>Balance at end of year</b>	<b>359 807</b>	<b>337 512</b>
<b>Analysis of deferred taxation</b>		
- Provisions and other accruals	(59 200)	(47 399)
- Property, plant and equipment	8 050	10 749
- Leasing assets	404 027	386 225
- Estimated assessed taxation loss	(31 081)	(54 235)
- Other	38 011	42 172
	<b>359 807</b>	<b>337 512</b>
<b>Taxation losses</b>		
Unutilised tax losses available for offset against future profits	111 005	193 696
Deferred tax assets recognised in respect of such losses	31 081	54 235



Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
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17 Trade and other payables

Trade payables	90 659	99 671
Other payables and accruals	230 960	198 925
Interest accrual	67 216	51 556
Employee related accruals	45 463	60 083
	434 298	410 235

The carrying amount of trade and other payables approximates its fair value.

18 Provisions for liabilities and other charges

Warranty and after sales

Opening balance	421	410
Charged to income	(364)	30
Amounts utilised	(57)	(19)
Balance at end of year - payable in less than one year	-	421

19 Revenue

An analysis of the company's revenue is as follows:

Sales of goods	601 972	412 018
Rendering of services and other	1 479 947	1 573 899
	2 081 919	1 985 917

20 Net operating expenses

Cost of sales	535 026	401 530
Staff costs	238 676	296 696
Other operating income	(41 637)	(37 533)
Other operating costs	491 603	504 899
	1 223 668	1 165 592

The above costs are arrived at after including:

Auditor's remuneration	4 539	3 967
Share-based payment (reversal) expense (included in staff costs)	(1 090)	8 018
Rental and operating lease charges	17 083	20 844
Properties	13 006	15 236
Office equipment	1 034	4 461
Motor vehicles	3 043	1 147

Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
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## 20 Net operating expenses (continued)

Defined contribution retirement plan costs included in staff costs	23 900	16 363
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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.

## 21 Depreciation, amortisation and recoupments

Intangible assets	5 707	4 120
Property, plant and equipment	15 234	14 556
Leasing assets	587 638	578 862
	608 579	597 538
Loss on disposal of intangible assets	44	-
Loss (profit) on disposal of property, plant and equipment	123	(7 464)
Loss on disposal of leasing assets	619	582
	609 365	590 656

## 22 Net finance costs

Interest expense	556 027	535 613
Finance income	(373 289)	(359 246)
Net finance cost	182 738	176 367
Fair value gains arising from interest swap instruments - unrealised	(533)	(10 810)
Net finance cost	182 205	165 557

No finance costs were capitalised during the year (2013: R0).

Included in finance costs is the following:

- Finance costs on bank overdrafts and other financial liabilities	555 776	533 364
- Finance costs on capitalised finance leases	251	2 249
- Fair value gains arising from interest swap instruments (unrealised)	(533)	(10 810)
Finance costs including fair value gains	555 494	524 803

Included in finance income is the following:

- Finance income on loans and receivables	367 827	340 249
- Finance income on capitalised finance lease	-	12 869
- Finance income on cash and cash equivalents and interest swaps	3 228	3 976
- Dividend income	2 234	2 152
Finance income	373 289	359 246

Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
<b>23 Income tax expense</b>		
<b>Taxation charge</b>		
South African normal taxation		
- Current	-	143
	-	143
<b>Deferred taxation</b>		
- Current year	22 013	17 857
- Prior year under provisions	-	( 513)
	22 013	17 344
	22 013	17 487
<b>Reconciliation of taxation rates:</b>	<b>%</b>	<b>%</b>
Profit before taxation - effective rate	28.5	32.6
Taxation effect of:		
- Disallowable and non taxable charges	(0.5)	(5.6)
- Prior year under (over) provision	-	1.0
	28.0	28.0



Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
<b>24 Note to the cash flow statement</b>		
<b>24A Cash generated by operations</b>		
Profit before net financing costs	259 505	219 225
Adjustments for non cash movements		
- Amortisation of intangible assets, net of recoupments	5 707	4 120
- Depreciation of property, plant and equipment	15 234	14 556
- Depreciation of leasing assets	587 638	578 862
- Impairment charge against intercompany loans	(9 223)	13 506
- Loss on disposal of intangible assets	44	-
- Loss (profit) on disposal of property, plant and equipment	123	(7 464)
- Loss on disposal of leasing assets	619	582
- Recognition of share-based payments	(1 090)	8 018
- Movement in provisions	37 267	2 959
- Other non-cashflow movements	2 473	(12 555)
Cash generated by operations before changes in working capital	898 297	821 809
Working capital movements		
- Movement in inventories	516 582	328 302
- Increase in accounts receivable	(57 339)	(54 963)
- Increase in accounts payable	(14 165)	108 125
Total cash generated by operations	1 343 375	1 203 273
<b>24B Disposal of businesses</b>		
Intangible assets	-	( 202)
Property, plant and equipment	-	(14 630)
Leasing assets	-	(204 582)
Inventories	-	(1 972)
Finance lease receivables	-	(81 868)
Trade and other receivables	-	(30 641)
Deferred tax liabilities	-	447
Amounts owing to group companies	-	312 105
Trade and other payables	-	63 181
Cash flow on disposal	-	41 838
<b>24C Cash and cash equivalents at end of year</b>		
Cash on hand	158	209
Bank balance	(46 428)	218 107
	(46 270)	218 316

Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
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25 Commitments

Capital expenditure commitments to be incurred		
Contracted	113 008	108 683
Authorised by directors but not contracted	1 638 666	1 394 618
	1 751 674	1 503 301

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

30 June 2014	One to five years R 000	Less than one year R 000	Total R 000
Property	14 166	7 703	21 869

30 June 2013			
Property	13 960	7 703	21 663

26 Contingent liabilities

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

27 Operating lease receivable

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

30 June 2014	More than five years	One to five years	Less than one year	Total
Vehicles	886 834	2 681 208	1 283 674	4 851 716

30 June 2013	More than five years	One to five years	Less than one year	Total
Vehicles	1 131 602	2 298 194	1 070 747	4 500 543

## 28 Financial instruments

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### 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.

#### *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. Such instruments include forward exchange contracts and under specific ALCO authorisation, currency options.

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.

The company has no uncovered foreign currency exposure and all foreign currency denominated assets and liabilities are hedged through foreign exchange contracts. 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.



## 28 Financial instruments (continued)

### Concentration risk

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

### 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.

### 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 15. 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 2014 R 000	June 2013 R 000
<b>Pay fixed receive floating</b>		
Less than one year	250 000	156 000
One to five years	-	250 000
	<b>250 000</b>	<b>406 000</b>
<b>Pay floating receive fixed</b>		
One to five years	106 000	106 000
<b>Pay floating receive inflation</b>		
One to five years	-	270 000
<b>Fair value of interest rate and inflation linked swaps</b>		
- Liability	2 451	1 561
- Asset	-	45 800

The impact of a 1% change in interest rates will have not have a material impact on profit and loss as the fixed rates loans are covered with interest rate swaps and the income streams are linked to the prime interest rate.

### 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. 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. The company is not exposed to a situation where a third party may require collateral with respect to the transaction with that third party. 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.

## 28 Financial instruments (continued)

### 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.

### 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. 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.

In addition, the company is exposed to credit risk in relation to financial guarantees given to banks provided by the company. The company's maximum exposure in this respect is the maximum amount the company could pay if the guarantee is called upon (refer to note 15). As at 30 June 2014, an amount of R 5.5 billion (30 June 2013: R 5.1 billion) has been recognised in the statement of financial position as financial liabilities.

### 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 2014 R 000	30 June 2013 R 000
Trade receivables that are neither past overdue nor impaired	147 777	107 140

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 2014 amounted to R48.5 million (2013: R98.5 million).

### 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.

Less than 1 month	4 794	10 979
Between 1 - 3 months	31 495	15 731
	36 289	26 710

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.

## 28 Financial instruments (continued)

### Trade accounts receivable (continued)

#### 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.

	30 June 2014 R 000	30 June 2013 R 000
<b>Analysis of provision for doubtful debts</b>		
Balance at beginning of the year	18 819	15 871
Amounts written off during the year	(11 487)	(9 540)
Increase in allowance recognised in profit or loss	12 146	12 488
Balance at end of year	19 478	18 819

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

#### 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 15. 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.

The current portion of interest-bearing borrowings includes R823 million (2013: R900 million) commercial paper that is supported by a R1 000 million standby liquidity facility that has a 13 month notice period. In addition the company utilise general banking facilities to meet short term liquidity requirements.

## 28 Financial instruments (continued)

### Liquidity risk (continued)

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

	Carrying amount (Fair value) R 000	Contractual cash flow R 000	Less than one year R 000	One to five years R 000
<b>30 June 2014</b>				
<b>Financial assets</b>				
Other investments and loans	46 822	46 822	-	46 822
Amounts owing by group companies	4 628 160	4 632 787	4 632 787	-
Trade receivables	184 066	203 544	203 544	-
Derivative financial assets	48 485	48 485	48 485	-
	<b>4 907 533</b>	<b>4 931 638</b>	<b>4 884 816</b>	<b>46 822</b>
Percentage profile (%)			<b>99</b>	<b>1</b>
<b>Financial liabilities</b>				
Amounts owing to group companies	277 560	277 560	277 560	-
Interest-bearing borrowings	6 507 168	7 166 093	2 198 949	4 967 144
Trade and other payables	434 298	434 298	434 298	-
	<b>7 219 026</b>	<b>7 877 951</b>	<b>2 910 807</b>	<b>4 967 144</b>
Percentage profile (%)			<b>37</b>	<b>63</b>
<b>30 June 2013</b>				
<b>Financial assets</b>				
Other investments and loans	67 578	67 578	-	67 578
Amounts owing by group companies	4 136 539	4 150 389	4 150 389	-
Trade receivables	131 860	150 679	150 679	-
Derivative financial assets	98 509	98 509	45 800	52 709
Cash and cash equivalents	218 316	218 316	218 316	-
	<b>4 652 802</b>	<b>4 685 471</b>	<b>4 565 184</b>	<b>120 287</b>
Percentage profile (%)			<b>97</b>	<b>3</b>
<b>Financial liabilities</b>				
Amounts owing to group companies	274 934	274 934	274 934	-
Interest-bearing borrowings	6 138 687	7 612 677	1 957 334	5 655 343
Trade and other payables	410 235	410 235	410 235	-
Derivative financial liabilities	1 561	1 561	1 561	-
	<b>6 825 417</b>	<b>8 299 407</b>	<b>2 644 064</b>	<b>5 655 343</b>
Percentage profile (%)			<b>32</b>	<b>68</b>



## 28 Financial instruments (continued)

### Fair values

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.

### Fair value hierarchy disclosures

#### Valuation methodology

The table below shows the company's financial asset and liability that are recognised and subsequently measured at fair value, analysed by valuation technique. The classification is based on the lowest level input that is significant to the fair value measured in its entirety.

	Level 1 Rm	Level 2 Rm	Fair value Rm
<b>30 June 2014</b>			
<b>Financial assets</b>			
Available-for-sale financial assets			
– Investments	43 522	3 300	46 822
Financial assets designated as fair value through profit and loss			
– Derivative financial assets	–	48 485	48 485
<b>Total financial assets</b>	<b>43 522</b>	<b>51 785</b>	<b>95 307</b>
<b>Financial liabilities</b>			
Financial liabilities designated as fair value through profit and loss			
– Derivative financial liabilities	–	2 451	2 451
<b>Total financial liabilities</b>	<b>–</b>	<b>2 451</b>	<b>2 451</b>
<b>30 June 2013</b>			
<b>Financial assets</b>			
Available-for-sale financial assets			
– Investments	64 278	3 300	67 578
Financial assets designated as fair value through profit and loss			
– Derivative financial assets	–	98 509	98 509
<b>Total financial assets</b>	<b>64 278</b>	<b>101 809</b>	<b>166 087</b>
<b>Financial liabilities</b>			
Financial liabilities designated as fair value through profit and loss			
– Derivative financial liabilities	–	1 561	1 561
<b>Total financial liabilities</b>	<b>–</b>	<b>1 561</b>	<b>1 561</b>

### 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.

Included in the statement of comprehensive income is the following adjustments relating to financial instruments:

Hedge accounting- cash flow hedges	724	11 755
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## 29 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 2014 R 000	30 June 2013 R 000
Short - term employee benefits	24 904	35 963
Long - term employee benefits	2 037	3 191
Share based payments recognised as an (reversal) expense	(1 090)	1 362
	25 851	40 516
Number of key management personnel	19	21

Directors remuneration - 2014	Salary R 000	Incentive R 000	Total R 000
WS Hill	5 595	793	6 388
E Clarke *	1 718	296	2 014
JV Carr	3 136	2 373	5 509
JL Serfontein	2 749	637	3 386
P Siddall	1 856	618	2 474
	15 054	4 717	19 771

Directors remuneration - 2013	Salary R 000	Incentive R 000	Total R 000
WS Hill	5 232	4 710	9 942
E Clarke	3 212	3 212	6 424
JV Carr	2 931	1 399	4 330
JL Serfontein	2 455	2 210	4 665
P Siddall	1 678	1 735	3 413
	15 508	13 266	28 774

The board of directors has deemed that the prescribed officers of the company are limited to the directors.

The above directors qualify for share incentives as per the Eqstra group scheme.

\* Resigned as a director on 1 January 2014.

Eqstra Corporation Limited  
Notes to the annual financial statements (continued)  
For the years ended

	30 June 2014 R 000	30 June 2013 R 000
<b>29 Related party transactions (continued)</b>		
<b>Related party balances</b>		
<i>Amounts due by (to) group companies - Refer note 9</i>		
<i>Trade and other receivables</i>		
Mutual Construction Company (Transvaal) Proprietary Limited	-	2 797
Clarklift South Africa Proprietary Limited	-	37
Eqstra Fleet Services Proprietary Limited	2 251	39 928
Eqstra Swaziland Proprietary Limited	100	1 092
Eqstra Lesotho Proprietary Limited	-	1 630
Eqstra Botswana Proprietary Limited	425	1 772
Amasondo Fleet Services Proprietary Limited	528	3 566
Eqstra TA Equipment Proprietary Limited	17 827	5
Eqstra NH Equipment Proprietary Limited	404	2 365
Imperial Specialised Freight Nigeria Ltd	1 218	1 320
Eqstra Fleet Services Kenya	-	215
Saficon Industrial Equipment Proprietary Limited	373	42
Eqstra Fleet Services Namibia Proprietary Limited	215	1 514
Advacure Proprietary Limited t/a Eqstra Connect	1 685	1 340
Leopont 595 Properties Proprietary Limited t/a Quick Cab	-	321
Eqstra FlexiFleet Proprietary Limited	6	135
Octavopoint Proprietary Limited	312	464
Eqstra Fleet Services Tanzania	-	367
Eqstra Zambia Limited	-	494
600 SA Holdings Proprietary Limited	48	-
MCC Contracts Proprietary Limited	679	-
	<b>26 071</b>	<b>59 404</b>
<i>Trade and other payables</i>		
Eqstra NH Equipment Proprietary Limited	-	-
Eqstra FlexiFleet Proprietary Limited	(3 830)	(4 274)
Eqstra Fleet Services Namibia Proprietary Limited	-	-
Eqstra Fleet Services (PVPS) Proprietary Limited	-	(168)
Eqstra TA Equipment Proprietary Limited	(169)	(559)
Saficon Industrial Equipment Proprietary Limited	(5 130)	(381)
GPS Tracking Solutions Proprietary Limited	(1 486)	(100)
Eqstra Fleet Services Proprietary Limited	(3 825)	(43 158)
Amasondo Fleet Services Proprietary Limited	(254)	(119)
Advacure Proprietary Limited t/a Eqstra Connect	-	(3)
Octavopoint Proprietary Limited	(1 597)	(641)
Eqstra Lesotho Proprietary Limited	(403)	-
Eqstra Botswana Proprietary Limited	(646)	-
	<b>(17 340)</b>	<b>(45 129)</b>
<b>Related party transactions</b>		
<i>Revenue</i>		
Eqstra TA Equipment Proprietary Limited	9 375	10 088
MCC Contracts Proprietary Limited	65 930	62 411
Advacure Proprietary Limited t/a Eqstra Connect	1 159	1 216
Eqstra NH Equipment Proprietary Limited	23 712	191
600 SA Holdings Proprietary Limited	845	41
GPS Tracking Solutions Proprietary Limited	1 082	799
Saficon Industrial Equipment Proprietary Limited	38 367	35 463
Other smaller group companies	66	(109)
	<b>140 535</b>	<b>110 101</b>
<i>Dividend income</i>		
Eqstra Holdings Limited	2 234	2 152

Refer to note 22 for finance income received from related parties.

