# Eqstra Corporation Limited

Registration Number: 1984/007045/06

Audited Annual Financial Statements

30 June 2016

**Eqstra Corporation Limited**
**Annual Financial Statements**
**30 June 2016**

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

CONTENTS

Eqstra Corporation Limited
Directors' responsibility for the annual financial statements
For the year ended 30 June 2016

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 annual financial statements of the company are prepared on the going-concern basis. The directors have reviewed the financial performance of the company, as well as its longer-term forecasted performance. Based on the reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future, nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the foreseeable future.

The preparer of the financial statements is M Hall CA (SA) and the supervisor N Gomes CA (SA).

The financial statements set out on pages 4 to 48 were approved by the board of directors on 28 October 2016 and are signed on its behalf by:

JL Serfontein

JV Carr

Directors

Deloitte.

Deloitte & Touche
Registered Auditors
Audit - Gauteng

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF EQSTRA CORPORATION LIMITED**

*Report on the financial statements*

We have audited the financial statements of Eqstra Corporation Limited, set out on pages 8 to 48, which comprise the statement of financial position as at 30 June 2016 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 judgement, 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 2016, 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 2016, we have read the directors' report, audit committee report and the company secretary compliance statement for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the board of directors. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

*Report on Other Legal and Regulatory Requirements*

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte and Touche has been the auditor of Eqstra Corporation Limited for nine years.

Deloitte & Touche

**Deloitte & Touche**
Registered Auditor
Mark Rayfield
Partner
28 October 2016

**Eqstra Corporation Limited**
**Audit committee report**
**For the year ended 30 June 2016**

Eqstra Corporation Limited is a subsidiary of Eqstra Holdings Limited (the group).

The group audit committee is constituted as a statutory committee of the company in terms of Section 94 of the South African Companies Act, No 71 of 2008 and Regulations ("the Act"). Its operations are guided by a formal terms of reference that are in line with the Act and are approved by the board, as and when it is amended. Eqstra Holdings Limited appoints an independent audit committee annually in terms of section 94 of the Act. The group audit committee performs the functions required on behalf of Eqstra Corporation Limited, its subsidiary. The company is thus exempt from having a separate audit committee in terms of section 94 (2)(a) and (b) of the Act.

The committee discharged all its responsibilities, as contained in the terms of reference and detailed in the audit committee report contained in the group integrated annual report. The committee considered the independence and objectivity of the external auditor and ensured that the scope of its additional services provided did not impair their independence. The audit committee satisfied itself that the external auditor of the company is independent, as defined by the Act. The audit committee reviewed the performance, appropriateness and expertise of the company's finance functions. The committee was satisfied that key financial risks were addressed during the year.

Refer to additional detail in the audit committee report contained in the Eqstra Holdings Limited group integrated annual report.

**Eqstra Corporation Limited**
**Company secretary compliance statement**
**For the year ended 30 June 2016**

In my capacity as company secretary, I hereby confirm that in terms of section 88(2)(e) of the South African Companies Act, No 71 of 2008 and regulations, as amended, the company has lodged all returns required of a public company in terms of this Act for the year ended 30 June 2016 with the Registrar of Companies and that all these returns are true, correct and up to date.

**L Möller**
Company secretary
28 October 2016

The directors have pleasure in submitting their report on the annual financial statements of the company for the year ended 30 June 2016.

## 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 2016 are set out in detail on pages 8 to 48. The company recorded a loss before taxation of R138 million (2015: Profit before taxation R102 million).

## DIVIDENDS

No dividends were declared and paid during the year under review (2015: Rnil).

## 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:

JV Carr
JL Serfontein
HM Lindeque

## 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.

## GOING CONCERN

The annual financial statements presented have been prepared on the assumption that the company will continue to operate as a going concern. This assumption is predicated on the enX transaction being implemented in substantially the form approved by shareholders of Eqstra Holdings Limited at a general meeting on 22 September 2016.
This, together with the company's current trading position and forecasts, allows the directors to conclude that the company will be able to meet its obligations as they fall due, and accordingly that it remains appropriate to prepare these financial results on a going concern basis.

## AUDITORS

Deloitte & Touche continued in office as external auditors with Mr M Rayfiled as the designated partner.

## EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

The company changed its year end to 31 August. The company will report its 2017 financial results as at 31 August 2017.
The Eqstra group entered into a transaction whereby the entity will be disposed of to enX Group Limited with effect from 1 November 2016. All debt will be restructured as part of the transaction.
The company will be disposed of by Eqstra Holdings Limited to Eqstra Investments (Proprietary) Limited as part of the enX transaction.

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 2016 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 | Postal address |
|---|---|
| 61 Maple Street | PO Box 1050 |
| Pomona, | Bedfordview, |
| Kempton Park, | 2008 |
| 1619 | |

## Eqstra Corporation Limited
## Statement of financial position
as at

| | Notes | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | 5 283 692 | 7 021 989 |
| Intangible assets | 4 | - | 162 464 |
| Property, plant and equipment | 5 | 74 221 | 114 326 |
| Leasing assets | 6 | 2 546 735 | 2 804 704 |
| Investments | 7 | 27 062 | 31 972 |
| Amounts owing by group companies | 8 | 2 635 674 | 3 908 523 |
| **Current assets** | | 2 104 734 | 488 084 |
| Amounts owing by group companies | 8 | 1 717 521 | 208 170 |
| Derivative financial asset | 9 | 32 329 | 27 386 |
| Inventories | 10 | 18 102 | 19 611 |
| Trade and other receivables | 11 | 230 704 | 181 524 |
| Cash and cash equivalents | 12 | 106 078 | 51 393 |
| **Total assets** | | 7 388 426 | 7 510 073 |
| **Equity and liabilities** | | | |
| Stated capital | 13 | 548 874 | 548 874 |
| Other reserves | 14 | 12 282 | (16 912) |
| Equity loan | 8 | 25 360 | - |
| Retained income | | (65 914) | 109 023 |
| **Total equity** | | 520 602 | 640 985 |
| **Non-current liabilities** | | 950 968 | 4 894 525 |
| Interest-bearing borrowings | 15 | 637 718 | 4 507 833 |
| Deferred tax liabilities | 16 | 313 250 | 386 692 |
| **Current liabilities** | | 5 916 856 | 1 974 563 |
| Derivative financial liabilities | 9 | - | 1 533 |
| Amounts owing to group companies | 8 | 83 409 | 107 937 |
| Current portion of interest-bearing borrowings | 15 | 5 288 319 | 1 423 426 |
| Current tax liability | | 42 480 | - |
| Trade and other payables | 17 | 502 648 | 441 667 |
| **Total equity and liabilities** | | 7 388 426 | 7 510 073 |

## Eqstra Corporation Limited
## Statement of comprehensive income
For the years ended

| | Notes | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|---|
| **Revenue** | 18 | **2 149 619** | 1 941 814 |
| Net operating expenses | 19 | **(1 318 420)** | (1 016 021) |
| **Profit from operations before depreciation, amortisation, recoupments and impairments** | | **831 199** | 925 793 |
| Depreciation, amortisation and recoupments | 20 | **(593 620)** | (632 550) |
| Impairments | 21 | **(213 585)** | - |
| **Operating profit** | | **23 994** | 293 243 |
| Net foreign exchange gains (losses) | | **160** | (430) |
| Net reversal of amounts owing by group companies and leasing assets | | **-** | 4 627 |
| **Profit before net finance costs** | | **24 154** | 297 440 |
| Net finance costs | 22 | **(161 728)** | (195 144) |
| Finance costs including fair value gains | 22 | **(572 725)** | (582 768) |
| Finance income | 22 | **410 997** | 387 624 |
| **(Loss) profit before taxation** | | **(137 574)** | 102 296 |
| Income tax expense | 23 | **(37 363)** | (26 885) |
| **(Loss) profit for the year** | | **(174 937)** | 75 411 |

## Eqstra Corporation Limited
## Statement of other comprehensive income
For the years ended

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| **Other comprehensive income** | | |
| *Items that may be reclassified subsequently to profit and loss* | | |
| Fair value gains on derivative instruments | - | 95 |
| Taxation | - | - |
| Other comprehensive income for the year, net of taxation | - | 95 |
| **Total comprehensive (loss) income for the year** | **(174 937)** | 75 506 |

Eqstra Corporation Limited

Statement of changes in equity

For the years ended

| | Stated capital | Other reserves | Equity loans | Retained income | Total |
|---|---|---|---|---|---|
| | R 000 | R 000 | R 000 | R 000 | R 000 |
| **Balance at 1 July 2014** | 548 874 | 8 263 | - | 33 661 | 590 798 |
| Total comprehensive income for the year | - | 95 | - | 75 411 | 75 506 |
| Net share based payment expense | - | 3 189 | - | - | 3 189 |
| Vesting of share incentive scheme | - | (1 177) | - | - | (1 177) |
| Devaluation of investment | - | (27 331) | - | - | (27 331) |
| Reclassification to retained income | - | 49 | - | (49) | - |
| **Balance at 30 June 2015** | 548 874 | (16 912) | - | 109 023 | 640 985 |
| Total comprehensive loss for the year | - | - | - | (174 937) | (174 937) |
| Net share based payment expense | - | 2 424 | - | - | 2 424 |
| Vesting of share incentive scheme | - | (561) | - | - | (561) |
| Equity loans granted | - | - | 25 360 | - | 25 360 |
| Reclassification of devaluation of investment (refer to note 21) | - | 27 331 | - | - | 27 331 |
| **Balance at 30 June 2016** | 548 874 | 12 282 | 25 360 | ( 65 914) | 520 602 |

Eqstra Corporation Limited
Statement of cash flows
For the years ended

| | Notes | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | **2 100 024** | 2 054 126 |
| Cash paid to suppliers and employees | | **(837 919)** | (709 470) |
| Cash generated by operations | 24A | **1 262 105** | 1 344 656 |
| Interest expense | 22 | **(572 725)** | (582 768) |
| Finance income | 22 | **410 997** | 387 624 |
| Taxation paid | 24C | **(68 325)** | - |
| **Net cash flows from operating activities** | | **1 032 052** | 1 149 512 |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | 4 | **(27 754)** | (68 926) |
| Purchase of property, plant and equipment | 5 | **(4 547)** | (3 171) |
| Purchase of leasing assets | 6 | **(741 930)** | (821 500) |
| Proceeds from sale of property, plant and equipment | 5 | **44 232** | 7 916 |
| Net movement in amounts due by group companies | | **(261 030)** | 526 855 |
| Net movement in other investments and loans | | **(6 476)** | (2 031) |
| **Net cash flows utilised in investing activities** | | **(997 505)** | (360 857) |
| **Cash flows from financing activities** | | | |
| Increase in Equity loan | | **25 360** | - |
| Net decrease in interest-bearing borrowings | | **(5 222)** | (690 927) |
| **Net cash flows from/(utilised in) financing activities** | | **20 138** | (690 927) |
| Net increase in cash and cash equivalents | | **54 685** | 97 728 |
| Overdraft acquired through business acquisition | 24B | **-** | (65) |
| Cash and cash equivalents at beginning of year | | **51 393** | (46 270) |
| Cash and cash equivalents at end of year | 12 | **106 078** | 51 393 |

## 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 consolidated and separate annual financial statements are stated in Rands and are prepared in accordance with and comply with International Financial Reporting Standards (IFRS), the Companies Act of South Africa, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the IFRS interpretations as issued by the IFRS Interpretations Committee 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.

All other borrowing costs are expensed in profit and loss in the period in which they are incurred.

## 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; and
- cash flow hedge: hedges a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

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 GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established on the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the company's cash-generating units (or group of cash generating units) that is expected to benefit from the synergies in combination.

The cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there us an indication that the unit may be impaired.

## 1.9 GOODWILL (continued)

If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

## 1.10 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.

## 1.11 RETIREMENT BENEFIT OBLIGATIONS

Retirement schemes have been designed and are administered in accordance with local conditions and practices 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.

## 1.12 TAXATION

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

Deferred tax is recognised in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

In principle, deferred tax liabilities are recognised for all temporary differences arising from depreciation on property, plant and equipment, revaluations of certain non-current assets and provisions for pensions and other retirement benefits. Deferred tax assets are raised only to the extent that their recoverability is probable.

Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused 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.

## 1.13 REVENUE RECOGNITION

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

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

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

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

## 1.14 PROVISIONS

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 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 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.

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 fair values

*Derivatives*

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

## 2.7 FAIR VALUES AND FINANCIAL INSTRUMENTS (continued)

**Basis for determining fair 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.

## 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 annual financial statements of the company. Other than new disclosure requirements, these are not expected to have a significant impact on the company's results, unless otherwise stated.

**IFRS 1: First-time Adoption of International Financial Reporting Standards**

Amendments resulting from the 2012 – 2014 Annual Improvement cycle (Annual periods beginning on or after 1 January 2016)

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

Amendments resulting from the 2012 – 2014 Annual Improvement cycle (Annual periods beginning on or after 1 January 2016)

**IFRS 7: Financial Instruments: Disclosures**

Amendments resulting from September 2014 Annual Improvements to IFRSs. (Annual periods beginning on or after 1 January 2016)

**IFRS 9: Financial Instruments**

This is a new standard that forms the first part of a three-part project replace IAS 39 *Financial Instruments: Recognition and Measurements*. (Annual periods beginning on or after 1 January 2018)

**IFRS 10: Consolidated Financial Statements**

Amendments on Sale or Contribution of Assets between an investor and its associate or joint venture. (Deferred indefinitely). Amendments related to the application of the investment entities exceptions. (Annual periods beginning on or after 1 January 2016)

**IFRS 11: Joint Arrangements**

Amendment requiring the acquirer of an interest in a joint operation which constitutes a business, to apply all of the principles on business combinations accounting in IFRS. (Annual periods beginning on or after 1 January 2016)

**IFRS 12: Disclosure of Interests in Other Entities**

Amendments related to the application of the investment entities exceptions. (Annual periods beginning on or after 1 January 2016)

**IFRS 15: Revenue from contracts with customers**

IFRS 15 specifies how and when an entity will recognise revenue and required disclosures. (Annual periods beginning on or after 1 January 2018).

**IFRS 16: Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, and replaces the previous leases Standard, IAS 17 Leases, and related interpretations. (Annual periods beginning on or after 1 January 2019)

**IAS 1: Presentation of Financial Statements**

Amendments arising under the Disclosure Initiative. (Annual periods beginning on or after 1 January 2016)

**IAS 7: Cash Flow Statement**

Amendments arising under the Disclosure Initiative. (Annual periods beginning on or after 1 January 2017)

**IAS 12: Income Taxes**

Amendments regarding the recognition of deferred tax assets for unrealised losses. (Annual periods beginning on or after 1 January 2017)

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

Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38). (Annual periods beginning on or after 1 January 2016)

**IAS 19: Employee Benefits**

Amendments resulting from 2012 – 2014 Annual Improvement Cycle. (Annual periods beginning on or after 1 January 2016)

**IAS 27: Separate Financial Statements**

Amendments relating to equity method in separate annual financial statements and amendments related to the application of the investment entities exceptions. (Annual periods beginning on or after 1 January 2016)

**IAS 28: Investments in Associates and Joint Ventures**

Amendments on Sale or Contribution of Assets between an investor and its associate or joint venture. (Deferred indefinitely). Amendments related to the application of the investment entities exceptions. (Annual periods beginning on or after 1 January 2016)

**IAS 34: Interim Financial Reporting**

Amendments resulting from 2012 – 2014 Annual Improvement Cycle. (Annual periods beginning on or after 1 January 2016)

**IAS 38: Intangible Assets**

Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38). (Annual periods beginning on or after 1 July 2016)

## 4 Intangible assets

| R 000 | Goodwill | Computer software | Total |
|---|---|---|---|
| **Year ended 30 June 2016** | | | |
| - Cost | 3 012 | 197 531 | 200 543 |
| - Accumulated amortisation and impairment | (3 012) | (197 531) | (200 543) |
| | - | - | - |
| Net book value at beginning of year | 3 012 | 159 452 | 162 464 |
| Additions | - | 27 754 | 27 754 |
| Impairment | (3 012) | (182 692) | (185 704) |
| Amortisation | - | (4 514) | (4 514) |
| Net book value at end of year | - | - | - |
| **Year ended 30 June 2015** | | | |
| - Cost | 3 012 | 185 900 | 188 912 |
| - Accumulated amortisation and impairment | - | (26 448) | (26 448) |
| | 3 012 | 159 452 | 162 464 |
| Net book value at beginning of year | - | 112 340 | 112 340 |
| Additions | - | 68 926 | 68 926 |
| Reclassification | - | (12 996) | (12 996) |
| Acquisition of business | 3 012 | 10 | 3 022 |
| Amortisation | - | (8 828) | (8 828) |
| Net book value at end of year | 3 012 | 159 452 | 162 464 |

Goodwill represents the acquisition of a business under common control, from a fellow subsidiary at carrying amount on 1 July 2014. No additional goodwill was raised during the year. All intangibles were written off in terms of IFRS 5 - Non Current Assets Held for Sale and Discontinued Operations as part of the enX transaction (refer to the directors' report).

## 5 Property, plant and equipment

| R 000 | Land, buildings and leasehold improvements | Equipment and furniture | Motor vehicles | Total |
|---|---|---|---|---|
| **Year ended 30 June 2016** | | | | |
| - Cost | 42 933 | 57 670 | 29 344 | 129 947 |
| - Accumulated depreciation and impairment | (3 696) | (41 392) | (10 638) | (55 726) |
| | 39 237 | 16 278 | 18 706 | 74 221 |
| Net book value at beginning of year | 76 853 | 20 216 | 17 257 | 114 326 |
| Additions | 2 414 | 2 053 | 80 | 4 547 |
| Proceeds on disposals | (44 155) | (77) | - | (44 232) |
| Depreciation | (1 145) | (5 945) | (3 782) | (10 872) |
| Net profit on disposal | 5 294 | 7 | - | 5 301 |
| Reclassification | (24) | 24 | - | - |
| Transfer from leasing assets | - | - | 5 151 | 5 151 |
| Net book value at end of year | 39 237 | 16 278 | 18 706 | 74 221 |
| **Year ended 30 June 2015** | | | | |
| - Cost | 82 374 | 58 875 | 25 346 | 166 595 |
| - Accumulated depreciation and impairment | (5 521) | (38 659) | (8 089) | (52 269) |
| | 76 853 | 20 216 | 17 257 | 114 326 |
| Net book value at beginning of year | 83 976 | 6 820 | 29 704 | 120 500 |
| Additions | 492 | 2 679 | - | 3 171 |
| Acquisition of business | 2 091 | 4 649 | - | 6 740 |
| Proceeds on disposals | (7 712) | (27) | (177) | (7 916) |
| Depreciation | (1 767) | (6 977) | (6 463) | (15 207) |
| Net (loss) profit on disposal | ( 227) | 76 | 51 | (100) |
| Reclassification | - | 12 996 | - | 12 996 |
| Transfer to leasing assets | - | - | (5 858) | (5 858) |
| Net book value at end of year | 76 853 | 20 216 | 17 257 | 114 326 |

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|

## 6 Leasing assets

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| Cost | **4 112 754** | 4 338 511 |
| Accumulated depreciation and impairment | **(1 566 019)** | (1 533 807) |
| | **2 546 735** | 2 804 704 |
| Net book value at beginning of year | **2 804 704** | 2 902 956 |
| Additions | **741 930** | 821 500 |
| Depreciation | **(583 535)** | (608 415) |
| Transfer (to) from property, plant and equipment | **(5 151)** | 5 858 |
| Transfer to inventory | **(411 213)** | (317 195) |
| Net book value at end of year | **2 546 735** | 2 804 704 |

Leasing assets consist of passenger and commercial vehicles and earthmoving equipment. No assets are encumbered or held as security.

## 7 Investments

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| Listed investments at market value | **15 312** | 16 235 |
| Unlisted investments at fair value | **11 750** | 15 737 |
| Total other investments and loans | **27 062** | 31 972 |
| *The above are categorised as follows:* | | |
| - Available-for-sale | **27 062** | 31 972 |
| | **27 062** | 31 972 |

The listed investment comprises 5 889 279 (2015: 6 126 279) ordinary shares in Eqstra Holdings Limited carried at market value. The investment has been recognised and measured as available-for-sale. Refer note 28 for fair value disclosure.

The unlisted investment comprises an investment in an insurance cell captive and is held at fair value being it's net asset value.

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| **8 Amounts owing by (to) group companies and equity loans** | | |
| **Due by group companies** | | |
| **Long term** | | |
| MCC Contracts Proprietary Limited | 766 000 | 2 021 096 |
| Eqstra NH Equipment Proprietary Limited | 310 952 | 224 119 |
| Mutual Construction Company (Transvaal) Proprietary Limited | - | 118 373 |
| Saficon Industrial Equipment Proprietary Limited | 1 558 722 | 1 544 935 |
| Total long term portion | 2 635 674 | 3 908 523 |
| *These amounts have been subordinated.* | | |
| **Short term** | | |
| MCC Contracts Proprietary Limited | 1 578 794 | - |
| Eqstra Swaziland Proprietary Limited | 12 559 | 15 652 |
| Amasondo Fleet Services Proprietary Limited | 3 999 | 16 856 |
| GPS Tracking Solutions Proprietary Limited | 3 867 | 3 938 |
| Eqstra Fleet Services Namibia Proprietary Limited | 33 395 | 63 294 |
| Eqstra Financial Services Proprietary Limited | 19 167 | - |
| Eqstra Lesotho Proprietary Limited | 4 815 | 5 066 |
| MCC Equipment Rental Proprietary Limited (Namibia) | - | 43 772 |
| Eqstra Zambia Limited | 579 | 579 |
| Eqstra Holdings Limited | 58 043 | 57 963 |
| Other smaller group companies | 2 303 | 1 050 |
| Total amounts due by group companies | 1 717 521 | 208 170 |
| **Due to group companies** | | |
| Eqstra Flexifleet Proprietary Limited | - | 24 050 |
| Eqstra Fleet Services (PVPS) Proprietary Limited | 72 109 | 69 380 |
| Pemberley Fleet Services Proprietary Limited | 4 259 | 4 147 |
| Octavopoint Proprietary Limited | - | 6 054 |
| Eqstra Fleet Services Proprietary Limited | 3 348 | - |
| Total amounts due to group companies | 83 409 | 107 937 |
| **Effective interest rates** | | |
| Loans | 10.20% | 9.25% |

The carrying amount owing by (to) group companies approximates its fair value. The loans bear interest at 10.2% (2015: 9.25%) with no fixed repayment date. The subordinated loans are not expected to be settled during the next 12 months based on their nature.

| | | |
|---|---|---|
| **Equity loan** | | |
| Eqstra Holdings Limited | 25 360 | - |

The equity loan bear no interest and are payable at the option of the company owing the liability.

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| **9 Derivative financial instruments** | | |
| Short-term | | |
| Assets | | |
| Cross currency swaps | **30 466** | 27 386 |
| Interest rate derivatives | **1 863** | - |
| | **32 329** | 27 386 |
| *Fair value through profit and loss* | ***32 329*** | *27 386* |
| Liabilities | | |
| Interest rate derivatives | - | 1 533 |
| | - | 1 533 |
| *Fair value through profit and loss* | - | *1 533* |

### Fair value of derivative financial instruments

Financial assets are stated at fair value. The fair value of derivatives is based upon market valuations.
(Refer note 28)

### Interest rate derivatives and cross currency swops

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

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| **10 Inventories** | | |
| Net inventory | **18 102** | 19 611 |
| Gross inventory | **19 570** | 21 718 |
| Less: impairment provision | **(1 468)** | (2 107) |
| *Comprising of:* | | |
| Used vehicles | **12 569** | 17 449 |
| Spares, accessories and finished goods | **5 533** | 2 162 |
| | **18 102** | 19 611 |
| Inventories carried at net realisable value included above | **2 718** | 3 995 |
| Net amount of inventories write down expensed in the income statement | **1 413** | 1 794 |

## 11 Trade and other receivables

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| Net trade receivables | **110 994** | 117 679 |
| Trade receivables | **121 870** | 128 140 |
| Less: Provision for impairment of trade receivables* | **(10 876)** | (10 461) |
| Prepayments and other | **119 710** | 63 845 |
| | **230 704** | 181 524 |

* 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

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| Cash on hand | **197** | 142 |
| Bank balance | **105 881** | 51 251 |
| Net cash and cash equivalents | **106 078** | 51 393 |
| Effective interest rates | **6.0%** | 4.3% |

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|

## 13 Stated capital

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| **Authorised stated capital** | | |
| 4 000 000 (2014: 4 000 000) ordinary shares | 4 | 4 |
| **Issued stated capital** | | |
| 600 002 (2014: 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.

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 2012 | 3 years | Equity settled |
| Eqstra Holdings Ltd | 1 September 2013 | 3 years | Equity settled |
| Eqstra Holdings Ltd | 1 September 2014 | 3 years | Equity settled |
| Eqstra Holdings Ltd | 15 January 2015 | 3 years | Equity settled |
| Eqstra Holdings Ltd | 1 September 2015 | 3 years | Equity settled |

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

| | 2013 Scheme | 2014 Scheme | 2014 Scheme B | 2015 scheme |
|---|---|---|---|---|
| Expected volatility (%) | 38.39 | 37.56 | 34.63 | 40.87 |
| Expected dividend yield (%) | 6.47 | 5.51 | - | - |
| Expected forfeiture rate (%) | 80.00 | 80.00 | 80.00 | 50.00 |
| Exercise price of share appreciation rights | R 7.14 | R 6.07 | R 3.25 | R2.82 |
| Fair value of the SAR on grant date | R 2.02 | R 2.04 | R 1.15 | R1.37 |

| Share based payment (income) expense recognised | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| 2011 Scheme | - | (181) |
| 2012 Scheme | 13 | (102) |
| 2013 Scheme | (16) | (376) |
| 2014 Scheme | (271) | 1 984 |
| 2015 Scheme | 249 | - |
| | (25) | 1 325 |

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 | 19 212 000 | 13 536 000 |
| Share appreciation rights granted | 4 300 000 | 7 526 000 |
| Share appreciation rights forfeited | (742 000) | (1 850 000) |
| Balance at end of year | 22 770 000 | 19 212 000 |

## 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 2012 | 3 years | Equity settled |
| Eqstra Holdings Ltd | 1 September 2013 | 3 years | Equity settled |
| Eqstra Holdings Ltd | 1 September 2014 | 3 years | Equity settled |
| Eqstra Holdings Ltd | 1 September 2015 | 3 years | Equity settled |

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

| | 2013 Scheme | 2014 Scheme | 2015 scheme |
|---|---|---|---|
| Expected volatility (%) | 38.39 | 37.59 | 40.87 |
| Expected dividend yield (%) | 6.47 | 3.77 | - |
| Fair value of the DBP on grant date | R 5.98 | R 5.65 | R2.95 |

| Share based payment expense recognised | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| 2011 Scheme | - | 39 |
| 2012 Scheme | (537) | 295 |
| 2013 Scheme | 522 | 481 |
| 2014 Scheme | 582 | 574 |
| 2015 Scheme | 204 | - |
| | 771 | 1 389 |

The expected volatility was determined using volatility of similar companies. The calculation of the share based payment expense requires management to exercise a degree of judgement.

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

| | | |
|---|---|---|
| Rights at beginning of year | 770 000 | 706 000 |
| Deferred bonus plan shares granted | 277 000 | 385 000 |
| Deferred bonus plan shares forfeited | - | (127 000) |
| Deferred bonus plan shares exercised | (199 000) | (194 000) |
| Rights at end of year | 848 000 | 770 000 |

### Conditional share plan (CSP) schemes

The CSP scheme allows certain senior employees to receive shares should certain conditions be fulfilled.

| | Date of issue | Period to expiry | IFRS 2 classification |
|---|---|---|---|
| Eqstra Holdings Limited | 1 January 2015 | 3 years | Equity settled |
| Eqstra Holdings Limited | 1 September 2015 | 3 years | Equity settled |

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

| | 2014 scheme | 2015 scheme |
|---|---|---|
| Expected volatility (%) | 34.63 | 40.87 |
| Expected dividend yield (%) | - | - |
| Fair value of the CSP on grant date | R3.39 | R2.95 |

| Share based payment expense recognised | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| 2014 Scheme | 301 | 377 |
| 2015 Scheme | 1 377 | - |
| | 1 678 | 377 |

The expected volatility was determined using volatility of similar companies. The calculation of the share based payment expense requires management to exercise a degree of judgement.

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

| | | |
|---|---|---|
| Rights at beginning of year | 400 000 | - |
| Conditional share plan shares granted | 1 680 000 | 400 000 |
| Rights at end of year | 2 080 000 | 400 000 |

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| **14 Other reserves** | | |
| Fair value reserve on available-for sale-financial instruments | - | (27 331) |
| Share-based payment reserve | 12 282 | 10 419 |
| | 12 282 | (16 912) |
| **15 Interest-bearing borrowings** | | |
| **Long-term in nature** | | |
| - Unsecured loans and bonds | 5 146 611 | 5 826 965 |
| | 5 146 611 | 5 826 965 |
| **Short-term in nature** | | |
| - Unsecured loans and call borrowings | 779 426 | 104 294 |
| | 779 426 | 104 294 |
| **Total borrowings (at amortised cost)** | 5 926 037 | 5 931 259 |
| Less : current portion of interest-bearing borrowings | (5 288 319) | (1 423 426) |
| Long term portion of interest-bearing borrowings | 637 718 | 4 507 833 |

Following a substantial impairment to the carrying value of various assets the Eqstra group breached its capital adequacy covenant at 31 December 2015. Lenders agreed to condone the breach subject to certain conditions and a refinancing program was immediately commenced. In light of this and the corporate transaction approved by the shareholders on 22 September 2016, the relevant debt has been reclassified as short term as at 30 June 2016.

**Interest rate analysis**

| | 30 June 2016 | 30 June 2016 R 000 | 30 June 2015 | 30 June 2015 R 000 |
|---|---|---|---|---|
| | Effective rates | Analysis of debt | Effective rates | Analysis of debt |
| **Fixed** | | | | |
| - Bonds | - | - | 12.92% | 50 000 |
| **Variable linked** | | | | |
| - Unsecured loans | 8.9% - 10.81% | 3 465 846 | 7.73% - 10.39% | 3 595 596 |
| - Unsecured call borrowings and overdraft | 7.5% - 10.67% | 779 426 | 6.6% - 9.0% | 104 294 |
| - Bonds | 8.65% - 9.99% | 1 680 765 | 8.11% - 11.13% | 2 181 369 |
| | | 5 926 037 | | 5 931 259 |

## 15 Interest-bearing borrowings (continued)

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

| | 2021 and onwards | 2020 | 2019 | 2018 | 2017 | Total |
|---|---|---|---|---|---|---|
| 2016 | | | | | | |
| SA Rands (R 000) | - | - | 46 500 | 541 265 | 5 244 926 | 5 832 691 |
| Other (R 000) | - | - | - | 49 953 | 43 393 | 93 346 |
| Total | - | - | 46 500 | 591 218 | 5 288 319 | 5 926 037 |

| | 2020 and onwards | 2019 | 2018 | 2017 | 2016 | Total |
|---|---|---|---|---|---|---|
| 2015 | | | | | | |
| SA Rands (R 000) | 25 260 | 131 500 | 1 319 500 | 2 982 739 | 1 394 772 | 5 853 771 |
| Other (R 000) | - | - | 20 180 | 28 654 | 28 654 | 77 488 |
| Total | 25 260 | 131 500 | 1 339 680 | 3 011 393 | 1 423 426 | 5 931 259 |

| Borrowing facilities | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| In terms of the memorandum of incorporation the borrowing powers of the company are unlimited. | | |
| Total facilities established | 4 883 424 | 4 675 596 |
| Less : Total borrowings, excluding bonds | 4 245 272 | 3 699 889 |
| Unutilised borrowing facilities | 638 152 | 975 707 |

No assets are encumbered or held as security.

## 16 Deferred tax liabilities

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| Balance at beginning of year | 386 692 | 359 807 |
| Accounted for in the statement of comprehensive income | (73 442) | 26 885 |
| Balance at end of year | 313 250 | 386 692 |
| **Analysis of deferred taxation** | | |
| - Provisions and other accruals | (56 753) | (62 526) |
| - Property, plant and equipment | 5 238 | 4 621 |
| - Leasing assets | 334 093 | 424 735 |
| - Estimated taxation loss | - | (18 453) |
| - Intangibles | 22 137 | 30 835 |
| - Current derivative instruments | 9 052 | 7 239 |
| - Other | ( 517) | 241 |
| | 313 250 | 386 692 |
| **Taxation losses** | | |
| Unutilised tax losses available for offset against future profits | - | 65 904 |
| Deferred tax assets recognised in respect of such losses | - | 18 453 |

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.

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|

## 17 Trade and other payables

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| Trade payables | **82 201** | 69 554 |
| Other payables and accruals | **307 603** | 264 252 |
| Interest accrual | **71 432** | 64 905 |
| Employee related accruals | **41 412** | 42 956 |
| | **502 648** | 441 667 |

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

## 18 Revenue

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

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| Sales of goods | **690 194** | 608 725 |
| Rendering of services and other | **1 459 425** | 1 333 089 |
| | **2 149 619** | 1 941 814 |

## 19 Net operating expenses

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| Cost of sales | **542 329** | 317 915 |
| Staff costs | **263 874** | 261 775 |
| Other operating income | **(41 389)** | (41 234) |
| Other operating costs | **553 606** | 477 565 |
| | **1 318 420** | 1 016 021 |

| The above costs are arrived at after including: | | |
|---|---|---|
| Auditor's remuneration | **6 567** | 4 598 |
| Share-based payment expense (included in staff costs) | **2 424** | 3 189 |
| Rental and operating lease charges | **(13 885)** | 17 114 |
| Properties | **(12 459)** | 15 432 |
| Office equipment | **(1 426)** | 1 682 |

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|

## 19 Net operating expenses (continued)

| | | |
|---|---|---|
| Defined contribution retirement plan costs included in staff costs | **26 505** | 23 949 |

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.

## 20 Depreciation, amortisation and recoupments

| | | |
|---|---|---|
| Intangible assets | **4 514** | 8 828 |
| Property, plant and equipment | **10 872** | 15 207 |
| Leasing assets | **583 535** | 608 415 |
| | **598 921** | 632 450 |
| (Profit) loss on disposal of property, plant and equipment | **(5 301)** | 100 |
| | **593 620** | 632 550 |

## 21 Impairments

| | | |
|---|---|---|
| Impairment of computer software | **182 692** | - |
| Impairment of goodwill | **3 012** | - |
| Impairment of investments | **27 881** | - |
| | **213 585** | - |

Computer software and goodwill were written off in terms of IFRS 5 - Non Current Assets Held for Sale and Discontinued Operations as part of the enX transaction.

The investment in Eqstra Holdings Limited was valued at the share price as at 30 June 2016. A fair value adjustment of R27 331 million was recognised in 2015 through the fair value reserve in equity and was reversed to profit and loss in the current year, as the carrying value of the available for sale financial investments was considered impaired.

## 22 Net finance costs

| | | |
|---|---|---|
| Finance costs | **572 725** | 582 768 |
| Finance income | **(410 997)** | (387 624) |
| Net finance cost | **161 728** | 195 144 |
| Fair value gains arising from interest swap instruments - unrealised | **-** | - |
| Net finance cost | **161 728** | 195 144 |

No finance costs were capitalised during the year (2015: R0).

Included in finance costs is the following:

| | | |
|---|---|---|
| - Finance costs on bank overdrafts and other financial liabilities | **572 725** | 582 768 |

Included in finance income is the following:

| | | |
|---|---|---|
| - Finance income on loans and receivables | **403 649** | 385 894 |
| - Finance income on cash and cash equivalents and interest swaps | **7 348** | 1 730 |
| Finance income | **410 997** | 387 624 |

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| **23 Income tax expense** | | |
| South African Taxation | | |
| Normal taxation | | |
| - Current year | **110 805** | - |
| Deferred taxation | | |
| - Current year | **(73 442)** | 26 885 |
| | **37 363** | 26 885 |
| Reconciliation of taxation rates: | **%** | % |
| Profit before taxation - effective rate | **-27.2** | 26.3 |
| Taxation effect of: | | |
| - Permanent differences: Impairment of investment | **(21.3)** | 4.7 |
| - Permanent differences: Corporate Transaction costs | **(30.5)** | - |
| - Permanent differences: Legal fees of a capital nature | **(3.5)** | (1.5) |
| - Permanent differences: Other | **(14.7)** | (1.5) |
| - Capital gains tax | **(3.9)** | - |
| | **-101.1** | 28.0 |

| | | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|---|
| 24 | Note to the cash flow statement | | |
| 24A | Cash generated by operations | | |
| | Profit before net financing costs | 24 154 | 297 440 |
| | Adjustments for non cash movements | | |
| | - Amortisation of intangible assets | 4 514 | 8 828 |
| | - Depreciation of property, plant and equipment | 10 872 | 15 207 |
| | - Depreciation of leasing assets | 583 535 | 608 415 |
| | - Fair value adjustment in respect of investments | 3 987 | (12 437) |
| | - Impairment reversal against intercompany loans | - | (4 627) |
| | - Impairment of computer software | 182 692 | - |
| | - Impairment of goodwill | 3 012 | - |
| | - (Profit) loss on disposal of property, plant and equipment | (5 301) | 100 |
| | - Recognition of share-based payments | 2 424 | 3 189 |
| | - Movement in inventory provision | (639) | (1 463) |
| | - Movement in allowance for doubtful debts | 415 | (9 017) |
| | - Impairment of investments | 27 881 | - |
| | - Other non-cash flow movements | ( 188) | 456 |
| | Cash generated by operations before changes in working capital | 837 358 | 906 091 |
| | Working capital movements | | |
| | - Decrease in inventories | 413 361 | 341 081 |
| | - (Increase) decrease in accounts receivable | (49 595) | 112 312 |
| | - (Decrease) increase in accounts payable | 60 981 | (14 828) |
| | Total cash generated by operations | 1 262 105 | 1 344 656 |
| 24B | Acquisition of business | | |
| | Intangible assets | - | 23 |
| | Property, plant and equipment | - | 6 740 |
| | Goodwill | - | 3 012 |
| | Inventories | - | 2 628 |
| | Due by group entities | - | 10 761 |
| | Trade and other receivables | - | 11 564 |
| | Deferred tax liabilities | - | (1 250) |
| | Amounts owing to group companies | - | (12 466) |
| | Trade and other payables | - | (20 947) |
| | Overdraft | - | (65) |
| | Cash flow on acquisition | - | - |

The business acquired relates to a business held under common control, from a fellow subsidiary at carrying amount on 1 July 2014.

| | | | |
|---|---|---|---|
| 24C | Income taxation paid | | |
| | Net balance payable at beginning of year | - | - |
| | Taxation charge | 110 805 | - |
| | Net balance payable at end of year | (42 480) | - |
| | | 68 325 | - |

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|

## 25 Commitments

| Capital expenditure commitments to be incurred | | |
|---|---|---|
| Contracted | **256 675** | 72 909 |
| Authorised by directors but not contracted | **946 094** | 1 076 895 |
| | **1 202 769** | 1 149 804 |

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

| | | |
|---|---|---|
| Guarantees | **9 574** | 23 499 |

Operating lease commitments

| 30 June 2016 | One to five years R 000 | Less than one year R 000 | Total R 000 |
|---|---|---|---|
| Property | **10 881** | **6 069** | **16 950** |

| 30 June 2015 | | | |
|---|---|---|---|
| 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.
For details on subordinations and guarantees refer to notes 8 and 28 respectively.

## 27 Operating lease receivable

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

| 30 June 2016 | More than five years | One to five years | Less than one year | Total |
|---|---|---|---|---|
| Vehicles | **290 014** | **1 964 221** | **1 003 661** | **3 257 896** |

| 30 June 2015 | More than five years | One to five years | Less than one year | Total |
|---|---|---|---|---|
| Vehicles | 562 264 | 2 191 926 | 1 108 773 | 3 862 963 |

## 28 Financial instruments

### Financial risk factors

The company's treasury activities are aligned to the company's decentralised business model and the asset and liability committee's (ALCO) strategies. The ALCO is an Eqstra group 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 1 customer that individually 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 2016 R 000 | June 2015 R 000 |
|---|---|---|
| **Pay floating receive fixed** | | |
| One to five years | **106 000** | 106 000 |
| | | |
| **Fair value of interest rate and inflation linked swaps** | | |
| - Asset | **1 863** | - |
| - Liability | **-** | 1 533 |

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 swops 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.

*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.

Trade accounts receivable

*Trade receivables that are neither past due 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 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| Trade receivables that are neither past due nor impaired | **91 662** | 93 985 |

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 2016 amounted to R32.2 million (2015: R27.3 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 | **13 857** | 18 195 |
| Between 1 - 3 months | **5 475** | 5 499 |
| | **19 332** | 23 694 |

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 enhancements over the financial assets during the year.

## 28 Financial instruments (continued)

### Trade accounts receivable (continued)

*Allowance 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.

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| **Analysis of provision for doubtful debts** | | |
| Balance at beginning of the year | **10 461** | 19 478 |
| Amounts written off during the year | **(1 531)** | (15 387) |
| Increase in allowance recognised in profit or loss | **1 946** | 6 370 |
| Balance at end of year | **10 876** | 10 461 |

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 an 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.

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 service acceptances and invoices.

## 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 |
|---|---|---|---|---|
| **30 June 2016** | | | | |
| **Financial assets** | | | | |
| Other investments and loans | **27 062** | **27 062** | - | **27 062** |
| Amounts owing by group companies | **4 353 195** | **4 353 195** | **1 717 521** | **2 635 674** |
| Trade receivables | **110 994** | **121 870** | **121 870** | - |
| Derivative financial assets | **32 329** | **32 329** | **32 329** | - |
| Cash and cash equivalents | **106 078** | **106 078** | **106 078** | - |
| | **4 629 658** | **4 640 534** | **1 977 798** | **2 662 736** |
| Percentage profile (%) | | | **43** | **57** |
| **Financial liabilities** | | | | |
| Amounts owing to group companies | **83 409** | **83 409** | **83 409** | - |
| Interest-bearing borrowings | **5 926 037** | **6 302 018** | **5 525 533** | **776 485** |
| Trade and other payables | **502 648** | **502 648** | **502 648** | - |
| | **6 512 094** | **6 888 075** | **6 111 590** | **776 485** |
| Percentage profile (%) | | | **89** | **11** |
| **30 June 2015** | | | | |
| **Financial assets** | | | | |
| Other investments and loans | 31 972 | 31 972 | - | 31 972 |
| Amounts owing by group companies | 4 116 693 | 4 116 693 | 208 170 | 3 908 523 |
| Trade receivables | 117 679 | 128 140 | 128 140 | - |
| Derivative financial assets | 27 386 | 27 386 | 27 386 | - |
| Cash and cash equivalents | 51 393 | 51 393 | 51 393 | - |
| | 4 345 123 | 4 355 584 | 415 089 | 3 940 495 |
| Percentage profile (%) | | | 10 | 90 |
| **Financial liabilities** | | | | |
| Amounts owing to group companies | 107 937 | 107 937 | 107 937 | - |
| Interest-bearing borrowings | 5 931 259 | 6 674 262 | 1 855 552 | 4 818 710 |
| Trade and other payables | 441 667 | 441 667 | 441 667 | - |
| | 6 480 863 | 7 223 866 | 2 405 156 | 4 818 710 |
| Percentage profile (%) | | | 33 | 67 |

## 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 listed investments 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 the fair value.

Following a substantial impairment to the carrying value of various assets the Eqstra group breached its capital adequacy covenant at 31 December 2015. Lenders agreed to condone the breach subject to certain conditions and a refinancing program was immediately commenced. In light of this and the corporate transaction approved by share holder on 22 September 2016, the relevant debt has been reclassified as short term as at 30 June 2016.

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.

| 30 June 2016 | Level 1<br>R 000 | Level 2<br>R 000 | Fair value<br>R 000 |
|---|---|---|---|
| Financial assets | | | |
| Available-for-sale financial assets | | | |
| – Investments | 15 312 | 11 750 | 27 062 |
| Financial assets designated as fair value through profit and loss | | | |
| – Derivative financial assets | - | 32 329 | 32 329 |
| Total financial assets | 15 312 | 44 079 | 59 391 |
| Total financial liabilities | - | - | - |

| 30 June 2015 | Level 1<br>R 000 | Level 2<br>R 000 | Fair value<br>R 000 |
|---|---|---|---|
| Financial assets | | | |
| Available-for-sale financial assets | | | |
| – Investments | 16 235 | 15 737 | 31 972 |
| Financial assets designated as fair value through profit and loss | | | |
| – Derivative financial assets | - | 27 386 | 27 386 |
| Total financial assets | 16 235 | 43 123 | 59 358 |
| Financial liabilities | | | |
| Financial liabilities designated as fair value through profit and loss | | | |
| – Derivative financial liabilities | - | 1 533 | 1 533 |
| Total financial liabilities | - | 1 533 | 1 533 |

#### Valuation narration disclosures

Level 1 – valuations with reference to quoted prices in an active market:

Financial instruments valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. This category includes highly liquid active listed equities.

Level 2 – valuations based on observable and unobservable inputs include:

Financial instruments valued using inputs other than quoted prices as described above for level 1 but which are observable for the asset or liability, either directly or indirectly, such as:

- quoted price for similar assets or liabilities in an active market;
- quoted price for identical or similar assets or liabilities in inactive markets;
- valuation model using observable inputs; and
- valuation model using inputs derived from/corroborated by observable market data.

## 28 Financial instruments (continued)

### Valuation narration disclosures (continued)

The following summary sets out the principal instruments whose valuation may involve judgemental inputs:

Debt instruments held as assets

These instruments are valued based on valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.

Equity investments held as assets

The fair value of these investments is determined using listed market values.

Derivatives

Derivative contracts can be exchange traded or traded over-the-counter (OTC). OTC derivative contracts include forward and swap contracts related to interest rates, bonds, foreign currencies, credit spreads and equity prices. Fair values of derivatives are obtained from dealer price quotations, discounted cash flow and option pricing models.

### 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:

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| Hedge accounting- cash flow hedges | - | 95 |

## 29 Segmental information

There is only one operating segment in Eqstra Corporation Limited which operates in the fleet management and logistic sector, hence no separate segment report has been disclosed.

## 30 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 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| Short - term employee benefits | 29 536 | 28 921 |
| Long - term employee benefits | 2 416 | 2 366 |
| Share based payments recognised as an expense | 2 424 | 3 189 |
| | 34 376 | 34 476 |
| Number of key management personnel | 20 | 20 |

| Directors remuneration - 2016 | Salary R 000 | Incentive R 000 | Retirement benefits R 000 | Pension and other benefits R 000 | Total R 000 |
|---|---|---|---|---|---|
| WS Hill* | 2 078 | - | 336 | 52 | 2 466 |
| JV Carr | 2 806 | 1 660 | 453 | 272 | 5 191 |
| JL Serfontein | 3 884 | 1 245 | 614 | 288 | 6 031 |
| HM Lindeque | 1 596 | 200 | - | 406 | 2 202 |
| | 10 364 | 3 105 | 1 403 | 1 018 | 15 890 |

| Directors remuneration - 2015 | Salary R 000 | Incentive R 000 | Retirement benefits R 000 | Pension and other benefits R 000 | Total R 000 |
|---|---|---|---|---|---|
| WS Hill* | 5 597 | 833 | 11 801 | 321 | 18 552 |
| JV Carr | 3 037 | 1 295 | - | 279 | 4 611 |
| JL Serfontein | 2 635 | 712 | - | 273 | 3 620 |
| P Siddall** | 914 | - | - | 319 | 1 233 |
| HM Lindeque*** | 775 | - | - | 142 | 917 |
| | 12 958 | 2 840 | 11 801 | 1 334 | 28 933 |

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.

* Retired as a director on 1 June 2015.

** Resigned as a director on 31 January 2015.

*** Appointed as a director on 1 January 2015.

## 30 Related party transactions (continued)

### Directors' ordinary shareholding in Eqstra Holdings Limited

| | Direct beneficial shareholding | % shareholding |
|---|---|---|
| Opening balance 2016 | 594 664 | |
| JL Serfontein | 207 800 | * |
| JV Carr | 386 864 | * |
| Movements during the year | 884 300 | |
| Closing balance 2016 | 1478 964 | |
| JL Serfontein | 504 000 | 0.1 |
| JV Carr | 430 864 | * |
| HM Lindeque | 544 100 | 0.1 |

** Less than 0.1%*

### Participation in Eqstra SAR scheme

| Name | Grant date | Rights committed at 30-Jun | Strike price | Vesting date |
|---|---|---|---|---|
| JV Carr | 01-Sep-14 | 935 000 | 6.07 | 15-Sep-17 |
| | 01-Sep-13 | 427 000 | 7.14 | 15-Sep-16 |
| | 01-Sep-12 | 165 235 | 6.56 | Vested not exercised |
| | 01-Sep-11 | 215 036 | 7.20 | Vested not exercised |
| WS Hill | 01-Sep-14 | 1 877 000 | 6.07 | 15-Sep-17 |
| | 01-Sep-13 | 297 000 | 7.14 | 15-Sep-16 |
| | 01-Sep-12 | 152 128 | 6.56 | Vested not exercised |
| | 01-Sep-11 | 437 128 | 7.20 | Vested not exercised |
| JL Serfontein | 01-Sep-14 | 820 000 | 6.07 | 15-Sep-17 |
| | 01-Sep-13 | 650 000 | 7.14 | 15-Sep-16 |
| | 01-Sep-12 | 138 424 | 6.56 | Vested not exercised |
| | 01-Sep-11 | 93 690 | 7.20 | Vested not exercised |
| HM Lindeque | 01-Sep-15 | 366 000 | 2.82 | 15-Sep-18 |

### Participation in Eqstra DBP scheme

| Name | Grant date | Shares committed to plan | Vesting date |
|---|---|---|---|
| JV Carr | 01-Sep-15 | 70 000 | 15-Sep-18 |
| | 01-Sep-14 | 61 000 | 15-Sep-17 |
| | 01-Sep-13 | 45 000 | 15-Sep-16 |
| WS Hill | 01-Sep-14 | 162 000 | 15-Sep-17 |
| | 01-Sep-13 | 121 000 | 15-Sep-16 |
| JL Serfontein | 01-Sep-15 | 80 000 | 15-Sep-18 |
| | 01-Sep-14 | 53 000 | 15-Sep-17 |
| | 01-Sep-13 | 38 000 | 15-Sep-16 |
| HM Lindeque | 01-Sep-15 | 19 000 | 15-Sep-18 |

### Participation in Eqstra CSP scheme

| Name | Grant date | Shares committed to plan | Vesting date |
|---|---|---|---|
| HM Lindeque | 01-Jan-15 | 400 000 | 31-Dec-17 |
| JV Carr | 15-Sep-15 | 680 000 | 15-Jan-18 |
| JL Serfontein | 15-Sep-15 | 1 000 000 | 15-Sep-18 |

| | 30 June 2016 R 000 | 30 June 2015 R 000 |
|---|---|---|
| **30 Related party transactions (continued)** | | |
| Related party balances | | |
| *Amounts due by (to) group companies - Refer note 8* | | |
| *Trade and other receivables (fellow subsidiaries)* | | |
| Eqstra Fleet Services Proprietary Limited | - | 15 762 |
| Eqstra Zambia Limited | 994 | - |
| Eqstra Botswana Proprietary Limited | - | 737 |
| Amasondo Fleet Services Proprietary Limited | 7 183 | 2 074 |
| Eqstra TA Equipment Proprietary Limited | 48 | 34 |
| Eqstra NH Equipment Proprietary Limited | 144 | 1 259 |
| Eqstra Fleet Services (PVPS) Proprietary Limited | - | 771 |
| Saficon Industrial Equipment Proprietary Limited | 407 | 542 |
| Eqstra Fleet Services Namibia Proprietary Limited | - | 829 |
| Eqstra Financial Services Proprietary Limited | 78 | - |
| Octavopoint Proprietary Limited | - | 82 |
| 600 SA Holdings Proprietary Limited | - | 35 |
| MCC Contracts Proprietary Limited | 735 | 827 |
| | 9 589 | 22 952 |
| *Trade and other payables (fellow subsidiaries)* | | |
| Eqstra NH Equipment Proprietary Limited | - | (4) |
| Eqstra Fleet Services Namibia Proprietary Limited | - | (391) |
| Eqstra TA Equipment Proprietary Limited | (25) | (244) |
| Saficon Industrial Equipment Proprietary Limited | (196) | (112) |
| GPS Tracking Solutions Proprietary Limited | (4 494) | (523) |
| Eqstra Fleet Services Proprietary Limited | - | (19 742) |
| Amasondo Fleet Services Proprietary Limited | - | (50) |
| Octavopoint Proprietary Limited | - | (449) |
| Eqstra Swaziland Proprietary Limited | (122) | - |
| 600 SA Holdings Proprietary Limited | (81) | (369) |
| Mutual Construction Company (Transvaal) Proprietary Limited | - | (2) |
| | (4 918) | (21 886) |
| Related party transactions | | |
| *Revenue (fellow subsidiaries)* | | |
| Eqstra TA Equipment Proprietary Limited | 4 809 | 5 068 |
| MCC Contracts Proprietary Limited | 55 154 | 38 168 |
| Eqstra NH Equipment Proprietary Limited | 4 198 | 12 376 |
| 600 SA Holdings Proprietary Limited | 563 | 820 |
| GPS Tracking Solutions Proprietary Limited | 17 007 | 2 367 |
| Saficon Industrial Equipment Proprietary Limited | 28 438 | 29 389 |
| Amasondo Fleet Services Proprietary Limited | 10 149 | 15 654 |
| Eqstra Fleet Services Proprietary Limited | 17 | 33 |
| Mutual Construction Company (Transvaal) Proprietary Limited | 13 786 | 8 067 |
| Other smaller group companies | 239 | 3 |
| | 134 360 | 111 945 |

## 31 Post-balance sheet events

The company changed its year end to 31 August. The company will report its 2017 financial results as at 31 August 2017.
The Eqstra group entered into a transaction whereby the entity will be disposed of to enX Group Limited with effect from 1 November 2016. All debt will be restructured as part of the transaction.
The company will be disposed of by Eqstra Holdings Limited to Eqstra Investments (Proprietary) Limited as part of the enX transaction.

## 32 Going Concern

The annual financial statements presented have been prepared on the assumption that the company will continue to operate as a going concern. This assumption is predicated on the enX transaction being implemented in substantially the form approved by shareholders at a general meeting on 22 September 2016.

This, together with the company's current trading position and forecasts, allows the directors to conclude that the company will be able to meet its obligations as they fall due, and accordingly that it remains appropriate to prepare these financial results on a going concern basis.