Notes to the Financial Statements

for the year ended 31 December 2017

1. Reporting entity

Trencor Limited (the "company") is a company incorporated in the Republic of South Africa. The address of the company's registered office is 13th Floor, The Towers South, Heerengracht, Cape Town, 8001. The consolidated financial statements of the company as at and for the year ended 31 December 2017 comprise the company and its subsidiaries, as defined by IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), together referred to as the "group" and individually as "group entity/ies", and the group's interest in associates. The group interests are owning, leasing, managing and trading marine cargo containers worldwide.

2. Basis of preparation

2.1 Statement of compliance

The consolidated and separate financial statements or otherwise referred to as "group" and "company" financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants *Financial Reporting Guides* as issued by the Accounting Practices Committee and *Financial Reporting Pronouncements* as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The financial statements were authorised for issue by the board of directors on 6 July 2018.

2.2 Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

- derivative financial instruments are measured at fair value; and
- financial instruments at fair value through profit or loss are measured at fair value.

2.3 Functional and presentation currency

These consolidated and separate financial statements are presented in South African rand ("SA rand"), which is the company's functional currency. All financial information has been rounded to the nearest million, unless otherwise indicated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 32.

2.5 Adoption of new accounting standards

Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. A reconciliation between the opening and closing balances for liabilities arising from financing activities has been provided in note 17.5.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements, and have been applied consistently by group entities.

3.1 Basis of consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date in accordance with *IFRS 3 Business Combinations*. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the group.

The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date that control ceases.

In the case of the company, investments in subsidiaries are carried at cost, less accumulated impairment losses.

3.1.3 Changes in control

Changes in the group entity's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. Accordingly, gains or losses which arise from acquisitions or disposals of non-controlling interests, calculated based on the carrying value of the assets and liabilities of the subsidiary, are recognised in equity (refer to note 16). When the relative interests

of the parent and non-controlling interest change, the equity reserves are reallocated between the parent and the non-controlling interest to reflect the new ownership interests. When there is a loss of control by the group over a subsidiary, the assets and liabilities and any related non-controlling interest and other components of equity of the subsidiary are derecognised. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.4 ***Non-controlling interests***

Non-controlling interests are measured at fair value at date of acquisition.

3.1.5 ***Interests in equity-accounted investees***

The group's interests in equity-accounted investees comprise an interest in an associate.

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method and are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements include the group's share of profit or loss, other comprehensive income and equity movements of equity accounted investees, until the date on which significant influence ceases.

When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments that form part thereof is reduced to nil and recognition of further losses is discontinued except to the extent that the group entity has an obligation or made payments on behalf of the investee. Gains or losses arising on the dilution of investments in associates while maintaining equity accounting, are recognised in profit or loss and the net gain or loss attributable to the group is transferred to the appropriate reserve in equity (refer to note 16).

3.1.6 ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 **Foreign currency**

3.2.1 ***Foreign currency transactions***

Transactions in foreign currencies are translated into the respective functional currencies of group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

3.2.2 ***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into SA rand at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into SA rand at the rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of, partially or in its entirety, such that control or significant influence is lost, the related cumulative amount in the foreign currency translation reserve is reclassified to profit or loss as part of the gain or loss on disposal. If only part of an interest is disposed in a subsidiary while retaining control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When only part of an associate is disposed while retaining significant influence, the related proportion of the cumulative amount is reclassified to profit or loss.

3.3 **Financial instruments**

3.3.1 ***Non-derivative financial instruments***

Non-derivative financial assets are classified into the following categories: loans and receivables and financial assets at fair value through profit or loss. Non-derivative financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable costs. Loans and receivables are recognised on the date that they are originated. All other financial instruments (including assets designated at fair value through profit or loss) are recognised initially on the trade date which is the date that a group entity becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

3. Significant accounting policies (continued)

Financial assets are derecognised if a group entity's contractual rights to the cash flows from the financial assets expire or if a group entity transfers the right to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the asset transferred. Any interest in the transferred financial assets that is created or retained by a group entity is recognised as a separate asset or liability. A group entity derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Available-for-sale financial assets
Investments in equity securities are classified as available-for-sale financial assets, unless they meet the requirements of another IAS 39 financial instrument classification. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 3.8), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss.

Assets at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if a group entity manages such instruments and makes purchase and sale decisions based on their fair value in accordance with the group entity's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein, including any interest or dividend income, are recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are carried at amortised cost.

Non-derivative financial liabilities
Debt securities issued are initially recognised on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which a group entity becomes a party to the contractual provisions of the instrument. Debt issuance costs are capitalised and amortised over the term of the debt as required by application of the effective interest method.

Financial liabilities and other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise borrowings and trade and other payables.

The amounts attributable to third parties in respect of long-term receivables are designated at fair value through profit or loss. To determine fair value, the amounts are discounted to their net present value at a rate considered appropriate, having regard to their term and their denominated currency. The deferred portion of expenditure is allocated over the period of the agreements on a basis which produces a constant periodic rate of return.

3.3.2 Derivative financial instruments

Derivative financial instruments are held to hedge foreign exchange and interest rate risk exposures.

Derivative financial instruments are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

3.3.3 ***Offsetting***

Financial assets and liabilities are off-set and the net amount presented in the statement of financial position when a group entity has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

3.3.4 ***Share capital***

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends (treated as distributions within equity) are recognised as a liability in the period in which they are declared.

3.4 **Property, plant and equipment**

3.4.1 ***Recognition and measurement***

Items of property, plant and equipment, which include improvements made to leasehold premises are measured at cost less accumulated depreciation (refer to note 3.4.3) and accumulated impairment losses (refer to note 3.8). Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment (other than containers in the leasing fleet) are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in profit or loss. When containers in the leasing fleet cease to be rented or become held for sale they are transferred to inventory at their carrying amounts. On disposal the proceeds on the sale of these assets are recognised in revenue in accordance with IAS 18 *Revenue* (refer to note 3.9.1) and the carrying value is included in changes in inventories.

3.4.2 ***Subsequent costs***

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to a group entity and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.4.3 ***Depreciation***

Depreciation is calculated on the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment. Leasehold improvements are depreciated over the shorter of the lease term or their useful lives. The estimated useful lives are as follows for the current and comparative periods:

	Years
Container leasing equipment	
Non-refrigerated containers other than open top and flat rack containers	13 – 14
Refrigerated containers	12
Tank containers	20
Open top and flat rack containers	14 – 16
Plant and machinery	9
Motor vehicles	4 – 5
Other equipment	3 – 10

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3.5 **Intangible assets and goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Intangible assets consist of exclusive rights to manage various fleets of containers and are measured at cost less accumulated amortisation (refer to note 3.5.2) and accumulated impairment losses (refer to note 3.8).

3.5.1 ***Subsequent expenditure***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

3.5.2 ***Amortisation***

Intangible assets with finite useful lives are amortised over their useful lives. Container management contracts are amortised on a straight-line basis over their useful lives. Goodwill is not amortised.

The estimated useful lives are as follows for the current and comparative periods:

	Years
Container management contracts	11 – 13

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting policies (continued)

3.6 Net investment in finance leases

Amounts due from lessees under finance leases are recorded as finance lease receivables at the amount of the group entities' net investment, which comprises the present value of the minimum lease payments and any unguaranteed residual value accruing to the lessor.

The present value is calculated by discounting the minimum lease payments due and any unguaranteed residual value, at the interest rate implicit in the lease. Initial direct costs are included in the calculation of the finance lease receivable, because the interest rate implicit in the lease, used for discounting the minimum lease payments, takes initial direct costs incurred into consideration. Contingent rentals are excluded from the minimum lease payments and are recognised as they are incurred.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

3.8 Impairment

3.8.1 Financial assets

At each reporting date it is assessed whether there is objective evidence that financial assets not carried at fair value through profit or loss, are impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to a group entity on terms that a group entity would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and the disappearance of an active market for a security or observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Evidence of impairment for receivables is considered at both an individual asset and collective level. All individually significant receivables are assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, consideration is given to historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a group entity considers that there are no realistic prospects of recovery of the receivable, the relevant amounts are written off. When a subsequent event causes the amount of impairment loss to decrease, and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

An impairment loss in respect of an available-for-sale financial asset is calculated with reference to its current fair value. Impairment losses on available-for-sale investment securities are recognised by reclassifying the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale equity security subsequently increases and the increase can be related objectively to an event occurring after the impairment was recognised, then the impairment loss is reversed through other comprehensive income.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3.8.2 Non-financial assets

At each reporting date, the carrying amounts of non-financial assets (other than inventories and deferred tax assets) are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Such losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Revenue

3.9.1 Goods sold

Revenue from the sale of goods, principally containers, is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised in profit or loss when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

3.9.2 Leasing income

Leasing income arises principally from operating and finance leases.

Under operating leases, container equipment owned by group entities is rented to various shipping lines and revenue is earned and recognised evenly over the period that the equipment is on lease, according to the terms of the contracts. These contracts are typically for terms of five years or less. Leases generally do not include step-rent provisions, nor do they depend on indices or rates. Revenue is recognised on leases that include lease concessions in the form of free-rent periods using the straight-line method over the minimum terms of the leases. Under finance leases, containers are leased for the remainder of the container's useful life with a purchase option at the end of the lease term.

The revenue recognised at the commencement of a finance lease, where a group entity is the lessor, is the fair value of the asset or if lower, the present value of the minimum lease payments accruing to the group entity, computed at a market rate of interest. The revenue associated with the sale of goods which are subject to finance leases is accounted for in terms of the accounting policy for goods sold (refer to note 3.9.1). The cost of sales recognised at the commencement of the lease term is the cost, or carrying amount if different, of the leased item less the present value of the unguaranteed residual value.

Leasing income in respect of finance lease receivables is earned and recognised over the lease term so as to produce a constant periodic rate of return on the net investment in the lease.

The leases generally require the lessee to pay for any damage to the container beyond normal wear and tear at the end of the lease term. A Damage Protection Plan ("DPP") is offered to certain lessees. In terms of the DPP, an amount is charged, in addition to lease rentals, primarily on a daily basis and the lessees are no longer obligated for certain future repair costs for containers subject to the DPP. These revenues are recognised as earned on a daily basis over the related term of the lease.

Revenue and related expense has not been recognised under the DPP for customers who are charged at the end of the lease term or for other lessees who do not participate in the DPP. Based on past history, there is uncertainty as to the collectability of these amounts from lessees who are billed at the end of the lease term because the amounts due under the DPP are typically renegotiated at the end of the lease term or the lease term is extended.

3. Significant accounting policies (continued)

3.9.3 Management fees

Management fees consist of fees earned by group entities for services related to the management of container equipment, reimbursements of administrative services necessary for the operation and management of equipment and net acquisition fees and sales commissions earned on the acquisition and sale of equipment. Management fees are earned under management agreements on an as-earned basis. Fees are typically calculated as a percentage of net operating income due to the owners of the fleets managed (which is revenue from the containers under management minus direct operating expense related to those containers).

3.9.4 Realised and unrealised exchange differences

Revenue includes realised and unrealised exchange differences arising from the translation of long-term receivables, as these are considered to be part of the operating activities of the container finance segment.

3.9.5 Dividend income and distributions from trust

In the case of the company, revenue comprises dividend income and distributions from trust and is recognised when the right to receive payment is established.

3.10 Expenses

3.10.1 Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3.10.2 Net finance expenses

Interest expense comprises the effective interest expense on financial liabilities measured at amortised cost. Capitalised debt issuance costs which are amortised over the term of the debt are included in interest expense as required by application of the effective interest method.

Interest income, other than that arising in respect of finance lease receivables (refer to note 3.9.2), is recognised in profit or loss as it accrues, using the effective interest method.

Fair value gains or losses on interest rate swaps are included in finance expenses.

3.11 Employee benefits

3.11.1 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the year in which the employee renders the related service. The accruals for employee entitlements to remuneration and annual leave represent the amount which group entities have a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current remuneration rates.

3.11.2 Retirement benefits

Certain of the group entities contribute to defined contribution retirement funds. A defined contribution fund is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to these funds are recognised in profit or loss in the period during which services are rendered by employees.

3.11.3 Share-based payments transactions

The company and certain group entities grant share options to certain employees under share option plans which are all classified as equity-settled. The grant date fair value of share-based awards granted is recognised as an expense with a corresponding increase in equity over the vesting period of the awards. The fair value is measured at grant date using the Black-Scholes Merton ("Black-Scholes") option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted for service and non-market performance conditions, so as to reflect the actual number of share-based awards that vest.

3.12 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the estimated taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are off-set if there is a legally enforceable right to off-set current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.13 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the company by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit or loss attributable to shareholders of the company by the weighted average number of shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares.

3.14 Accounting standards and interpretations in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. The standards and interpretations which may be relevant to the company and group entities are set out below, although early adoption is not anticipated. These will be adopted in the period that they become mandatory unless otherwise indicated.

Effective for the financial year commencing 1 January 2018:

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 18 *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue, at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The new standard will have no effect on the financial statements, as revenue recognition under IFRS 15 will be the same as IAS 18 for the group.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments Standard*, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement.*

This standard will result in changes in the measurement bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an 'incurred loss' model from IAS 39 to an 'expected credit loss' model. The impact of this new standard on the financial statements will not be significant or material.

Effective for the financial year commencing 1 January 2019:

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases,* and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The impact of the standard is currently being assessed.

4. Property, plant and equipment

	Group				
	Leasehold improvements Rm	Container leasing equipment Rm	Plant and machinery Rm	Other equipment and motor vehicles Rm	Total Rm
Cost					
2016					
Balance at the beginning of the year	29	74 123	25	157	74 334
Additions	8	7 188	–	14	7 210
Effect of movements in exchange rates	(6)	(9 523)	(2)	(21)	(9 552)
Transfer to container inventory and finance leases	–	(4 377)	–	–	(4 377)
Disposals	(3)	–	(8)	(4)	(15)
Balance at the end of the year	28	67 411	15	146	67 600
2017					
Additions	**1**	**5 736**	**–**	**13**	**5 750**
Effect of movements in exchange rates	**(2)**	**(6 226)**	**–**	**(14)**	**(6 242)**
Transfer to container inventory and finance leases	**–**	**(2 555)**	**–**	**–**	**(2 555)**
Disposals	**–**	**–**	**(13)**	**(3)**	**(16)**
Balance at the end of the year	**27**	**64 366**	**2**	**142**	**64 537**
Accumulated depreciation and impairment losses					
2016					
Balance at the beginning of the year	26	14 521	19	132	14 698
Depreciation for the year	1	4 848	–	12	4 861
Effect of movements in exchange rates	(4)	(2 127)	(2)	(18)	(2 151)
Impairment loss for the year	–	2 460	–	–	2 460
Transfer to container inventory and finance leases	–	(1 315)	–	–	(1 315)
Disposals	(3)	–	(6)	(4)	(13)
Balance at the end of the year	20	18 387	11	122	18 540
2017					
Depreciation for the year	**1**	**3 037**	**–**	**10**	**3 048**
Effect of movements in exchange rates	**(2)**	**(1 760)**	**–**	**(10)**	**(1 772)**
Impairment loss for the year	**–**	**1 133**	**–**	**–**	**1 133**
Transfer to container inventory and finance leases	**–**	**(1 192)**	**–**	**–**	**(1 192)**
Disposals	**–**	**–**	**(10)**	**(3)**	**(13)**
Balance at the end of the year	**19**	**19 605**	**1**	**119**	**19 744**
Carrying amounts:					
At 1 January 2016	3	59 602	6	25	59 636
At 31 December 2016	8	49 024	4	24	49 060
At 31 December 2017	**8**	**44 761**	**1**	**23**	**44 793**
Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 17):					
At 31 December 2016	–	49 024	–	–	49 024
At 31 December 2017	**–**	**44 761**	**–**	**–**	**44 761**

4.1 Container fleet impairment

Impairment losses of R1 133 million (2016: R2 460 million) have been recognised in respect of the container fleets of Textainer Group Holdings Limited ("Textainer") and TAC Limited ("TAC"). These entities are included in the container owning, leasing, management and trading segment (refer to note 28).

4.1.1 R1 209 million (2016: R2 107) of the impairment loss was incurred at 31 December 2017 as a result of testing the container fleets for impairment in accordance with the accounting policy on impairment (refer to note 3.8.2). Despite improved conditions in the container leasing market, having to discount future cash flows at higher rates has led to significant impairments to the container fleets in 2017. The rates used are influenced by beta risk factors and the costs of debt.

4.1.2 A further impairment loss of R33 million (2016: R353 million) was incurred in respect of containers on lease to defaulting customers.

4.1.3 A recovery of R109 million (2016: nil) was recorded against previous impairment losses incurred in respect of containers on lease to defaulting customers of which R89 million has been recorded in the current year as a reduction in insurance receivables in respect of the Hanjin bankruptcy reported in 2016 (refer to note 20.2).

For the purposes of calculating the impairment loss, the container fleets were grouped by ownership entity and then by CGUs. CGUs were defined as containers grouped by container type, as cash flows for the same type of containers are independent of cash flows of different container types, and are interchangeable with any other container of the same type within the container fleet.

The recoverable amounts and impairment amounts of the CGUs which were impaired are as follows:

	2017		2016	
Container type	**Recoverable amount Rm**	**Impairment Rm**	Recoverable amount Rm	Impairment Rm
Non-refrigerated containers other than open top and flatrack containers				
20' Dry freight	**14 189**	**48**	15 462	503
40' Hi cube	**17 613**	**16**	18 974	1 363
40' Dry freight	**1 902**	**(14)**	2 563	(9)
45' Hi cube	**240**	**18**	325	3
Refrigerated containers				
20' Refrigerated	**204**	**23**	261	2
40' Refrigerated	**8 390**	**1 120**	11 166	234
Open top and flatrack containers				
20' Flatrack	**177**	**(2)**	205	11
	42 715	**1 209**	48 956	2 107

The recoverable amount of the CGUs have been calculated based on their respective value in use. The pre-tax discount rates used to discount the future estimated cash flows were 7,2% (2016: 4,3%) and 7,7% (2016: 5,1%) for Textainer and TAC, respectively. Projected future cash flows were estimated using the assumptions that are part of the long-term planning forecasts of the entities concerned. Some of the significant estimates and assumptions used to determine future expected cash flows were: expected future lease rates, expected utilisation, remaining useful lives, remaining on-hire periods for expired fixed term leases, expected future lease rates, direct container expenses and expected disposal prices of containers. In performing the impairment analysis, assumptions used reflected the contractually stipulated *per diem* rates, with renewal based on current market rates.

4.2 Residual values and change in estimate

Residual values and useful lives of the container fleets were reassessed at 30 June 2017 and at 31 December 2017. In accordance with IAS 16 *Property, Plant and Equipment* residual values are the estimated amounts that the group entities would currently obtain at the financial reporting date from the disposal of containers, after deducting the estimated costs of disposal, if the containers were already of the age and in the condition expected at the end of their useful lives. The reassessment of residual values and useful lives are accounted for prospectively as a change in accounting estimate from the date of change in estimate, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The consequence of the reassessment of residual values and the useful lives at 30 June 2017 was a decrease of R820 million in the depreciation charge for the six months ended 31 December 2017 over what it would have been had the residual values and useful lives not been revised. The consequence of the reassessment of residual values on the depreciation charge in 2018 is not considered to be significant given that the results of Textainer will no longer be consolidated.

4.3 For commitments in respect of property, plant and equipment refer to note 26.

5. Intangible assets and goodwill

	Group		
	Goodwill Rm	Container management contracts Rm	Total Rm
Cost			
2016			
Balance at the beginning of the year	172	836	1 008
Effect of movements in exchange rates	(22)	(105)	(127)
Balance at the end of the year	150	731	881
2017			
Effect of movements in exchange rates	**(13)**	**(65)**	**(78)**
Balance at the end of the year	**137**	**666**	**803**
Accumulated amortisation			
2016			
Balance at the beginning of the year	–	522	522
Amortisation for the year	–	63	63
Effect of movements in exchange rates	–	(71)	(71)
Balance at the end of the year	–	514	514
2017			
Amortisation for the year	**–**	**56**	**56**
Effect of movements in exchange rates	**–**	**(49)**	**(49)**
Balance at the end of the year	**–**	**521**	**521**
Carrying amounts:			
At 1 January 2016	172	314	486
At 31 December 2016	150	217	367
At 31 December 2017	**137**	**145**	**282**

5.1 The amortisation charge is recognised in other operating expenses in the statement of profit or loss and other comprehensive income. No impairment losses have been recognised against these assets during the current or previous financial year.

5.2 The goodwill arose on the step-up to control for TAC as at 1 July 2013 and, for the purposes of impairment testing, has been allocated to the container owning, leasing, management and trading segment in line with synergies expected to be obtained from this business combination. Goodwill was tested for impairment by comparing the carrying values of the CGUs within this segment to the respective recoverable amounts (i.e. value in use), using the future cash flow and discount rate assumptions described in note 4. There was no indication that the goodwill was impaired based on the analyses performed at 31 December 2017 and 2016.

6. Investment in equity accounted investee

The carrying amount and share of profit/(loss) of the associate at 31 December are as follows:

	Group	
	2017 Rm	2016 Rm
Carrying value of associate	**114**	121
Share of profit/(loss)	**4**	(6)
Extract from associate's statement of cash flow		
Cash inflow from operating activities	**425**	382
Cash outflow from financing activities	**(340)**	(474)

Textainer has a 25% investment in unlisted TW Container Leasing Limited which leases containers under finance leases.

7. Interest in subsidiaries

	Company 2017 Rm	Company 2016 Rm
Ordinary shares at cost	**408**	408
Preference shares	**1 013**	1 013
Investment in subsidiaries before impairment loss	**1 421**	1 421
Impairment loss	**(351)**	(351)
Investment in subsidiaries	**1 070**	1 070
Amount due to subsidiary – long-term	**(824)**	(916)
	246	154

7.1 Amount due to subsidiary is unsecured and interest free and is repayable at 367 days' notice.

7.2 Income earned from subsidiaries during the year included in profit or loss:

	2017 Rm	2016 Rm
Dividends received (refer to note 20.1)	**400**	–
Capital distribution from trust (refer to note 20.1)	**–**	525
	400	525

7.3 The impairment loss arose on impairment of the company's investment in certain subsidiaries to net asset value.

7.4 List of material subsidiaries:

	2017 %	2016 %	Place of registration
Indirect beneficiary interests (under the Halco Trust):			
Halco Holdings Inc ("Halco")	**100**	100	British Virgin Islands
Textainer	**47,8**	48,0	Bermuda
TAC	**100**	100	Bermuda
Direct interests:			
Trencor Services Proprietary Limited	**100**	100	Republic of South Africa

Textainer

Although Halco holds less than 50% of the issued shares in Textainer, for purposes of IFRS it is treated as controlling Textainer on a *de facto* basis because the remaining voting rights are widely dispersed and there is no indication that all other shareholders exercise their votes collectively. Refer to note 34 for the accounting treatment of Textainer in future periods.

	Ownership interests held by non-controlling interests (%)	
	2017	2016

7. Interest in subsidiaries (continued)

7.5 Non-controlling interests

	2017	2016
Non-controlling interests in Textainer	**52,2**	52,0

The following is summarised financial information for Textainer, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the accounting policies reflected in note 3. The information is before inter-company eliminations with other group entities.

	Textainer	
	2017 Rm	2016 Rm
Revenue	**7 795**	8 843
Loss	**(522)**	(3 766)
Loss attributable to non-controlling interests*	**(289)**	(2 003)
Other comprehensive loss	**(1 048)**	(1 986)
Total comprehensive loss	**(1 570)**	(5 752)
Total comprehensive loss attributable to non-controlling interests*	**(866)**	(3 097)
Non-current assets	**44 193**	48 184
Current assets	**3 832**	3 907
Non-current liabilities	**(33 235)**	(4 976)
Current liabilities	**(4 726)**	(35 495)
Indirect non-controlling interest	**(285)**	(383)
Net assets	**9 779**	11 237
Net assets attributable to non-controlling interests	**5 102**	5 834
Cash inflow/(outflow) from operating activities	**1 743**	(836)
Cash outflow from investing activities	**(480)**	(390)
Cash (outflow)/inflow from financing activities	**(551)**	857
Net increase/(decrease) in cash and cash equivalents	**712**	(369)
Dividends paid to non-controlling interest during the year included in cash flow from operating activities	**34**	231

* Including indirect non-controlling interest.

	Group					
	Minimum lease payments	Unearned finance income	Present value of minimum lease payments	Minimum lease payments	Unearned finance income	Present value of minimum lease payments
	2017			2016		
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
8. Net investment in finance leases						
Amounts receivable under finance leases:						
Within one year	**483**	**56**	**427**	561	94	467
Between one and five years	**457**	**40**	**417**	968	89	879
After five years	**81**	**2**	**79**	109	5	104
	1 021	**98**	**923**	1 638	188	1 450

	Group	
	2017 Rm	2016 Rm
Present value of minimum lease payments analysed as:		
Non-current finance lease receivables	**496**	983
Current finance lease receivables included in current assets	**427**	467
	923	1 450

8.1 Net investment in finance leases represents amounts receivable in respect of containers leased to shipping lines under finance lease agreements. These agreements provide that the containers are leased for their useful lives with a bargain purchase option at the end of the lease term. There are no contingent rentals.

8.2 The interest rates inherent in the leases are fixed at the contract date for the full term of the leases. The average effective interest rate contracted approximates 6,64% p.a. (2016: 6,72% p.a.).

8.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R58 million (2016: R69 million).

8.4 The net investment in finance leases has been pledged as security for a loan (refer to note 17).

8.5 The fair value of the net investment in finance leases is R938 million (2016: R1 451 million) (refer to note 29). No impairment loss has been recognised as the difference between carrying value and fair value resulted from changes in current market interest rates without any changes to future contractual cash flows.

9. Derivative financial instruments

Derivative financial instruments at 31 December comprise:

	Group				
			Notional amount of contracts outstanding	Fair value	
	Final maturity	Underlying	Rm	Assets Rm	Liabilities Rm
2017					
Type of contract					
Interest rate cap contracts	December 2019	Interest rates	**1 707**	**–**	**–**
Interest rate swap contracts	July 2023	Interest rates	**14 313**	**100**	**–**
				100	**–**
2016					
Type of contract					
Interest rate cap contracts	December 2017	Interest rates	7 347	–	–
Interest rate swap contracts	July 2023	Interest rates	18 931	63	17
				63	17

9.1 The interest rate cap and swap contracts have been recorded at fair value and the related fair value adjustments recorded in profit or loss. The fair value of the interest rate cap contracts is nil due to settlement at each month-end.

9.2 The variable interest rate debt principal outstanding amounted to R27 131 million at 31 December 2017 (2016: R35 972 million) of which R16 020 million (2016: R26 278 million) in notional value was covered by interest rate cap and swap contracts.

9.3 Textainer uses FINCAD Analytics Suite, a third-party valuation software, to perform the fair valuation of its interest rate swap transactions. The fair valuation of interest rate swaps is derived from the discounting of future net cash flows utilising the US dollar swap curve (i.e. US$ LIBOR) and incorporates an appropriate credit risk adjustment.

10. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Property, plant and equipment	**–**	–	**239**	354	**239**	354
Net investment in long-term receivables	**–**	–	**–**	47	**–**	47
Inventories	**–**	–	**2**	5	**2**	5
Trade and other receivables	**–**	–	**8**	5	**8**	5
Trade and other payables	**(19)**	(12)	**–**	–	**(19)**	(12)
Share-based payments	**(9)**	(18)	**–**	–	**(9)**	(18)
Tax losses carried forward	**(212)**	(333)	**–**	–	**(212)**	(333)
Tax (assets)/liabilities	**(240)**	(363)	**249**	411	**9**	48
Set-off of tax balances in same entity	**221**	345	**(221)**	(345)	**–**	–
Net tax (assets)/liabilities	**(19)**	(18)	**28**	66	**9**	48

Movement in temporary differences during the year:

	Group					
	Balance at the beginning of the year Rm	Recognised in profit or loss Rm	Recognised in equity Rm	Exchange adjustment in equity Rm	Long-term receivables Rm	Balance at the end of the year Rm
2017						
Property, plant and equipment	**354**	**(88)**	**–**	**(27)**	**–**	**239**
Net investment in long-term receivables	**47**	**(47)**	**–**	**–**	**–**	**–**
Inventories	**5**	**(3)**	**–**	**–**	**–**	**2**
Trade and other receivables	**5**	**4**	**–**	**(1)**	**–**	**8**
Trade and other payables	**(12)**	**(8)**	**–**	**1**	**–**	**(19)**
Share-based payments	**(18)**	**8**	**–**	**1**	**–**	**(9)**
Tax losses carried forward	**(333)**	**98**	**–**	**23**	**–**	**(212)**
	48	**(36)**	**–**	**(3)**	**–**	**9**
2016						
Property, plant and equipment	448	(41)	–	(53)	–	354
Net investment in long-term receivables	121	(84)	–	–	10	47
Investments	8	–	(8)	–	–	–
Inventories	11	(5)	–	(1)	–	5
Trade and other receivables	3	3	–	(1)	–	5
Trade and other payables	(13)	1	–	–	–	(12)
Share-based payments	(29)	8	–	3	–	(18)
Tax losses carried forward	(303)	(74)	–	44	–	(333)
Deferred income	6	(5)	–	(1)	–	–
	252	(197)	(8)	(9)	10	48

10.1 Deferred tax assets of R212 million (2016: R333 million) relate to tax losses carried forward which will expire between 2018 and 2037 if not utilised.

10.2 An amount of R77 million (2016: R135 million) in respect of losses has not been recognised as a deferred asset, as it is not probable that future taxable income will be available against which benefits will accrue.

10.3 In certain of the countries in which group entities operate, local tax laws provide that earnings only be taxed in those jurisdictions when the earnings are transferred out of such jurisdictions. It is intended that these earnings be permanently reinvested in those countries. At 31 December 2017, cumulative earnings of approximately R452 million (2016: R484 million) would be subject to income taxes of approximately R136 million (2016: R145 million) if such earnings of foreign entities were transferred out of such jurisdictions in the form of dividends.

10.4 In the case of the company, there were no temporary differences associated with investments in subsidiaries and associate companies for which deferred tax liabilities have not been recognised (2016: nil).

	Group	
	2017 Rm	2016 Rm
11. Restricted cash		
The restricted cash is held by lenders in interest-bearing cash accounts as additional collateral for Textainer's secured debt facilities, a revolving credit facility and bonds payable (refer to note 17).	**1 105**	737

The terms of the bonds payable require that a minimum of nine (2016: nine) months' interest be held as restricted cash. The terms of the secured debt facilities and a revolving credit facility require that a minimum of five (2016: five) months' interest be held as restricted cash. The net operating income of the borrowing companies is also required to be placed in trust accounts and cannot be withdrawn until the monthly principal and interest payments are made.

	Group	
	2017 Rm	2016 Rm
12. Inventories		
Container equipment held for sale	**270**	375
Trading containers	**133**	59
	403	434

In terms of IFRS 16, when containers in the leasing fleet cease to be rented, they are transferred to inventory at carrying value. The containers are then written down to their net realisable value, which is the estimated selling price in the ordinary course of business, less costs to sell. The net realisable values of containers are updated as selling prices of containers change. During the year there was a net write-up of containers of R14 million (2016: R527 million write-down).

	Group		Company	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
13. Trade and other receivables				
Trade receivables	**1 019**	1 062	**–**	–
Prepayments	**158**	194	**–**	–
Insurance receivables	**160**	559	**–**	–
Other receivables	**103**	202	**–**	–
	1 440	2 017	**–**	–
14. Income tax paid				
Amounts payable at the beginning of the year	**136**	144	**–**	–
Amounts receivable at the beginning of the year	**(18)**	–	**–**	–
Effect of movements in exchange rates	**(12)**	(18)	**–**	–
Recognised in profit or loss				
South African normal	**52**	162	**2**	4
Foreign normal	**27**	27	**–**	–
Reduced tax benefit on equity-settled share-based payments	**–**	8	**–**	–
Amounts payable at the end of the year	**(123)**	(136)	**(1)**	–
Amounts receivable at the end of the year	**–**	18	**–**	–
Amounts paid during the year	**62**	205	**1**	4
15. Cash and cash equivalents				
Bank balances	**2 008**	1 330	**–**	–
Call and term deposits	**1 126**	1 507	**–**	–
	3 134	2 837	**–**	–

	Group		Company	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
16. Capital and reserves				
Share capital				
Authorised				
Ordinary shares of 0,5 cent each 200 000 000 (2016: 200 000 000)	**1**	1	**1**	1
Issued				
Ordinary shares of 0,5 cent each 177 068 011 (2016: 177 068 011)	**1**	1	**1**	1

16.1 Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company.

16.2 No authorisation has been sought from shareholders to place the unissued shares of the company under the control of the directors.

16.3 Dividends

	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Dividends declared and paid during the year are as follows:				
Final dividend in respect of the financial year 2016 – 50 cents per share (2015: 220 cents per share)	**88,5**	389,5	**88,5**	389,5
Interim dividend in respect of the financial year 2017 – 50 cents per share (2016: 80 cents per share)	**88,5**	141,7	**88,5**	141,7
	177,0	531,2	**177,0**	531,2

A final dividend of R88,5 million (50 cents per share) in respect of the financial year ended 31 December 2017 (2016: R88,5 million – 50 cents per share) was declared by the board on 22 May 2018. Dividend withholding tax at the rate of 20% is applicable to shareholders who are not exempt from this tax, which results in a net dividend of 40 cents per share to these shareholders.

16.4 Reserves

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value, other than impairments, of available-for-sale investments until the investment is derecognised.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Share-based payment reserve

The share-based payment reserve comprises the cumulative value of equity-settled share-based payments.

Gain/Loss in changes in ownership interests in subsidiaries

This reserve represents the cumulative net gain in changes in ownership interests in subsidiaries.

17. Interest-bearing borrowings

	Group							
	Interest rate 31 Dec 2017 % p.a.	Interest fixed or indexed to	Foreign amount					
			2017 US$m	2016 US$m	**2017 Rm**	2016 Rm	**Repayment terms**	**Covenant**
Secured (refer to note 17.1)								
Bonds:								
2017 – 1 Bonds	3,91	Fixed	**394**	–	**4 877**	–	Scheduled repayments over 9 years, but may not exceed a maximum payment term of 25 years. Target final repayment date May 2026, legal final repayment date May 2042.	The bonds contain restrictive covenants on Textainer's leverage, debt service coverage, Textainer's container management subsidiary's net income, debt levels and overall asset base minimum, certain earnings ratios, and the average age of container fleets. Covenants also extend to the borrower's ability to incur other obligations and distribute earnings. The total outstanding principal may not exceed the lesser of the commitment amount and an amount which is calculated by a formula based on the borrowers' book value of equipment, restricted cash and finance leases as specified in the secured debt facility indentures. The total obligations under the debt facilities are secured by a pledge of the borrowers' assets. The borrowers are required to maintain restricted cash balances on deposit in a designated bank account equal to nine months of interest expense. Textainer and its respective subsidiaries were in compliance with these covenants at 31 December 2017.
2017 – 2 Bonds	3,73	Fixed	**480**	–	**5 944**	–	Scheduled repayments over 9 years, but may not exceed a maximum payment term of 25 years. Target final repayment date June 2026, legal final repayment date June 2042.	
2013 – 1 Bonds			**–**	202	**–**	2 748	Repaid in April 2017.	
2014 – 1 Bonds			**–**	236	**–**	3 205	Repaid in April 2017.	

	Group							
	Interest rate 31 Dec 2017 % p.a.	Interest fixed or indexed to	Foreign amount 2017 US$m	Foreign amount 2016 US$m	2017 Rm	2016 Rm	Repayment terms	Covenant
Term loan:								
Textainer term loan	3,69	US prime or LIBOR	**354**	396	**4 379**	5 382	Repayable in 19 quarterly instalments over a five-year term with a final payment in April 2019.	The term loan contains restrictive covenants on Textainer's consolidated net worth, leverage, debt service coverage, debt levels and overall asset base minimum. The total outstanding principal may not exceed the lesser of the commitment amount and an amount which is calculated by a formula based on the borrower's net book value of containers and finance leases designated to the term loan. Textainer acts as an unconditional guarantor of the term loan. The term loan is secured by segregated pools of the borrower's containers. On 27 February 2017 and 31 October 2017, the borrower entered into amendments which revised certain of the covenants and restrictions, and increased the interest rate. Textainer and the borrower were in compliance with these covenants at 31 December 2017.
Debt facilities:								
Textainer debt facility	3,38	LIBOR	**665**	955	**8 223**	12 970	Repayment commencing August 2020 over a four-year term with a final repayment in September 2024.	The secured debt facilities contain restrictive covenants on Textainer's leverage, debt service coverage, Textainer's container management subsidiary's net income, debt levels and overall asset base minimum, certain earnings ratios, the average age of container fleets and in respect of certain containers and covenants on the sales proceeds ratio. Covenants also extend to the borrower's ability to incur other obligations and distribute earnings. The total outstanding principal may not exceed the lesser of the commitment amount and an amount which is calculated by a formula based on the borrowers' book value of equipment, restricted cash and finance leases as specified in the secured debt facility indentures. The total obligations under the debt facilities are secured by a pledge of the borrowers' assets. The borrower is required to maintain restricted cash balances on deposit in a designated bank account equal to five months of interest expense. On 27 February 2017, amendments were entered into which revised certain of the covenants and restrictions, and increased the interest rate. On 31 August 2017, an amendment was entered into which extended the conversion date to August 2020, and lowered the interest rate of the first mentioned secured debt facility. Textainer and its respective subsidiaries were in compliance with these covenants at 31 December 2017.
Textainer debt facility	4,00	LIBOR	**133**	141	**1 645**	1 920	Repayment commencing February 2018 over a two-year term with a final repayment in February 2020. Subsequent to the year end this facility was repaid.	

17. Interest-bearing borrowings (continued)

Group								
	Interest rate 31 Dec 2017 % p.a.	Interest fixed or indexed to	Foreign amount					
			2017 US$m	2016 US$m	**2017 Rm**	2016 Rm	**Repayment terms**	**Covenant**
Revolving credit facilities:								
Textainer revolving credit facility	3,56	LIBOR	**574**	676	**7 100**	9 175	Repayable in full in June 2020.	The revolving credit facilities contain restrictive financial covenants on Textainer's consolidated net worth and leverage coverage. The total outstanding principal may not exceed the lesser of the commitment amount and an amount, which is calculated by a formula based on the borrowers' net book value of containers and finance leases designated. Textainer acts as an unconditional guarantor of the revolving credit facility. There are no outstanding letters of credit under the revolving credit facility as of 31 December 2017. The revolving credit facilities are secured by segregated pools of the borrower's containers. Textainer and the borrowers were in compliance with these covenants at 31 December 2017. On 27 February 2017 and 31 October 2017, amendments were entered into which revised certain of the covenants and restrictions, and increased the interest rate.
Textainer revolving credit facility	3,55	LIBOR	**152**	175	**1 880**	2 379	Repayable in full in July 2020.	
Textainer revolving credit facility	3,43	LIBOR	**165**	150	**2 038**	2 037	Repayable in full in December 2021.	The revolving credit facility contains restrictive covenants on Textainer's consolidated net worth, leverage, debt service coverage, Textainer's container management subsidiaries' net income, debt levels and overall asset base minimum, certain earnings ratios, the average age of container fleets and in respect of certain containers and covenants on the sales proceeds ratio. The total outstanding principal may not exceed the lesser of the commitment amount and an amount which is calculated by a formula based on the borrower's net book value of containers and finance leases. The revolving credit facility is secured by a pledge of the borrower's assets. On 27 February 2017, an amendment was entered into which revised certain of the covenants and restrictions. On 8 December 2017, an amendment was entered which extended the maturity date to 7 December 2021, lowered the interest margin and increased the aggregate commitment amount by US$40 million. Textainer and its respective subsidiaries' were in compliance with these covenants at 31 December 2017.

	Group							
	Interest rate 31 Dec 2017 % p.a.	Interest fixed or indexed to	Foreign amount					
			2017 US$m	2016 US$m	**2017 Rm**	2016 Rm	**Repayment terms**	**Covenant**
TAC revolving credit facility	3,69	LIBOR	**151**	155	**1 866**	2 110	No repayment within the two year revolving period. The facility will convert to a six year amortising note if not extended by agreement between the banks and the borrower. Final repayment estimated in November 2025.	On 20 November 2017 the facility was renewed. Under the terms of the facility, payment of dividends and the redemption of shares subject to mandatory redemption can only be made from surplus cash flows after any payments due under the facility. The facility also contains covenants regarding senior funded indebtedness, interest coverage and tangible net worth. The facility includes under the definition of an early amortisation event, which will be triggered if the borrowers earnings before interest and taxes ratio is equal to or less than (a) 1,0 for the calendar quarter ended 30 September 2017 or (b) 1,2 for each calendar quarter ending subsequent 30 September 2017. With respect to (b), the measurement period shall be the number of quarters that have elapsed since the calendar quarter 30 September 2017 until four quarters and thereafter a rolling four quarter basis. TAC and the borrower were in compliance with these covenants at 31 December 2017.
Total			**3 068**	3 086	**37 952**	41 926		
Unamortised debt issuance costs					**(333)**	(258)		
					37 619	41 668		
Current portion included in current liabilities					**(2 611)**	(36 755)		
					35 008	4 913		

17.1 The secured loans are secured by way of a pledge against certain of the group entities' property, plant and equipment and investments in finance leases as well as requirements by lenders that the group entities hold restricted cash as additional collateral for borrowings (refer to notes 4, 8 and 11 respectively).

17.2 Debt issuance costs of R393 million (2016: R88 million) were capitalised during the year.

17.3 In terms of the memorandum of incorporation, the company's borrowing powers are unlimited. The company's borrowings are disclosed in note 7.

17. Interest-bearing borrowings (continued)

17.4 Details of borrowing facilities are as follows:

	Group 2017 Rm	Group 2016 Rm
Total borrowing facilities	**39 939**	42 975
Actual borrowings at the end of the year	**37 952**	41 926
Unutilised facilities	**1 987**	1 049

17.5 Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Interest bearing borrowings Rm	Debt issuance costs Rm	Derivative financial instruments Rm	Non-controlling interests Rm	Total Rm
Balance at 1 January 2017	**41 926**	**(258)**	**(46)**	**6 218**	**47 840**
Changes from financing cash flows					
Proceeds from loans and borrowings	**22 988**	**–**	**–**	**–**	**22 988**
Proceeds from exercise of share options	**–**	**–**	**–**	**13**	**13**
Capitalised debt issuance costs	**–**	**(393)**	**–**	**–**	**(393)**
Repayment of borrowings	**(23 244)**	**–**	**–**	**–**	**(23 244)**
Total changes from financing cash flows	**41 670**	**(651)**	**(46)**	**6 231**	**47 204**
Debt issuance costs amortised	**–**	**187**	**–**	**–**	**187**
Debt issuance costs written-off	**–**	**100**	**–**	**–**	**100**
Effect of exchange rate fluctuations	**(3 718)**	**31**	**9**	**(577)**	**(4 255)**
Changes in fair value	**–**	**–**	**(63)**	**–**	**(63)**
	37 952	**(333)**	**(100)**	**5 654**	**43 173**
Non-controlling other equity related changes	**–**	**–**	**–**	**(267)**	**(267)**
Balance at 31 December 2017	**37 952**	**(333)**	**(100)**	**5 387**	**42 906**

18. Deferred revenue

Deferred revenue represents the fair value of the reduced management fee recognised in a business combination in 2012. The deferred revenue is amortised to management fees from date of acquisition to 1 January 2019, the beginning of the period in which an option is held to acquire the remaining shares in the entity subject to the business combination.

	Group 2017 Rm	Group 2016 Rm
Balance at the beginning of the year	**34**	45
Recognised in profit or loss	**(3)**	(4)
Effect of movements in exchange rates	**(3)**	(7)
Balance at the end of the year	**28**	34
Analysed as:		
Non-current deferred revenue	**25**	30
Current deferred revenue	**3**	4
	28	34

19. Trade and other payables

	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Trade payables	**86**	163	**–**	–
Accrued expenses	**244**	210	**14**	13
Amounts due to container owners	**124**	176	**–**	–
Amounts due in respect of container acquisitions	**1 622**	163	**–**	–
Other payables	**4**	7	**4**	6
	2 080	719	**18**	19

20. Operating profit/(loss) before net finance expenses

20.1 Operating profit/(loss) before net finance expenses is arrived at after taking into account:

	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Income				
Capital distribution from trust	–	–	–	525
Compensation (reversal)/recovery from third party in respect of impairment of property, plant and equipment	**(89)**	289	–	–
Dividends received	–	–	**400**	–
Realised exchange gains not included in revenue	–	12	–	11
Expenses				
Amortisation of intangible assets	**56**	63	–	–
Auditors' remuneration	**58**	42	**25**	16
Audit fee – current year	**42**	26	**19**	9
– under provision prior year	**16**	16	**6**	7
Directors' remuneration and benefits	**14**	19	**3**	3
Executive directors				
Short-term employee benefits	**9**	12	–	–
Share-based payments – equity-settled	–	2	–	–
Non-executive directors				
Remuneration	**4**	4	**3**	3
Share-based payments – equity-settled	**1**	1	–	–
Impairment losses incurred – financial assets	**15**	628	–	–
Finance leases – defaulting customers	–	390	–	–
Trade and other receivables	**15**	282	–	–
Trade and other receivables – loss reversed	–	(44)	–	–
(Write-up)/Write-down of container leasing equipment held for sale	**(14)**	527	–	–
Operating leases – premises	**49**	21	–	–
Share-based payments included in employee benefits expense – equity-settled	**58**	65	–	–
Share-based payments to suppliers – equity-settled	**6**	11	–	–
Retirement benefit contributions included in employee benefits expense	**8**	8	–	–

20.2 Hanjin bankruptcy and impairment

On 31 August 2016, one of the Textainer's customers, Hanjin Shipping Company Ltd ("Hanjin"), filed for bankruptcy. The book value of containers on operating and finance leases was R2 443 million and R985 million, respectively. Finance leases were terminated and, accordingly, the net investment in finance leases was reclassified to container leasing equipment in property, plant and equipment and written down to the lower of estimated fair market value or net book value.

Based on the recovery of these containers during the period it has been estimated that the recovery will be 93% (2016: 90%) of the containers on lease to Hanjin. Accordingly, the impairment loss raised in 2016 has been adjusted by R89 million on the estimated unrecoverable containers of 7%. Insurance is maintained that covers a portion of the exposure related to the value of containers that are unlikely to be recovered from Hanjin, the cost to recover containers, up to 183 days of lost lease rental income and defaulted accounts receivable.

20. Operating profit/(loss) before net finance expenses (continued)

20.2 Hanjin bankruptcy and impairment (continued)

The financial impact of the Hanjin bankruptcy recorded in operating profit/(loss) from operations for the years ended 31 December 2016 and 2017 was as follows:

	Group		
	Gross loss incurred Rm	Insurance recovery Rm	Net loss incurred Rm
Impairment of net investment in finance leases	325	–	325
Impairment of containers considered irrecoverable	339	(289)	50
Costs incurred in respect of recovery of containers	282	(282)	–
Impairment of trade receivables	258	(38)	220
Foreign exchange fluctuation included in foreign translation reserve	–	50	–
Loss/(Recovery) at 31 December 2016	1 204	(559)	595
Costs incurred in respect of recovery of containers	**354**	**(354)**	**–**
Reduction of the impairment loss and insurance recovery in respect of containers recovered that were previously considered to be irrecoverable	**(89)**	**89**	**–**
Loss/(Recovery) at 31 December 2017	**1 469**	**(824)**	**595**
Insurance proceeds received to date	**–**	**640**	**–**
Foreign exchange fluctuation included in foreign translation reserve	**–**	**24**	**–**
	1 469	**(160)**	**595**

	Group		Company	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
21. Net finance expenses				
Finance expenses – incurred by Textainer and TAC	**1 654**	1 451	**–**	–
Interest expense	**1 704**	1 406	**–**	–
Realised and unrealised (gains)/losses on derivative financial instruments	**(50)**	45	**–**	–
Finance income				
Interest income received on cash and cash equivalents	**(68)**	(57)	**–**	–
	1 586	1 394	**–**	–
22. Income tax expense/(credit)				
South African normal	**52**	162	**2**	4
Current	**51**	162	**1**	4
Adjustment for prior years	**1**	–	**1**	–
Foreign normal	**27**	28	**–**	–
Current	**21**	49	**–**	–
Adjustment for prior years	**6**	(21)	**–**	–
Associated tax credit	**(13)**	(4)	**–**	–
Current year	**–**	(3)	**–**	–
Prior year	**(13)**	(1)	**–**	–
South African deferred				
Origination and reversal of temporary differences	**(48)**	(74)	**–**	–
Foreign deferred	**12**	(123)	**–**	–
Origination and reversal of temporary differences	**32**	(132)	**–**	–
Adjustment for prior years	**(11)**	9	**–**	–
Reduction in tax rate	**(9)**	–	**–**	–
	30	(11)	**2**	4

	Group		Company	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
The income tax expense/(credit) is reconciled as follows:				
(Loss)/Profit before tax	**(580)**	(3 757)	**271**	448
Income tax (credit)/expense at applicable rate of 28% (2016: 28%)	**(163)**	(1 052)	**76**	126
Operating losses not recognised	**–**	32	**–**	–
(Over)/Under provided in prior years	**(12)**	(14)	**1**	–
Foreign loss inclusion differential	**132**	958	**–**	–
Foreign tax rate differential	**3**	6	**–**	–
Provision for tax exposures	**42**	36	**–**	–
Non-taxable income – capital distribution from trust	**–**	–	**–**	(147)
Non-deductible expenses in relation to capital distribution from trust	**–**	25	**–**	25
Non-taxable income – dividends received	**–**	–	**(111)**	–
Non-deductible expenses in relation to dividends received	**36**	–	**36**	–
Capital gain	**–**	(4)	**–**	–
(Profit)Loss from equity accounted investee	**(1)**	2	**–**	–
Effect of reduction in tax rate on recognised temporary differences	**(7)**	–	**–**	–
Income tax expense/(credit) at effective tax rate	**30**	(11)	**2**	4

22.1 Certain group entities are not subject to tax in their countries of incorporation. However, these entities are subject to tax in certain other jurisdictions due to the nature of their operations. These entities estimate the tax liability based upon their interpretation of the tax laws of the various jurisdictions in which they operate and include a provision for uncertain tax exposures. Deferred income taxes reflect temporary differences attributable to various jurisdictions at the appropriate statutory tax rates.

22.2 Certain group entities participated in export partnerships. As these entities were liable to the partnerships for the tax effect in the first year of their participation, the amount thereof was disclosed as an associated tax charge. In subsequent years, the partnerships become liable to the entities for the tax arising as the underlying receivables are collected. The amount thereof is disclosed as an associated tax credit.

22.3 Foreign loss inclusion differential: A portion of Textainer's profit/loss is treated as effectively connected with its conduct of a trade or business within the United States of America ("U.S."), and is accordingly subject to U.S. federal income tax. Since only a portion of the profit/loss is taxed at the U.S. federal income tax rate, the portion not included is either not taxable or not deductible.

23. Loss per share

	Group			
	Gross	**Net***	Gross	Net*
	2017		2016	
	Rm	**Rm**	Rm	Rm
Basic loss per share				
Loss for the year attributable to equity holders of the company (R million)		**(321)**		(1 743)
Weighted average number of shares in issue (million)		**177,1**		177,1
Basic loss per share (cents)		**(181,5)**		(984,4)
Diluted loss per share (cents)		**(181,5)**		(984,4)
Headline earnings/(loss) per share				
Loss for the year attributable to equity holders of the company		**(321)**		(1 743)
Impairment of property, plant and equipment	**1 133**	**544**	2 460	1 142
Compensation reversal/(recovery) from third party in respect of impairment of property, plant and equipment	**89**	**42**	(289)	(142)
Available-for-sale financial asset – reclassified from other comprehensive loss	**–**	**–**	(33)	(28)
Headline earnings/(loss) attributable to equity holders of the company		**265**		(771)
Weighted average number of shares in issue (million)		**177,1**		177,1
Headline earnings/(loss) per share (cents)		**149,4**		(435,1)
Diluted headline earnings/(loss) per share (cents)		**149,4**		(435,1)

* Net of tax and non-controlling interests.

24. Cash generated from operations

	Group		Company	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Reconciliation of (loss)/profit for the year to cash generated from operations				
(Loss)/Profit for the year	**(610)**	(3 746)	**269**	444
Adjusted for:				
Finance expenses	**1 654**	1 451	**–**	–
Finance income	**(68)**	(57)	**–**	–
Realised and unrealised foreign exchange losses	**–**	94	**–**	–
Net decrease in adjustment to the net investment in long-term receivables	**–**	(345)	**–**	–
Other non-cash flow adjustments to the net investment in long-term receivables	**(16)**	6	**–**	–
Depreciation	**3 048**	4 861	**–**	–
Carrying value of container leasing equipment disposed	**1 375**	2 137	**–**	–
(Write-up)/Write-down of container leasing equipment held for sale	**(14)**	527	**–**	–
Net impairment losses incurred	**1 148**	3 088	**–**	–
Share-based payments	**65**	79	**–**	–
Amortisation of intangible assets	**56**	63	**–**	–
Finance lease income	**(94)**	(167)	**–**	–
Deferred revenue recognised in profit or loss	**(3)**	(4)	**–**	–
Gain on disposal of available-for-sale financial asset	**–**	(33)	**–**	–
Share of (profit)/loss from equity accounted investee	**(4)**	6	**–**	–
Income tax expense/(credit)	**30**	(11)	**2**	4
Operating profit before working capital changes	**6 567**	7 949	**271**	448
Working capital changes	**353**	(470)	**(1)**	13
(Increase)/Decrease in inventories	**(8)**	10	**–**	–
Decrease/(Increase) in trade and other receivables	**413**	(591)	**–**	1
(Decrease)/Increase in trade and other payables	**(52)**	111	**(1)**	12
Cash generated from operations	**6 920**	7 479	**270**	461

25. Operating lease commitments

	Group	
	2017 Rm	2016 Rm
Non-cancellable operating lease rentals are payable as follows:		
Within one year	**28**	13
Between one and five years	**106**	120
After five years	**115**	152
	249	285

A number of office premises are leased under operating leases. Leases typically run for periods of five to ten years, with an option to renew the leases upon expiration. None of the leases include contingent rentals.

26. Capital commitments

	Group 2017 Rm	Group 2016 Rm
For container leasing equipment		
Contracted	**3 030**	–

27. Employee benefits

27.1 Share-based payments

Trencor and Textainer have share option plans for certain employees, including directors, to purchase shares in terms of the rules of the respective plans.

Trencor

All options granted in terms of The Trencor Share Plan were exercised in prior periods and consequently there are no share options outstanding. In terms of the Plan, options were previously granted to certain executive directors and employees amounting in aggregate to 6 740 000 shares (2016: 6 740 000 shares) in the unissued share capital of the company. The maximum number of shares available for utilisation under the Plan is 8 884 209 (2016: 8 884 209).

There is currently no intention to grant further options but the Plan is being maintained in its current dormant state in order that options may be granted in future should the need arise. Accordingly, no authority is sought at this stage from shareholders to place the unissued shares reserved for the Plan under the control of the directors and to authorise the directors to issue such shares.

Textainer

Textainer has a share option and restricted share unit plan, the 2015 Share Incentive Plan ("2015 Plan"). The 2015 Plan provides for the grant of share options, restricted share units, restricted shares, share appreciation rights and dividend equivalent rights. No grants have been made in respect of share appreciation rights. The 2015 Plan provides for grants of incentive share options only to its employees or employees of any parent or subsidiary of Textainer. Awards other than incentive share options may be granted to its employees, directors and consultants or the employees, directors and consultants of any parent or subsidiary of Textainer. There are no performance criteria attached to the option plan. The options vest over a total period of four years in increments of 25% p.a. beginning approximately one year from grant date. All options lapse after a period of 10 years from date of grant. Beginning approximately one year after a restricted share unit's grant date for each restricted share unit granted in 2010 and thereafter, each employee's restricted share units vest in increments of 25% p.a. Restricted share units granted to directors fully vest one year after their grant date.

	Number of shares
Shares available for utilisation under the plans at 31 December 2015	1 865 942
Share options and restricted share units granted in 2016, net of forfeitures	(655 053)
Shares available for utilisation under the plans at 31 December 2016	1 210 889
Share options and restricted share units granted in 2017, net of forfeitures	**(422 952)**
Shares available for utilisation under the plans at 31 December 2017	**787 937**

The following is a summary of activity in the 2015 Plan:

Share options

	Number of options			Weighted average	
	Unvested	Vested	Total	Exercise price US$	Expiration year
Outstanding at 31 December 2015	597 610	561 736	1 159 346	26,62	2022
Granted	341 532	–	341 532	9,77	2026
Vested	(195 801)	195 801	–	27,72	2023
Expired	(38 317)	–	(38 317)	31,33	2024
Forfeited	(30 748)	–	(30 748)	29,97	2022
Outstanding at 31 December 2016	674 276	757 537	1 431 813	22,41	2023
Granted	**246 722**	**–**	**246 722**	**22,75**	**2027**
Vested	**(117 546)**	**117 546**	**–**	**21,40**	**2024**
Exercised	**(65 468)**	**–**	**(65 468)**	**14,67**	**2019**
Expired	**(45 638)**	**–**	**(45 638)**	**16,04**	**2023**
Forfeited	**(42 752)**	**–**	**(42 752)**	**25,55**	**2023**
Outstanding at 31 December 2017	**649 594**	**875 083**	**1 524 677**	**22,88**	**2024**

27. Employee benefits (continued)

27.1 Share-based payments (continued)

	Restricted share units	Weighted average fair value at grant date US$
Restricted share units		
Outstanding at 31 December 2015	617 523	21,70
Granted	361 152	9,81
Vested	(254 024)	24,26
Forfeited	(30 748)	25,93
Outstanding at 31 December 2016	693 903	14,72
Granted	**289 800**	**20,82**
Vested	**(244 633)**	**18,33**
Forfeited	**(46 022)**	**14,24**
Outstanding at 31 December 2017	**693 048**	**16,03**

The options outstanding at 31 December 2017 had an exercise price ranging from US$7,10 to US$38,36 (2016: US$7,10 to US$38,36) and a weighted average contractual life of 5,6 years (2016: 7,2 years).

The weighted average share price at the date of exercise for share options exercised in 2017 was US$18,35. No share options were exercised during 2016.

The fair value of the share options at grant date is determined based on the Black-Scholes option pricing model with the following assumptions:

	Options granted	
	30 November 2017	30 November 2016
Number of share options granted under the 2015 Plan	**246 722**	341 532
Fair value at measurement date (US$)	**10,32**	4,01
Share price at grant date (US$)	**22,95**	9,70
Expected life option time (years)	**5,4**	5,2
Volatility %	**47,4**	43,7
Risk-free % rate (based on US Treasury bonds)	**2,2**	1,9
Dividend yield %	**0,0**	0,0

In determining share price volatility, consideration has been given to the historic volatility of publicly traded companies within Textainer's industry.

For determining the estimated fair value for employee restricted share units, Textainer uses the fair market value of its common shares on the grant date, discounted for estimated dividends that will not be received by the employees during the vesting period.

27.2 The amounts included in profit or loss in respect of share-based payments are:

	Group	
	2017 Rm	2016 Rm
Equity-settled	**65**	79

27.3 Retirement benefit funds

Membership of the Alexander Forbes Retirement Fund, an umbrella fund arrangement which provides member investment choice from a range of portfolios, was compulsory for all eligible employees in South Africa. Effective 1 June 2018 the Trencor employee members joined to the Allan Gray Umbrella Retirement Fund.

Up until 1 June 2014, eligible employees were members of the Trencor Pension Fund. This Fund has no liability in respect of pensioners and currently holds unclaimed benefits in respect of untraced former members.

Certain non-South African group entities offer defined contribution plans for their employees in the various jurisdictions in which they are employed. None of these plans have any defined liability in respect of pensioners.

28. Segment reporting

Business segments

28.1 There are two operating segments (i.e. strategic business units) managed separately as they offer entirely different services. The reportable segments are: container finance, and container owning, leasing, management and trading.

28.2 Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before interest and income tax, as included in the internal management reports. Segment profit before net finance expenses/income and income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries. There is no inter-segment activity.

	Group					
	Container finance		Container owning, leasing, management and trading		Consolidated	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Revenue	**–**	(86)	**8 344**	9 459	**8 344**	9 373
Goods sold	**–**	–	**1 959**	2 202	**1 959**	2 202
Leasing income	**–**	2	**6 224**	7 099	**6 224**	7 101
Management fees	**–**	–	**161**	158	**161**	158
Finance income	**–**	1	**–**	–	**–**	1
Realised and unrealised exchange losses	**–**	(89)	**–**	–	**–**	(89)
Reportable segment (loss)/profit before net finance expenses and income tax	**(23)**	240	**1 191**	(2 523)	**1 168**	(2 283)
Finance income	**–**	–	**8**	12	**8**	12
Finance expenses	**–**	–	**(1 654)**	(1 451)	**(1 654)**	(1 451)
Depreciation and amortisation	**–**	–	**(3 104)**	(4 924)	**(3 104)**	(4 924)
Share of profit/(loss) of equity accounted investee	**–**	–	**4**	(6)	**4**	(6)
Income tax (credit)/expense	**(18)**	68	**40**	(92)	**22**	(24)
Other material non-cash items:						
Net long-term receivable valuation adjustment	**(16)**	345	**–**	–	**(16)**	345
Impairment losses incurred:						
Finance lease	**–**	–	**–**	(390)	**–**	(390)
Property, plant and equipment	**–**	–	**(1 133)**	(2 460)	**(1 133)**	(2 460)
Trade receivables	**–**	–	**(15)**	(282)	**(15)**	(282)
Trade receivables – loss reversed	**–**	–	**–**	44	**–**	44
Write-up/(Write-down) of container leasing equipment held for sale	**–**	–	**14**	(527)	**14**	(527)
Carrying value of container leasing equipment disposed	**–**	–	**(1 396)**	(2 740)	**(1 396)**	(2 740)
Share-based payments	**–**	–	**(65)**	(79)	**(65)**	(79)
Reportable segment assets	**7**	12	**51 068**	55 455	**51 075**	55 467
Capital expenditure	**–**	–	**5 750**	7 210	**5 750**	7 210
Reportable segment liabilities	**–**	65	**39 694**	42 411	**39 694**	42 476

28. Segment reporting (continued)

28.3 Reconciliations of reportable segment profit before net finance expenses and income tax, finance income, income tax, assets and liabilities:

	Group					
	Reportable segment total	Unallocated	Consolidated total	Reportable segment total	Unallocated	Consolidated total
	2017			2016		
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
Profit/(loss) before net finance expenses and income tax	**1 168**	**(166)**	**1 002**	(2 283)	(74)	(2 357)
Finance income	**8**	**60**	**68**	12	45	57
Income tax expense/(credit)	**22**	**8**	**30**	(24)	13	(11)
Assets	**51 075**	**1 238**	**52 313**	55 467	1 656	57 122
Liabilities	**39 694**	**184**	**39 878**	42 476	229	42 705

The following is an analysis of the unallocated assets and liabilities:

	Assets		Liabilities	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Investment in equity accounted investee	**114**	121	**–**	–
Deferred tax assets/liabilities	**19**	18	**28**	66
Income tax liabilities	**–**	18	**123**	136
Trade and other receivables/payables	**9**	9	**33**	27
Cash and cash equivalents	**1 096**	1 490	**–**	–
	1 238	1 656	**184**	229

28.4 Major customers

Leasing revenue from two customers in the container owning, leasing, management and trading operating segment amounted to 28% (2016: two customers 26%) of leasing revenue. No other customer individually accounted for more than 10% of revenue.

28.5 Geographic segment information

Container lessees use containers for their global trade utilising many worldwide trade routes. Revenue is earned from international carriers when the containers are in use and carrying cargo around the world. Substantially all leasing related revenue is denominated in US dollars. As all of the containers are used internationally, where no one container is domiciled in one particular place for a prolonged period of time, all of long-lived assets are considered to be international with no single country of use.

29. Financial instruments and risk management

29.1 Categories of financial assets and liabilities

The carrying amounts and fair values of each category of financial assets and liabilities are as follows:

	Group						
	Designated at fair value through profit or loss Rm	Held for trading Rm	Loans and receivables Rm	Liabilities at amortised cost Rm	Other Rm	Total carrying amount Rm	Fair value Rm
2017							
Financial assets							
Net investment in finance leases	**–**	**–**	**–**	**–**	**923**	**923**	**938**
Derivative financial instruments	**–**	**100**	**–**	**–**	**–**	**100**	**100**
Restricted cash	**–**	**–**	**1 105**	**–**	**–**	**1 105**	**1 105**
Trade and other receivables	**–**	**–**	**1 282**	**–**	**–**	**1 282**	**1 282**
Cash and cash equivalents	**–**	**–**	**3 134**	**–**	**–**	**3 134**	**3 134**
	–	**100**	**5 521**	**–**	**923**	**6 544**	**6 559**
Financial liabilities							
Interest-bearing borrowings	**–**	**–**	**–**	**37 952**	**–**	**37 952**	**38 013**
Trade and other payables	**–**	**–**	**–**	**2 080**	**–**	**2 080**	**2 080**
	–	**–**	**–**	**40 032**	**–**	**40 032**	**40 093**
2016							
Financial assets							
Net investment in finance leases	–	–	–	–	1 450	1 450	1 451
Derivative financial instruments	–	63	–	–	–	63	63
Restricted cash	–	–	737	–	–	737	737
Trade and other receivables	–	–	1 731	–	–	1 731	1 731
Cash and cash equivalents	–	–	2 837	–	–	2 837	2 837
	–	63	5 305	–	1 450	6 818	6 819
Financial liabilities							
Interest-bearing borrowings	–	–	–	41 926	–	41 926	41 300
Amounts attributable to third parties in respect of long-term receivables	65	–	–	–	–	65	65
Derivative financial instruments	–	17	–	–	–	17	17
Trade and other payables	–	–	–	719	–	719	719
	65	17	–	42 645	–	42 727	42 101

	Company		
	Liabilities at amortised cost Rm	Total carrying amount Rm	Fair value Rm
2017			
Financial liabilities			
Amounts due to subsidiary	**824**	**824**	**824**
Trade and other payables	**18**	**18**	**18**
	842	**842**	**842**
2016			
Financial liabilities			
Amount due to subsidiary	916	916	916
Trade and other payables	19	19	19
	935	935	935

29. Financial instruments and risk management (continued)

29.2 Overview

The risks arising from the use of financial instruments include:

- credit risk;
- liquidity risk; and
- market risk (including currency risk and interest rate risk).

This note presents information about the exposure to each of the above risks, objectives, policies and the process for measuring and managing risk, and the management of capital.

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

The directors have overall responsibility for the establishment and oversight of the risk management framework. Risk management is carried out by the executive committee and management at an operational level under policies approved by the directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

The risk management policies are established to identify and analyse the risks in order to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk policies and systems are reviewed regularly.

The audit and risk committees oversee how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework. Regular *ad hoc* reviews of risk management controls and procedures are undertaken, the results of which are reported to the audit and risk committees.

29.3 Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

29.3.1 Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk from financial assets at 31 December was as follows:

	Group	
	2017 Rm	2016 Rm
Financial assets held for trading		
Derivative financial instruments	**100**	63
Other financial instruments		
Net investment in finance leases	**923**	1 450
Loans and receivables excluding cash and cash equivalents		
Trade receivables	**1 019**	1 062
Restricted cash	**1 105**	737
Insurance receivables	**160**	559
Other receivables	**103**	202
Cash and cash equivalents	**3 134**	2 837
	6 544	6 910

Credit risk arises principally from derivative financial instruments, net investment in finance leases, trade receivables, restricted cash, insurance receivables and cash and cash equivalents.

Derivative financial instruments

Derivative financial instruments are entered into with reputable financial institutions. There is no credit risk relating to interest rate cap contracts due to the settlement at each month-end. The fair valuation of interest rate swap contracts are derived from the discounting of future net cash flows utilising the US dollar swap curve and incorporating an appropriate credit risk adjustment.

Net investment in finance leases

The credit policy relating to the net investment in finance leases sets different maximum exposure limits for container lessees. Various credit criteria are used to set maximum exposure limits rather than a standardised internal credit rating. Credit criteria to set maximum exposure limits may include, but is not limited to, container lessee trade route, country, social and political climate, assessments of net worth, asset ownership, bank and trade credit references, credit bureau reports (i.e. from common credit reporting agencies used in the maritime sector), operational history and financial strength. The container lessees' performance and the group's exposures to the lessee are monitored on an ongoing basis, and the credit management processes are aided by the long payment experienced with most of the container lessees and the broad network of long-standing relationships in the shipping industry that provide current information about container lessees.

At 31 December 2017, three (2016: two) customers accounted for 63% (2016: 50%) of the net minimum lease payments of the net investment in finance leases.

Trade receivables

Credit risk with respect to trade and other receivables is mitigated by a customer base that comprise mainly international shipping lines. The risk arising on short-term trade receivables is also managed through a policy on the granting of credit limits and continual review and monitoring of these limits as described above in respect of net investment in finance leases. At 31 December 2017, two customers accounted for 26% of trade receivables (2016: two customers 16%) and no other customer exceeding 10% of the balance.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Group	
	2017 Rm	2016 Rm
Container leasing customers	**1 019**	1 061
Other	**–**	1
	1 019	1 062

Insurance receivables

Credit risk with respect to insurance receivables is mitigated by insurance policies being placed with insurers with acceptable credit ratings.

Restricted cash, cash and cash equivalents

Restricted cash, cash and cash equivalents are placed with financial institutions which have acceptable credit ratings.

29. Financial instruments and risk management (continued)

29.3 Credit risk (continued)

29.3.2 Impairment losses

An allowance is established for impairment that represents an estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

	Group							
	Gross[1]	Gross[2]	Total impair-ment	Net trade receiv-ables	Gross[1]	Gross[2]	Total impair-ment	Net trade receiv-ables
	2017				2016			
	Rm	**Rm**	**Rm**	**Rm**	Rm	Rm	Rm	Rm
The ageing of trade receivables at the reporting date was:								
Not past due	**1**	**–**	**–**	**1**	1	–	–	1
Past due 0 – 30 days	**574**	**–**	**–**	**574**	672	–	(8)	664
Past due 31 – 120 days	**442**	**–**	**(9)**	**433**	388	–	(7)	381
Past due 121 – 180 days	**14**	**–**	**(3)**	**11**	12	56	(58)	10
More than 180 days	**–**	**63**	**(63)**	**–**	19	323	(336)	6
	1 031	**63**	**(75)**	**1 019**	1 092	379	(409)	1 062

[1] Gross receivables not subject to specific impairment.
[2] Gross receivables subject to specific impairment.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group	
	2017 Rm	2016 Rm
Balance at the beginning of the year	**409**	220
Impairment loss incurred	**15**	282
Impairment loss reversed	**–**	(44)
Irrecoverable amounts written-off	**(342)**	–
Effect of movements in exchange rates	**(7)**	(49)
Balance at the end of the year	**75**	409

The allowance accounts in respect of trade receivables are used to record impairment losses unless the group entities are satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset.

29.4 Liquidity risk

Liquidity risk is the risk that group entities will not be able to meet their financial obligations as they fall due. The 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 both normal and stressed conditions, without incurring unacceptable losses or risking reputational damage.

The risk is managed through cash flow forecasts and ensuring that adequate borrowing facilities are maintained. In terms of the company's memorandum of incorporation, its borrowing powers are unlimited.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Group				
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm
2017					
Non-derivative financial liabilities					
Bonds payable	**10 821**	**12 688**	**1 360**	**6 136**	**5 192**
Debt facilities	**9 868**	**11 917**	**944**	**4 254**	**6 719**
Revolving debt facilities	**12 884**	**14 296**	**1 023**	**12 679**	**594**
Term loan	**4 379**	**4 570**	**640**	**3 930**	**–**
Trade and other payables	**2 080**	**2 080**	**2 080**	**–**	**–**
	40 032	**45 551**	**6 047**	**26 999**	**12 505**
2016					
Non-derivative financial liabilities					
Bonds payable	5 953	6 748	1 018	3 775	1 955
Debt facilities	14 890	17 208	1 738	15 470	–
Revolving debt facilities	15 701	17 034	450	15 918	666
Term loan	5 382	5 642	549	5 093	–
Trade and other payables	719	719	719	–	–
Derivative financial liabilities					
Derivative financial instruments	17	150	69	81	–
	42 662	47 501	4 543	40 337	2 621

29.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Group entities buy and sell derivatives, and also incur financial liabilities, in order to manage market risks.

29. Financial instruments and risk management (continued)

29.5 Market risk (continued)

29.5.1 Currency risk

Group entities are exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of those entities, primarily the US dollar and SA rand. The currency in which these transactions are primarily denominated is the US dollar.

Group entities enter into forward exchange contracts from time to time, and as required, to buy and sell specified amounts of various foreign currencies in the future at predetermined exchange rates. The contracts are entered into in order to manage their exposure to fluctuations in foreign currency exchange rates. The contracts are generally matched with anticipated future cash flows in foreign currencies primarily from sales and purchases. As at 31 December 2017 there was no exposure to forward exchange contracts (2016: nil).

The following is an analysis of the financial instruments in terms of the currencies in which they are held, expressed in SA rand at 31 December:

	Group					
	2017			2016		
	SA rand Rm	**US$ Rm**	**Total Rm**	SA rand Rm	US$ Rm	Total Rm
Assets						
Net investment in finance leases	**–**	**923**	**923**	–	1 450	1 450
Derivative financial instruments	**–**	**100**	**100**	–	63	63
Restricted cash	**–**	**1 105**	**1 105**	–	737	737
Trade and other receivables	**6**	**1 277**	**1 283**	5	1 818	1 823
Cash and cash equivalents	**690**	**2 444**	**3 134**	853	1 984	2 837
	696	**5 849**	**6 545**	858	6 052	6 910
Liabilities						
Interest-bearing borrowings	**–**	**37 952**	**37 952**	–	41 926	41 926
Amounts attributable to third parties in respect of long-term receivables	**–**	**–**	**–**	65	–	65
Derivative financial instruments	**–**	**–**	**–**	–	17	17
Trade and other payables	**31**	**2 049**	**2 080**	26	693	719
	31	**40 001**	**40 032**	91	42 636	42 727
The following exchange rates applied during the year:						
Year-end rate: US$1=		**R12,37**			R13,58	
Average rate: US$1=		**R13,29**			R14,72	

The financial instruments denominated in US dollars above, represent the financial assets and liabilities of foreign operations translated into SA rand and consequently no sensitivity analysis is disclosed in respect of these items.

29.5.2 Interest rate risk

As part of the process of managing the group entities' fixed and floating rate borrowings mix, the interest rate borrowings mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are structured according to anticipated movements in interest rates. All borrowings are denominated in US dollars.

Textainer has a firm policy that term lease (i.e. long-term) business should be financed with fixed rate debt, and master lease (i.e. short-term) business should be financed with floating rate debt. Interest on loans raised to purchase containers for term leases (usually of five years' duration at fixed rates) is swapped into fixed interest rate contracts of a similar term, while loans raised to purchase containers for master leases are at variable rates. Furthermore, the company enters into interest rate cap contracts to guard against unexpected increases in interest rates on a portion of such variable interest rate loans. Textainer does not apply hedge accounting to the interest rate swaps, notwithstanding that such swaps may be economically effective. It accounts on the basis that the net result of the marked-to-market valuation of these instruments is flowed through profit or loss. This may result in volatility of earnings.

Group entities are exposed to interest rate risk as they place funds in the money market. This risk is managed by maintaining an appropriate mix of term and daily call deposits with registered financial institutions which are subject to compliance with the relevant regulatory bodies.

At 31 December the interest rate profile of interest-bearing financial instruments was:

	Group	
	2017 Rm	2016 Rm
Fixed rate		
Financial liabilities	**(10 821)**	(5 953)
Variable rate instruments		
Financial assets	**4 239**	3 574
Financial liabilities	**(27 131)**	(35 973)
	(22 892)	(32 399)

Based on the derivative and non-derivative financial asset and liability balances as at 31 December 2017, it is estimated that a 100 basis points increase/decrease in interest rates would result in a decrease/increase in the fair value of interest rate swap derivative liabilities of R153 million (2016: R304 million), an increase/decrease in net interest expense on non-derivative financial assets and liabilities of R272 million (2016: R334 million) and a decrease/increase in interest expense on interest rate swap derivative liabilities of R156 million (2016: R194 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

29.6 Capital management

Capital is regarded as total equity. The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board determines dividends paid to shareholders.

The company may purchase its own shares on the market, if there are good grounds for doing so. In this regard the directors will ensure the requirements of the Companies Act of South Africa including the performance of the solvency and liquidity test are satisfied and will take account of, *inter alia*, an appropriate capitalisation structure for the company, the long-term cash needs and the interests of the company.

Capital is monitored on the basis of the ratio of interest-bearing borrowings to total equity. This ratio is calculated as interest-bearing borrowings divided by total equity as follows:

	Group	
	2017 Rm	2016 Rm
Interest-bearing borrowings, net of debt issuance costs	**37 619**	41 668
Total equity	**12 435**	14 417
Ratio of interest-bearing borrowings to total equity	**302,5%**	289,0%

The ratio has mainly been affected by the strengthening of the SA rand against the US dollar from US$1=R13,58 to US$1=R12,37 as at December 2016 and 2017 respectively and the losses incurred by the group during the year.

There were no changes in the approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

29. Financial instruments and risk management (continued)

29.7 Fair values

The fair values of financial instruments (refer to note 29.1) have been arrived at after taking into account current market conditions. All of the fair value measurements are recurring in nature.

29.7.1 Fair value hierarchy

Fair values are measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted in an active market for an identical instrument) that can be assessed at the measurement date.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices that are similar to instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses the instruments, measured at fair value at 31 December, by the level in the fair value hierarchy into which the value measurement is categorised:

	Group			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2017				
Assets				
Interest rate swap contracts	**–**	**100**	**–**	**100**
	–	**100**	**–**	**100**
Liabilities				
Interest rate swap contracts	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**
2016				
Assets				
Interest rate swap contracts	–	63	–	63
	–	63	–	63
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	65	65
Interest rate swap contracts	–	17	–	17
	–	17	65	82

Valuation techniques for interest rate swap contracts are referred to in note 9.

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:

	Group		
	Long-term receivables Rm	Amounts attributable to third parties in respect of long-term receivables Rm	Total Rm
2016			
Balance at the beginning of the year	640	(85)	555
Total gains/(losses) in profit or loss	288	(29)	259
Settlements	(928)	49	(879)
Balance at the end of the year	–	(65)	(65)
2017			
Total gains in profit or loss	**–**	**29**	**29**
Settlements	**–**	**36**	**36**
Balance at the end of the year	**–**	**–**	**–**

Total gains/(losses) included in profit or loss for the year in the previous table are presented in the statement of comprehensive income as follows:

2017			
Total losses included in profit or loss for the year			
Operating loss	**–**	**(42)**	**(42)**
Associate tax credit	**–**	**13**	**13**
2016			
Total gains/(losses) included in profit or loss for the year			
Operating profit/(loss)	288	(42)	246
Associate tax credit	–	13	13
Total unrealised losses for the year included in profit or loss for assets and liabilities held at the end of the year			
Operating loss	–	(22)	(22)

30. Related parties

30.1 Identity of related parties

The company has related party relationships with its subsidiaries (refer to the directors' report), associates, directors, executive officers and with key management personnel.

30.2 Intra-group transactions and balances

Amounts due to subsidiaries (refer to note 7).

Capital distribution from trust (refer to notes 7 and 20.1).

Dividends received from subsidiaries (refer to notes 7 and 20.1).

Administration fee paid to subsidiary R6 million (2016: R6 million).

30.3 Transactions with directors and key management personnel

Eddy Oblowitz and Roddy Sparks are non-executive directors of certain South African listed companies, some of whose subsidiaries are partners in export partnerships with the group entities. No new export partnerships have been concluded with these companies since March 1999.

Certain non-executive directors are also directors of other companies which have transactions with the group entities. The relevant directors do not believe they have the capacity to control or significantly influence the financial or operating policies of those companies. All material related party transactions are noted in these financial statements.

The number of shares held by the directors and their associates in the issued share capital of the company at 31 December 2017 and 2016 was as follows:

	Direct	Indirect	Total
2017			
Jimmy McQueen*	**49 649**	**102 133**	**151 782**
David Nurek*	**–**	**10 000**	**10 000**
Eddy Oblowitz	**10 000**	**–**	**10 000**
Roddy Sparks*	**–**	**4 000**	**4 000**
Herman Wessels*	**–**	**27 859**	**27 859**
	59 649	**143 992**	**203 641**
2016			
Jimmy McQueen*	49 649	102 133	151 782
David Nurek*	–	10 000	10 000
Eddy Oblowitz	10 000	–	10 000
Roddy Sparks*	–	4 000	4 000
Herman Wessels*	–	27 859	27 859
	59 649	143 992	203 641

* Indirect interest represents holdings by associates.

There have been no changes in the above interests between the financial year-end and the date of this report.

The key management personnel compensation included in employee benefit expense is as follows:

	Group		Company	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Short-term employee benefits	**24**	36	**3**	3
Share-based payments	**15**	29	**–**	–
	39	65	**3**	3
Paid to:				
Directors	**14**	19	**3**	3
Executive officers (Textainer)	**25**	46	**–**	–
	39	65	**3**	3

The number of executive officers at 31 December 2017 was 1 (2016: 2).

	Guaranteed remuneration	Contributions to Medical aid	Contributions to Retirement funds	Share-based payments*	Total remuneration
	R'000	R'000	R'000	R'000	R'000
The remuneration paid to the directors during the years ended 31 December 2017 and 2016 was as follows:					
2017					
Non-executive directors					
Jim Hoelter	**405**	**–**	**–**	**–**	**405**
Jimmy McQueen	**476**	**–**	**–**	**283**	**759**
David Nurek	**1 831**	**–**	**–**	**675**	**2 506**
Eddy Oblowitz	**499**	**–**	**–**	**–**	**499**
Roddy Sparks	**466**	**–**	**–**	**–**	**466**
Herman Wessels	**468**	**–**	**–**	**–**	**468**
	4 145	**–**	**–**	**958**	**5 103**
Executive directors					
Jimmy McQueen	**2 365**	**31**	**177**	**392**	**2 965**
Ric Sieni	**2 791**	**58**	**284**	**–**	**3 133**
Hennie van der Merwe	**2 480**	**53**	**258**	**–**	**2 791**
	7 636	**142**	**719**	**392**	**8 889**
Aggregate remuneration 2017	**11 781**	**142**	**719**	**1 350**	**13 992**
2016					
Non-executive directors					
Jim Hoelter	1 275	–	–	345	1 620
David Nurek	1 544	–	–	690	2 234
Eddy Oblowitz	382	–	–	–	382
Roddy Sparks	379	–	–	–	379
Herman Wessels	357	–	–	–	357
	3 937	–	–	1 035	4 972
Executive directors					
Cecil Jowell	1 299	14	–	345	1 658
Neil Jowell	3 018	24	–	345	3 387
Jimmy McQueen	4 020	47	319	690	5 076
Ric Sieni	2 192	43	221	–	2 456
Hennie van der Merwe	965	47	101	–	1 113
	11 494	175	641	1 380	13 690
Aggregate remuneration 2016	15 431	175	641	2 415	18 662

* Award of shares by Textainer for services rendered as directors of Textainer.

31. Contingent liabilities, guarantees and other commitments

The company has warranted the performance and obligations of certain subsidiary companies in terms of a number of partnership agreements entered into with third parties. The partnerships were established for the purposes of purchasing and selling marine cargo containers. At 31 December 2017, all amounts attributable to third parties in terms of these arrangements had been settled (2016: R66 million).

32. Accounting estimates and judgements

Management determines the development, selection and disclosure of critical accounting policies and estimates and the application of these policies and estimates. Certain critical judgements in applying these accounting policies are described below:

32.1 Marine cargo containers

32.1.1 *Residual values and useful lives of containers*

IFRS requires the reassessment of the residual values and useful lives of containers at each reporting period, which are then used to determine the amount by which containers are depreciated. In accordance with IFRS, residual values are determined using current market conditions and are therefore likely to fluctuate over time as market prices fluctuate (i.e. will reflect market volatility). IFRS defines the residual value of a container as the estimated amount that would currently be obtained from the disposal of a container, after deducting the estimated costs of disposal, as if the container were already of the age and in the condition expected at the end of its useful life. The resale values of containers can vary significantly depending on, among other factors, location at time of sale, the condition of the container, customer demand and overall market conditions. Recent average sales prices for containers were considered by major asset type and the residual values were adjusted accordingly at 30 June 2017 and again at 31 December 2017.

Due to the fact that the resale prices of containers at end of useful life (i.e. residual value) represent a significant proportion of original cost (i.e. resale prices have shown to be 50-60% of original cost based on a 10 year historical average), the prospective depreciation charge is therefore highly sensitive to movements in residual values.

Useful lives are also reassessed at each reporting period with reference to the average age at disposal date according to historical internal sales data, by container type. At 30 June 2016 the useful lives of 40' dry freight containers, 20' folding flat rack containers, 20' open top containers and 40' flat rack containers were reassessed, as a result of leases with longer terms being entered into on these equipment types. Based on this extended period of useful lives and the expectation that new equipment lives on these equipment types would remain near those levels, the useful lives of these container types were extended with effect from 1 July 2016. No changes were made to useful lives of containers during 2017.

32.1.2 *Impairment*

Impairment exists when the estimated future discounted cash flows to be generated by a CGU are less than the net book value of that CGU. At each reporting date management of the relevant operating entities assesses whether there is evidence that the containers held for use in the leasing operation are impaired. Such evidence would include a decline in the results of operations or the container residual values. In estimating the future discounted cash flows to be generated by a CGU, management uses assumptions that are part of the long-term planning forecasts of the entities concerned. Some of the significant estimates and assumptions used to determine future expected cash flows were: expected future lease rates, expected utilisation, remaining useful lives, remaining on-hire periods for expired fixed term leases, direct container expenses and expected disposal prices of containers. In performing the impairment analysis assumptions used reflected the contractually stipulated *per diem* rates, with renewal based on current market rates.

The assessment may indicate that the containers held in use which have previously been impaired, are further impaired or whether a reversal of impairment is required. An impairment loss is reversed only if there is a change in the estimates that were used in the discounted cash flow models to determine the recoverable amount of the CGU. This would be influenced by an improvement in the estimates and assumptions mentioned above.

33. Going concern

The directors consider the company and its subsidiaries to have adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the group and company financial statements.

34. Events after the reporting period

At 31 December 2017, Trencor had a 47,8% beneficiary interest in Textainer through Halco under the Halco Trust ("Trust"). At Halco's request, Textainer and Halco entered into a Voting Limitation Deed ("VLD"), effective 1 January 2018, whereby Halco agreed to limit or restrict its shareholder voting rights in Textainer, solely in respect of the appointment and/or removal of directors and then only to the extent necessary to ensure that Trencor would be regarded for purposes of IFRS as being neither in control of nor having significant influence over Textainer. All Halco's voting rights, save for the said limitation or restriction, were unaffected by the VLD.

Accordingly, as from 1 January 2018, the financial results of Textainer, reporting under US GAAP, are no longer required to be converted into IFRS for inclusion in the results of Trencor, thus eliminating significant commercial issues (e.g. the time-consuming and expensive conversion process, delays in Trencor's financial reporting, reputational risks and the like) for Trencor and Textainer and their respective shareholders. As Trencor would be regarded in terms of IFRS as being neither in control of nor having significant influence over Textainer, Textainer will be accounted for by Trencor as an investment measured at fair value through profit or loss, which fair value information will be more meaningful.

The NAV of Textainer as reported at 31 December 2017 will be deconsolidated and the financial instrument at fair value through profit or loss will be recognised based on the fair value of Textainer's shares at 1 January 2018. The gain on deconsolidation of Textainer will be excluded from headline earnings and has no tax consequences, and is calculated as follows:

	Rm
Property, plant and equipment	**42 237**
Intangible assets and goodwill	**145**
Investment in equity accounted investee	**114**
Net investment in finance leases	**481**
Derivative financial instruments	**93**
Deferred tax assets	**19**
Restricted cash	**1 104**
Current assets	**3 832**
Total assets	**48 025**
Interest-bearing borrowings	**(33 180)**
Deferred tax liabilities	**(31)**
Deferred revenue	**(25)**
Current liabilities	**(4 726)**
Total liabilities	**(37 962)**
Textainer NAV	**10 063**
Non-controlling interests	**(5 387)**
Textainer NAV included in Trencor's consolidated results	**4 676**
Financial instrument at fair value through profit or loss	**7 255**
Gain on deconsolidation of Textainer	**2 579**

On 20 February 2018, Trencor, as a nominated beneficiary of the Trust, received a vesting and distribution from the Trust of the entire issued share capital of Halco. At that date, Halco was the holder of 47,8% of the shares in Textainer and 100% of the shares in TAC. This vesting and distribution will have no financial consequences in future consolidated financial statements.

Before the vesting and distribution were effected, as is customary in the Trust's jurisdiction, Trencor had to provide an indemnity to, *inter alia*, the trustee of the Trust. The indemnity terminates on 31 December 2024. The maximum exposure was initially limited to the value of the assets distributed which in substance left the Trustee in the same position as it enjoyed under the deed of settlement of the Trust. The maximum exposure under such indemnity has since been reduced to a considerably smaller amount of US$62 million.

On 11 May 2018, Halco declared to its sole shareholder, Trencor, three dividends, namely 47,8% of the shares in Textainer, 100% of the shares in TAC (these dividends constituting the entirety of Halco's shareholdings in Textainer and TAC) and a cash amount of US$8 million. As a result, Trencor now owns 47,8% of Textainer and 100% of TAC. These dividends will have no financial consequences in future consolidated financial statements.

In light of the progression of the simplification of Trencor's interest in Textainer, on 15 June 2018 the JSE Limited deferred any decision regarding Trencor's compliance with the applicable Listings Requirements (following the JSE Limited's view that the effect of the VLD of 1 January 2018 had rendered Trencor non-compliant) and has requested that Trencor make representations after a period of twelve months on further progress made in respect of the simplification during that period.

35. Restatement of the consolidated statement of cash flows

In compiling the consolidated statement of cash flows for the financial year ended 31 December 2016, interest-bearing borrowings raised amounting to R7 629 million were netted off against interest-bearing borrowings repaid which resulted in both interest-bearing borrowings raised and repaid being understated by an equal amount of R7 629 million. The restatement in the current period has no impact on earnings per share or headline earnings per share, and net cash flows of the group have remained as previously reported.

	Amount previously reported Rm	Change Rm	Restated amount Rm
Cash flows from operating activities			
Cash generated from operations	7 479	–	7 479
Others	(7 940)	–	(7 940)
Net cash outflow from operating activities	(461)	–	(461)
Cash flows from investing activities	(358)	–	(358)
Cash flows from financing activities			
Interest-bearing borrowings repaid	(1 052)	(7 629)	(8 681)
Interest-bearing borrowings raised	945	7 629	8 574
Debt issuance costs incurred	(88)	–	(88)
Net cash outflow from financing activities	(195)	–	(195)
Net decrease in cash and cash equivalents before exchange rate fluctuations	(1 014)	–	(1 014)
Cash and cash equivalents at the beginning of the year	4 241	–	4 241
Effects of exchange rate fluctuations on cash and cash equivalents	(390)	–	(390)
Cash and cash equivalents at the end of the year	2 837	–	2 837