AUDITED ANNUAL FINANCIAL STATEMENTS

Audit committee report

The audit committee has fulfilled all of its functions in terms of the Companies Act of South Africa, as described in the corporate governance report on pages 11 and 12.

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Trencor Limited, comprising the statements of financial position at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Preparation of financial statements

These financial statements have been prepared by management under the supervision of the financial director.

Approval of the consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Trencor Limited, as identified in the first paragraph of the directors' responsibility statement, which have been approved by the board of directors, are attached:

Page

24 Directors' report
26 Statements of financial position
27 Statements of comprehensive income
28 Statements of changes in equity
30 Statements of cash flows
31 Notes to the financial statements

Signed on behalf of the board

N I Jowell
Chairman

E Oblowitz
Director and chairman
of the audit committee

Cape Town
30 April 2012

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Trencor Limited

Report on the financial statements

We have audited the consolidated and separate annual financial statements of Trencor Limited, which comprise the statements of financial position at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 24 to 75.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Trencor Limited at 31 December 2011 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

KPMG Inc
Registered Auditor

Per L P Smith
Chartered Accountant (SA)
Registered Auditor
Director

Cape Town
30 April 2012

DECLARATION BY THE COMPANY SECRETARY

It is hereby certified that for the year ended 31 December 2011, the company has lodged with the Companies and Intellectual Property Commission all returns as are required by a public company in terms of the Companies Act of South Africa and that such returns appear to be true, correct and up to date.

Trencor Services (Pty) Limited
Secretaries

Per G W Norval

Cape Town
30 April 2012

General review

The nature of the company's business is described on the inside front cover. The financial results are reflected in the financial statements on pages 26 to 75.

The profit attributable to equity holders of the company from the various classes of business of the group was as follows:

	2011 Rm	2010 Rm
Container operations		
Container finance	**15**	17
Textainer	**845**	581
Exchange translation gains/(losses)	**147**	(63)
Net long-term receivable adjustment	**23**	136
Interest and other corporate items	**(39)**	(47)
	991	624

Directors and secretary

The names of the directors appear on page 2 and that of the secretary on page 76. Mr H Wessels was appointed as an independent non-executive director with effect from 1 April 2011.

In terms of the memorandum of incorporation Messrs C Jowell, D M Nurek and J E Hoelter retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

Brief résumés of the directors are presented on page 78.

Directors' interests

The aggregate of the direct and indirect beneficial interests of the directors in the issued shares of the company at 31 December 2011 was 6,2% (2010: 11,8%).

The direct and indirect beneficial interests of each director who held in excess of 1% of the issued shares at 31 December 2011 and 2010 were as follows:

	2011 %	2010 %
C Jowell	**3,0**	5,8
N I Jowell	**3,2**	5,9

Cash dividends

	Payment number	Record date	Payment date	Cents per share	Total Rm
2010					
Interim	89	17/09/10	20/09/10	40	75
Final	90	01/04/11	04/04/11	100	177
2011					
Interim	**91**	**16/09/11**	**19/09/11**	**50**	**88**
Final	**92**	**23/03/12**	**26/03/12**	**125**	**221**

The Trencor share option plan

In terms of The Trencor Share Option Plan, options have been granted to certain executive directors and employees amounting in aggregate to 6 740 000 shares (2010: 6 740 000 shares) in the unissued share capital of the company. The maximum number of shares available for utilisation under the Plan was 8 884 209 (2010: 8 884 209).

During 2011 options in respect of 400 000 shares (2010: nil shares) were exercised at the offer price of R12,10 per share and, accordingly, the issued share capital increased by the issue of an additional 400 000 shares.

No options are currently outstanding.

Interest in significant subsidiaries

	Share capital and premium million	Effective interest 2011 %	Effective interest 2010 %	Shares at cost 2011 Rm	Shares at cost 2010 Rm	Amount owing (to)/by company 2011 Rm	Amount owing (to)/by company 2010 Rm
Indirect:							
Textainer Group Holdings Ltd [1] (Incorporated in Bermuda) Owning, leasing, managing and reselling of marine cargo containers	US$173	**60,8** [2]	61,6	**–**	–	**–**	–
Direct:							
Trencor Container Holdings (Pty) Ltd (Incorporated in the Republic of South Africa) Holding company of Trencor Containers (Pty) Ltd	R4	**100**	100	**51**	51	**–**	–
Trencor Services (Pty) Ltd (Incorporated in the Republic of South Africa) Corporate administration and financing	R1 012	**100**	100	**1 017**	1 017	**(399)**	(378)
				1 068	1 068	**(399)**	(378)
Aggregate of all other subsidiaries				**353**	384	**39**	65
				1 421	1 452	**(360)**	(313)
Less impairment loss				**(367)**	(378)	**–**	–
				1 054	1 074	**(360)**	(313)

[1] 60,8% of the issued shares of Textainer at 31 December 2011 is owned by Halco Holdings Inc ('Halco'). Halco is incorporated in the British Virgin Islands and is wholly owned by the Halco Trust, a trust resident in Liechtenstein. Trencor and certain of its wholly-owned South African subsidiaries are the nominated sole beneficiaries of the Halco Trust. The protectors of the Halco Trust are Messrs C Jowell, N I Jowell, J E McQueen, D M Nurek and E Oblowitz.

[2] Reduced to 60,1% subsequent to the year-end following the issue of restricted share units and share options exercised.

A complete list of subsidiary companies is available on request. The interest of the company in their aggregate profits and losses after tax is as follows:

	2011 Rm	2010 Rm
Profits	**1 026**	673
Losses	**(1)**	(14)
	1 025	659

Specific share repurchase

Trencor repurchased 10 800 881 of its own shares from trusts in respect of which Messrs N I Jowell and C Jowell, directors of Trencor, are amongst the beneficiaries, for a total consideration of R417 million in March 2011. The consideration for the specific share repurchase was discharged by Trencor from then existing cash resources. The repurchased shares have been cancelled as issued shares and have reverted to authorised but unissued share capital.

Special resolutions

At the annual general meeting held on 30 June 2011, shareholders passed special resolutions to approve the following:

- the directors' annual remuneration, in their capacity only as directors of the company, from 1 January 2011 until the next annual general meeting of the company; and
- general authority granted to the company for the acquisition by the company or any of its subsidiaries of shares issued by the company. This authority is valid until the earlier of the next annual general meeting or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that it shall not extend beyond fifteen months from the date of passing of the resolution.

Special resolutions of subsidiaries

During the period under review, no special resolutions were passed by the company's South African subsidiaries and no shareholder resolutions of material interest were passed by the company's non-South African subsidiaries.

Analysis of shareholders

An analysis of shareholders and of holders who held 3% or more of the issued shares at 30 December 2011 is presented on page 77.

STATEMENTS OF FINANCIAL POSITION

at 31 December 2011

	Notes	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
Assets					
Property, plant and equipment	4	**15 600**	9 604	**–**	–
Intangible assets	5	**380**	400	**–**	–
Investment in equity accounted investee	6	**3**	–	**–**	–
Other investments	7	**14**	14	**–**	–
Investment in subsidiaries	8	**–**	–	**1 054**	1 074
Long-term receivables	9	**756**	828	**1**	1
Net investment in finance leases	10	**444**	325	**–**	–
Derivative financial instruments	11	**–**	9	**–**	–
Deferred tax assets	12	**22**	77	**–**	–
Restricted cash	13	**370**	99	**–**	–
Total non-current assets		**17 589**	11 356	**1 055**	1 075
Inventories	14	**169**	22	**–**	–
Trade and other receivables	15	**773**	458	**4**	–
Other investment	7	**–**	235	**–**	–
Current portion of long-term receivables	9	**285**	149	**–**	–
Current portion of net investment in finance leases	10	**167**	112	**–**	–
Current tax assets	16	**2**	3	**–**	–
Amount due by subsidiary	8	**–**	–	**39**	65
Cash and cash equivalents	17	**1 333**	1 029	**–**	–
Total current assets		**2 729**	2 008	**43**	65
Total assets		**20 318**	13 364	**1 098**	1 140
Equity					
Issued capital	18	**1**	1	**1**	1
Share premium		**43**	456	**43**	456
Reserves	18	**4 750**	3 438	**652**	296
Total equity attributable to equity holders of the company		**4 794**	3 895	**696**	753
Non-controlling interest		**2 188**	2 056	**–**	–
Total equity		**6 982**	5 951	**696**	753
Liabilities					
Interest-bearing borrowings	19	**11 031**	5 475	**–**	–
Amounts attributable to third parties in respect of long-term receivables	9	**173**	221	**–**	–
Amount due to subsidiary	8	**–**	–	**399**	378
Derivative financial instruments	11	**131**	90	**–**	–
Deferred revenue	20	**9**	20	**–**	–
Deferred tax liabilities	12	**224**	225	**1**	1
Total non-current liabilities		**11 568**	6 031	**400**	379
Trade and other payables	21	**510**	909	**2**	8
Current tax liabilities	16	**78**	64	**–**	–
Current portion of interest-bearing borrowings	19	**1 076**	340	**–**	–
Current portion of amounts attributable to third parties in respect of long-term receivables	9	**53**	24	**–**	–
Deferred revenue	20	**51**	45	**–**	–
Total current liabilities		**1 768**	1 382	**2**	8
Total liabilities		**13 336**	7 413	**402**	387
Total equity and liabilities		**20 318**	13 364	**1 098**	1 140

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Notes	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
Revenue	3.10, 22, 30	**4 649**	2 353	**632**	249
Other operating income		**11**	18	**24**	–
Changes in inventories		**(1 378)**	(349)	**–**	–
Direct leasing expenses		**(131)**	(187)	**–**	–
Staff costs		**(205)**	(190)	**(1)**	–
Depreciation		**(582)**	(418)	**–**	–
Other operating expenses		**(162)**	(162)	**(7)**	(55)
Net long-term receivable fair value adjustment		**(40)**	250	**–**	–
Operating profit before net finance (expenses)/income	22	**2 162**	1 315	**648**	194
Net finance (expenses)/income	23	**(415)**	(224)	**–**	2
Finance expenses					
Interest expense		**(315)**	(132)	**–**	–
Realised and unrealised losses on derivative financial instruments		**(105)**	(102)	**–**	–
Finance income					
Interest income		**5**	10	**–**	2
Loss from equity accounted investee (net of tax)		**(2)**	–	**–**	–
Profit before tax		**1 745**	1 091	**648**	196
Income tax expense	24	**(100)**	(9)	**(27)**	(23)
Profit for the year		**1 645**	1 082	**621**	173
Other comprehensive income/(loss)					
Foreign currency translation differences		**1 120**	(583)	**–**	–
Total comprehensive income for the year		**2 765**	499	**621**	173
Total comprehensive income for the year attributable to:					
Equity holders of the company		**1 720**	268	**621**	173
Non-controlling interest		**1 045**	231	**–**	–
		2 765	499	**621**	173
Profit for the year attributable to:					
Equity holders of the company		**991**	624	**621**	173
Non-controlling interest		**654**	458	**–**	–
		1 645	1 082	**621**	173
Basic earnings per share (cents)	25	**554,3**	332,5		
Diluted earnings per share (cents)	25	**554,3**	331,8		

	Attributable to		
Group	Share capital Rm	Share premium Rm	Fair value reserve Rm
Balance at 31 December 2009	1	456	10
Total comprehensive income/(loss) for the year			
Profit for the year	–	–	–
Other comprehensive loss for the year			
Foreign currency translation differences	–	–	–
Total other comprehensive loss for the year	–	–	–
Total comprehensive (loss)/income for the year	–	–	–
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	–	–	–
Share options exercised	–	–	–
Dividends paid to equity holders	–	–	–
Total contributions by/(distributions to) owners	–	–	–
Total changes in ownership interests in subsidiaries	–	–	–
Total transactions with owners	–	–	–
Balance at 31 December 2010	1	456	10
Total comprehensive income for the year			
Profit for the year	**–**	**–**	**–**
Other comprehensive income for the year			
Foreign currency translation differences	**–**	**–**	**–**
Total other comprehensive income for the year	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	**–**	**–**	**–**
Share options exercised	**–**	**4**	**–**
Repurchase of own shares from owners	**–**	**(417)**	**–**
Acquisition of non-controlling interest without a change in control	**–**	**–**	**–**
Dividends paid to equity holders	**–**	**–**	**–**
Total (distributions to)/contributions by owners	**–**	**(413)**	**–**
Total changes in ownership interests in subsidiaries	**–**	**–**	**–**
Total transactions with owners	**–**	**(413)**	**–**
Balance at 31 December 2011	**1**	**43**	**10**

Company	Share capital Rm	Share premium Rm	Preference share amortisation adjustment Rm
Balance at 31 December 2009	1	456	600
Total comprehensive income for the year			
Profit for the year	–	–	–
Transactions with owners, recorded directly in equity			
Distributions to owners			
Dividends paid to equity holders	–	–	–
Balance at 31 December 2010	1	456	600
Total comprehensive income for the year			
Profit for the year	**–**	**–**	**–**
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Dividends paid to equity holders	**–**	**–**	**–**
Share options exercised	**–**	**4**	**–**
Repurchase of own shares from owners	**–**	**(417)**	**–**
Total distributions to owners	**–**	**(413)**	**–**
Balance at 31 December 2011	**1**	**43**	**600**

equity holders of the company						
Foreign currency translation reserve Rm	Equity compen-sation reserve Rm	Gain/(Loss) on changes in ownership interests in subsidiaries Rm	Retained income Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
122	123	272	2 857	3 841	1 905	5 746
–	–	–	624	624	458	1 082
(356)	–	–	–	(356)	(227)	(583)
(356)	–	–	–	(356)	(227)	(583)
(356)	–	–	624	268	231	499
–	24	–	–	24	15	39
–	–	–	–	–	37	37
–	–	–	(234)	(234)	(136)	(370)
–	24	–	(234)	(210)	(84)	(294)
–	–	(4)	–	(4)	4	–
–	24	(4)	(234)	(214)	(80)	(294)
(234)	147	268	3 247	3 895	2 056	5 951
–	**–**	**–**	**991**	**991**	**654**	**1 645**
729	**–**	**–**	**–**	**729**	**391**	**1 120**
729	**–**	**–**	**–**	**729**	**391**	**1 120**
729	**–**	**–**	**991**	**1 720**	**1 045**	**2 765**
–	**42**	**–**	**–**	**42**	**25**	**67**
–	**–**	**–**	**–**	**4**	**42**	**46**
–	**–**	**–**	**–**	**(417)**	**–**	**(417)**
–	**–**	**(177)**	**–**	**(177)**	**(801)**	**(978)**
–	**–**	**–**	**(265)**	**(265)**	**(187)**	**(452)**
–	**42**	**(177)**	**(265)**	**(813)**	**(921)**	**(1 734)**
–	**–**	**(8)**	**–**	**(8)**	**8**	**–**
–	**42**	**(185)**	**(265)**	**(821)**	**(913)**	**(1 734)**
495	**189**	**83**	**3 973**	**4 794**	**2 188**	**6 982**

Equity compen-sation reserve Rm	Retained income/ (Accu-mulated loss) Rm	Total Rm
2	(245)	814
–	173	173
–	(234)	(234)
2	(306)	753
–	**621**	**621**
–	**(265)**	**(265)**
–	**–**	**4**
–	**–**	**(417)**
–	**(265)**	**(678)**
2	**50**	**696**

	Notes	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
Cash flows from operating activities					
Cash generated from operations	26	**2 485**	1 881	**626**	227
Increase in container leasing equipment		**(5 912)**	(2 934)	**–**	–
Finance income received		**5**	10	**–**	2
Finance expenses paid		**(335)**	(175)	**–**	–
Dividends paid to shareholders of the company		**(265)**	(234)	**(265)**	(234)
Dividends paid to non-controlling interest		**(187)**	(136)	**–**	–
Income taxes paid	16	**(43)**	(56)	**(27)**	(23)
Net cash (outflow)/inflow from operating activities		**(4 252)**	(1 644)	**334**	(28)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(5)**	(5)	**–**	–
Proceeds on disposal of property, plant and equipment		**4**	–	**–**	–
Acquisition of interest in equity accounted investee		**(4)**	–	**–**	–
Proceeds on disposal of investment		**242**	–	**–**	–
Amounts repaid by/(advanced to) subsidiary		**–**	–	**26**	(65)
Decrease in finance leases		**219**	172	**–**	–
Increase in restricted cash		**(220)**	(62)	**–**	–
Decrease in investment in subsidiary		**–**	–	**32**	–
Net cash inflow/(outflow) from investing activities		**236**	105	**58**	(65)
Cash flows from financing activities					
Interest-bearing borrowings repaid		**(4 388)**	(2 030)	**–**	–
Interest-bearing borrowings raised		**8 792**	3 511	**–**	–
Debt issuance costs incurred		**(61)**	(85)	**–**	–
Repurchase of own shares from owners		**(417)**	–	**(417)**	–
Proceeds on issue of shares		**4**	–	**4**	–
Proceeds on issue of shares by subsidiary		**42**	37	**–**	–
Receipts from long-term receivables		**217**	158	**–**	1
Payments to third parties in respect of long-term receivables		**(35)**	(29)	**–**	–
Payment to non-controlling interest		**(79)**	–	**–**	–
Amounts advanced by subsidiary		**–**	–	**21**	92
Net cash inflow/(outflow) from financing activities		**4 075**	1 562	**(392)**	93
Net increase in cash and cash equivalents before exchange rate fluctuations		**59**	23	**–**	–
Cash and cash equivalents at the beginning of the year		**1 029**	1 115	**–**	–
Effect of exchange rate fluctuations on cash and cash equivalents		**245**	(109)	**–**	–
Cash and cash equivalents at the end of the year	17	**1 333**	1 029	**–**	–

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 1313 Main Tower, Standard Bank Centre, Heerengracht, Cape Town, 8001. The consolidated financial statements of the company as at and for the year ended 31 December 2011 comprise the company and its subsidiaries (together referred to as the 'group' and individually as 'group entities') and the group's interest in associates. The group is primarily involved in owning, leasing, managing and reselling marine cargo containers worldwide, and related financing activities.

2. **Basis of preparation**

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), the AC 500 Series issued by the Accounting Practices Board, the requirements of the Companies Act, 2008 of South Africa and the JSE Listings Requirements. The financial statements were approved by the board of directors on 30 April 2012.

2.2 Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following:

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

2.3 Functional and presentation currency

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

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 34.

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 *Subsidiaries*

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercised.

Changes in any group entity's ownership interest in a subsidiary after control is obtained are accounted for as equity transactions i.e. transactions with owners in their capacity as owners. 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 accounted for as equity transactions provided control is retained after the conclusion of such transactions. Gains and losses are included in the appropriate reserve in equity (refer to note 18).

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

3.1.2 *Associates and jointly controlled entities (equity accounted investees)*

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 per cent of the voting power of another entity. Joint ventures are those entities over whose activities the group has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of the income, expenses and equity movements of equity accounted investees, after adjustment to align the accounting policies with those of the group, from the date that significant influence commences until the date that 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 is reduced to nil and recognition of further losses is discontinued except to the extent that the group has an obligation or made payments on behalf of the investee.

Gains or losses arising on the dilution of investments in associates are recognised in profit or loss and the net gain or loss attributable to the group is transferred the appropriate reserve in equity (refer to note 18).

3.1.3 *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the entity. 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 to the respective functional currencies of group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that 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 at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of 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 except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

3.2.2 *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to SA rand at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to SA rand at rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal. When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is attributed to non-controlling interests.

3.3 Financial instruments

3.3.1 *Non-derivative financial instruments*

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. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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 the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The group classifies non-derivative financial assets into the following categories: available-for-sale financial assets, financial assets at fair value through profit or loss, and loans and receivables.

Available-for-sale financial assets
The group's investments in equity securities and certain debt 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 (see accounting policy note 3.8), are recognised in other comprehensive income and presented within equity in the fair value reserve. The fair value of listed investments classified as available-for-sale is their quoted bid price at the reporting date. The fair value of unlisted investments is based on valuations received from independent valuers during the period. 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 the group manages such instruments and makes purchase and sale decisions based on their fair value in accordance with the group'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 are recognised in profit or loss.

The group's long-term receivables are designated at fair value through profit or loss. Sales under long-term credit agreements are discounted to their net present value at rates considered appropriate, having regard to their terms and the currency in which they are written. The deferred portion of income is recognised over the period of the agreements on a basis which produces a constant periodic rate of return. At the financial year-end, receivables denominated in foreign currencies are translated at rates of exchange ruling at the reporting date. Any gains or losses arising from this translation are recognised in profit or loss.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables and 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 the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

In the case of the company, the long-term receivable represents the participation in export partnerships and, subsequent to initial recognition, is measured at amortised cost less impairment losses. Amortised cost is the company's cost of the original participation plus its share of the gross profit less the share of the subsequent net amounts received as partner in the partnerships.

Non-derivative financial liabilities
The group initially recognises debt securities issued and subordinated liabilities 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 the group 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.

The group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities. Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate 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.

Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

3.3.2 ***Derivative financial instruments***

The group holds derivative financial instruments to hedge its foreign exchange and interest rate risk exposures arising from operational, financing and investment activities. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative, would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss in all instances as the group does not apply hedge accounting.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses. Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

3.3.3 ***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.

3.3.4 ***Offsetting***

Financial assets and liabilities are off-set and the net amount presented in the statement of financial position when the group has a legally enforceable right to set off the amounts and intends either to settle 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.

3.4 **Property, plant and equipment**

3.4.1 ***Recognition and measurement***

Owned assets

Items of property, plant and equipment 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. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and 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 3.10.1) 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 the group 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 over 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 each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

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

	Years
Container leasing equipment	12
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

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). Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

3.5.1 *Subsequent expenditure*

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

3.5.2 *Amortisation*

Intangible assets with finite useful lives are amortised over their useful lives. Container management contracts are amortised based on the fees generated from the underlying container management agreements (which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the group). The estimated useful lives are reassessed annually and are as follows for the current and comparative periods:

	Years
Container management contracts	11 – 13

3.6 Net investment in finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

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.

3.8 Impairment

3.8.1 *Financial assets*

At each reporting date the group assesses 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 the group on terms that the group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and the disappearance of an active market for a security. 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.

The group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the group uses 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 less 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 subsequent event causes the amount of impairment loss to decrease, the decrease in 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 transferring 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, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3.8.2 *Non-financial assets*

The carrying amount of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 Provisions

A provision is recognised in the statement of financial position when the group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense.

3.10 Revenue

3.10.1 *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.

Revenue includes realised and unrealised exchange differences arising from the translation of long-term receivables.

3.10.2 *Leasing income*

Marine cargo containers

Leasing income arises principally from operating and finance leases.

Under operating leases, container equipment owned by group companies 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. Considerations received in advance for future operating lease payments are discounted to their present values and deferred over the lease term.

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 the group 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, 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 (see note 3.10.1). 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 group's 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. The group offers a damage protection plan (DPP) to certain of its lessees. In terms of the DPP, the group charges an amount, 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. It is the group's policy to recognise these revenues as earned on a daily basis over the related term of the lease.

The group has not recognised revenue and related expense 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 collectibility 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.

3.10.3 *Management fees*

Management fees consist of fees earned by group companies 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).

3.10.4 *Dividend income*

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

3.11 Expenses

3.11.1 *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.

3.11.2 *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 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.

3.12 Employee benefits

3.12.1 *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 the group has 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.

3.12.2 *Retirement benefits*

Certain of the company's subsidiaries contribute to defined contribution retirement funds. A defined contribution plan 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.

3.12.3 *Share-based payments*

The company and certain of its subsidiaries grant share options to certain employees under share option plans which are all classified as equity settled.

The grant date fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using the Actuarial Binomial Model or 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 options that vest.

3.13 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income in which case income tax is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend. Secondary tax on companies ('STC') is recognised as part of the current tax charge in profit or loss when the net dividend is declared, except where the group exemption has been elected, resulting in no STC consequences for the company. When dividends received in the current year can be off-set against future dividend payments to reduce the STC liability, a deferred tax asset is recognised to the extent of probable future reductions in STC.

3.14 **Earnings per share**

The group presents basic and diluted earnings per share data for its shares. 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 determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding for the effects of all potential dilutive instruments, which comprise share options granted to employees.

3.15 **Segment reporting**

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the executive committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the board include items that are directly attributable to the segment. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

Based on the nature of the group's operations, geographical segment information is not distinguishable or relevant.

3.16 **Financial guarantee contracts**

Financial guarantee contracts are contracts that require the group or the company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable) determined in accordance with IAS 37 *Provisions*.

3.17 **Accounting standards and interpretations in issue but not yet effective**

Refer to note 35.

	Group				
	Land and buildings Rm	Container leasing equipment Rm	Plant and machinery Rm	Other equipment and motor vehicles Rm	Total Rm
4. Property, plant and equipment					
Cost					
2010					
Balance at the beginning of the year	12	10 315	19	72	10 418
Additions	2	3 561	–	3	3 566
Effect of movements in exchange rates	(2)	(1 332)	(2)	(6)	(1 342)
Transfer to container inventory	–	(521)	–	–	(521)
Transfer to finance leases	–	(48)	–	–	(48)
Disposals	(1)	–	–	(5)	(6)
Balance at the end of the year	11	11 975	17	64	12 067
2011					
Additions	**–**	**5 391**	**–**	**5**	**5 396**
Effect of movements in exchange rates	**3**	**3 127**	**3**	**14**	**3 147**
Transfer to container inventory	**–**	**(1 538)**	**–**	**–**	**(1 538)**
Transfer to finance leases	**–**	**(236)**	**–**	**–**	**(236)**
Disposals	**–**	**–**	**(4)**	**(5)**	**(9)**
Balance at the end of the year	**14**	**18 719**	**16**	**78**	**18 827**
Depreciation and impairment losses					
2010					
Balance at the beginning of the year	6	2 483	10	61	2 560
Depreciation for the year	1	411	1	5	418
Effect of movements in exchange rates	(1)	(267)	(1)	(5)	(274)
Impairment loss for the year	–	12	–	–	12
Transfer to container inventory	–	(247)	–	–	(247)
Disposals	(1)	–	–	(5)	(6)
Balance at the end of the year	5	2 392	10	56	2 463
2011					
Depreciation for the year	**1**	**575**	**1**	**5**	**582**
Effect of movements in exchange rates	**2**	**554**	**2**	**11**	**569**
Impairment loss for the year	**–**	**18**	**–**	**–**	**18**
Transfer to container inventory	**–**	**(393)**	**–**	**–**	**(393)**
Transfer to finance leases	**–**	**(6)**	**–**	**–**	**(6)**
Disposals	**–**	**–**	**(1)**	**(5)**	**(6)**
Balance at the end of the year	**8**	**3 140**	**12**	**67**	**3 227**
Carrying amounts:					
At 1 January 2010	6	7 832	9	11	7 858
At 31 December 2010	6	9 583	7	8	9 604
At 31 December 2011	**6**	**15 579**	**4**	**11**	**15 600**
Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 19).					
At 31 December 2010	–	9 583	–	–	9 583
At 31 December 2011	**–**	**15 579**	**–**	**–**	**15 579**

4.1 The net book value of improvements to leased premises amounts to R6 million (2010: R6 million).

4.2 A register containing details of land and buildings is available for inspection at the registered office of the company.

4.3 An impairment loss of R9 million (2010: R12 million) represents the write-down of the carrying amounts to fair value, less costs to sell, in respect of containers identified for sale. Evaluations are carried out at the time containers come off-hire from leases to determine whether such containers should be repaired and returned to service or sold.

A further impairment loss of R9 million was incurred in respect of containers on lease to a customer, whose account has been impaired, to take into account the potential non-recovery of the equipment on lease to the customer.

	Group Container management contracts Rm
5. Intangible assets	
Cost	
2010	
Balance at the beginning of the year	626
Effect of movements in exchange rates	(63)
Balance at the end of the year	563
2011	
Effect of movements in exchange rates	**118**
Disposals	**(100)**
Balance at the end of the year	**581**
Amortisation	
2010	
Balance at the beginning of the year	133
Amortisation for the year	48
Effect of movements in exchange rates	(18)
Balance at the end of the year	163
2011	
Amortisation for the year	**44**
Effect of movements in exchange rates	**39**
Disposals	**(45)**
Balance at the end of the year	**201**
Carrying amounts:	
At 1 January 2010	493
At 31 December 2010	400
At 31 December 2011	**380**

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

5.2 The disposals represent the reduction arising from the relinquishment of management rights from the purchase of containers from a previously managed fleet.

6. **Investment in equity accounted investee**

During the year TW Container Leasing Limited was formed in which Textainer acquired a 25% interest and jointly controls through a management agreement. TW Container Leasing, which is not publicly listed, leases containers to lessees under finance leases. The group's share of losses in its equity accounted investee for the year was R2 million.

Summary financial information for equity accounted investee (not adjusted for the group's interest):

	Group					
	Current assets Rm	Non-current assets Rm	Current liabilities Rm	Non-current liabilities Rm	Revenue Rm	Expenses Rm
2011						
TW Container Leasing	18	62	3	65	1	(7)

	Group	
	2011 Rm	2010 Rm
7. **Other investments**		
Equity instruments available-for-sale		
Unlisted companies	**14**	14
	14	14
Financial assets designated at fair value through profit or loss		
Protected currency basket note	**–**	235
Current portion included in current assets	**–**	(235)
	–	–
The protected currency basket note consisted of Australian and emerging market currencies, namely the Brazilian Real, the Indian Rupee and the Korean Won. The protected currency basket note was disposed of in May 2011.		
Total investments	**14**	14

A detailed list of investments is available on request from the registered office of the company.

		Company	
		2011	2010
		Rm	Rm
8.	**Interest in subsidiaries**		
	Ordinary shares at cost	**408**	439
	Preference shares including amortisation adjustment	**1 013**	1 013
	Investment in subsidiaries before impairment loss	**1 421**	1 452
	Less impairment loss	**(367)**	(378)
	Investment in subsidiaries	**1 054**	1 074
	Amount due by subsidiary – short-term	**39**	65
		1 093	1 139
	Amount due to subsidiary – long-term	**(399)**	(378)
		694	761

8.1 The short-term amount due by subsidiary is unsecured and interest free and is repayable on demand.

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

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

	2011 Rm	2010 Rm
Dividend income (refer to note 22)	**102**	249
Capital distribution from trust (refer to note 22)	**530**	–
Interest income (refer to note 23)	**–**	2
	632	251

8.4 The reduction in the impairment of the investment in subsidiaries is as a result of the recovery of a portion of the losses incurred by subsidiary companies.

8.5 **Acquisition by Textainer of non-controlling interest in subsidiary**

On 30 June 2011, Textainer acquired an additional 25% interest in its subsidiary TMCL, increasing its ownership to 100%. The total consideration for the acquisition was R1 433 million which was reduced by R455 million in respect of the borrowings relating to containers disposed of to the non-controlling interest as part of the transaction (refer below). At the time of the transaction the carrying value of the non-controlling interest was R688 million. A premium of R290 million (R177 million after non-controlling interest in Textainer) was accounted for directly in equity. The non-controlling interest was reduced by R801 million.

The transaction was carried out in two tranches. The acquisition by Textainer of 12,5% of the shares held by the non-controlling interest for a consideration of R534 million, treated as a transaction with owners; and TMCL disposed of 12,5% of its containers (at fair value) and investment in finance leases to the non-controlling interest. The non-controlling interest settled 12,5% of the balance of TMCL's secured debt facility and bonds payable of R455 million in consideration for the remaining 12,5% of shares of TMCL held by the non-controlling interest, which were immediately cancelled. A non-cash gain on sale of containers to non-controlling interest of R138 million was recognised in profit or loss.

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
9. **Net investment in long-term receivables**				
Net investment in long-term receivables comprises:				
Long-term receivables	**756**	828	**1**	1
Amounts attributable to third parties in respect of long-term receivables	**(173)**	(221)	**–**	–
	583	607	**1**	1
Represented by:				
Total receivables	**1 453**	1 383	**1**	1
Less deferred income	**36**	47	**–**	–
Net present value of long-term receivables	**1 417**	1 336	**1**	1
Less amounts attributable to third parties in respect of long-term receivables	**299**	332	**–**	–
Total amount	**319**	359	**–**	–
Less deferred expenditure	**20**	27	**–**	–
Net present value of net investment in long-term receivables	**1 118**	1 004	**1**	1
Less fair value adjustment to net investment, relating to:	**303**	272	**–**	–
Long-term receivables	**376**	359	**–**	–
Amounts attributable to third parties in respect of long-term receivables	**(73)**	(87)	**–**	–
	815	732	**1**	1
Less current portion of net investment included in:	**232**	125	**–**	–
Current assets	**285**	149	**–**	–
Current liabilities	**(53)**	(24)	**–**	–
	583	607	**1**	1

9.1 Total receivables in base currency amounted to US$179 million (2010: US$209 million).

9.2 Long-term receivables are valued by discounting future cash flows. The discount rate applied to the receivables (denominated in US$) is 8,5% p.a. (2010: 8,5% p.a.). An appropriate fair value adjustment is made to the net investment for the estimated timing of receipt and the possible non-collectibility of these receivables, and the related effect on the payment to third parties. The net present value of the long-term receivables and the related fair value adjustment were translated into SA rand at US$1=R8,12 (2010: US$1=R6,61). Approximately 98% (2010: 98%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income and approximately 2% (2010: 2%) relates to the possible non-collectibility of receivables. There has been a base currency decrease equal to R33 million (2010: R189 million) in the fair value adjustment.

9.3 The amounts attributable to third parties in respect of the long-term receivables are denominated in SA rand and are valued by discounting future cash flows at 10% p.a. (2010: 10% p.a.). These are payable as and when the proceeds from the related long-term receivables are received.

9.4 The amounts attributable to third parties in respect of the long-term receivables are made up as follows:

	Group	
	2011 Rm	2010 Rm
Total amounts attributable to third parties	**319**	359
Less deferred expenditure	**20**	27
Net present value of amounts attributable to third parties	**299**	332
Fair value adjustment	**(73)**	(87)
Fair value of amounts attributable to third parties	**226**	245
Current portion	**(53)**	(24)
	173	221

	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
		2011			2010	
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
10. **Net investment in finance leases**						
Amounts receivable under finance leases:						
Within one year	**218**	**51**	**167**	143	31	112
Between one and five years	**477**	**78**	**399**	321	44	277
After five years	**51**	**6**	**45**	54	6	48
	746	**135**	**611**	518	81	437

	Group	
	2011 Rm	2010 Rm
Analysed as:		
Non-current finance lease receivables	**444**	325
Current finance lease receivables included in current assets	**167**	112
	611	437

10.1 Net investment in finance leases represents amounts receivable in respect of containers leased to shipping lines. The containers are usually leased for their useful lives with a purchase option at the end of the lease term. There are no contingent rentals.

10.2 The interest rate inherent in the leases is fixed at the contract date for the full term of the lease. The average effective interest rate contracted approximates 8,14% p.a. (2010: 9.68% p.a.).

10.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R0,4 million (2010: R0,3 million).

10.4 The net investment in finance leases has been pledged as security for a loan (refer to note 19).

10.5 The fair value of the net investment in finance leases is R592 million (2010: R426 million) (refer to note 31). 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.

11. **Derivative financial instruments**

The group's various derivative instruments at 31 December comprise:

Type of contract	Final maturity	Underlying	Notional amount of contracts outstanding Rm	Fair value Assets Rm	Fair value Liabilities Rm
2011					
Interest rate cap contracts	November 2015	Interest rates	**2 831**	**–**	**–**
Interest rate swap contracts	December 2015	Interest rates	**4 132**	**–**	**131**
				–	**131**
2010					
Interest rate cap contracts	November 2015	Interest rates	893	–	–
Interest rate swap contracts	December 2015	Interest rates	3 041	9	90
				9	90

11.1 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.

11.2 The variable interest rate debt principal outstanding amounted to R9 073 million at 31 December 2011 (2010: R5 815 million) of which R6 963 million (2010: R3 934 million) in notional value was covered by interest rate cap and swap contracts.

	Group					
	Assets		Liabilities		Net	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm
12. Deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to the following:						
Property, plant and equipment	**–**	–	**133**	99	**133**	99
Net investment in long-term receivables	**–**	–	**80**	14	**80**	14
Investments	**–**	–	**2**	2	**2**	2
Export partnerships	**–**	–	**2**	1	**2**	1
Trade and other receivables	**–**	–	**15**	12	**15**	12
Trade and other payables	**(56)**	(36)	**–**	–	**(56)**	(36)
Tax loss carry-forwards	**(64)**	(38)	**–**	–	**(64)**	(38)
Deferred income	**–**	–	**90**	94	**90**	94
Tax (assets)/liabilities	**(120)**	(74)	**322**	222	**202**	148
Set-off of tax	**98**	(3)	**(98)**	3	**–**	–
Net tax (assets)/liabilities	**(22)**	(77)	**224**	225	**202**	148

Movement in temporary differences for the group during the year:

	Balance at the beginning of the year Rm	Recognised in profit or loss Rm	Exchange adjustment in equity Rm	Acquired in business combination Rm	Long-term receivables Rm	Balance at the end of the year Rm
2010						
Property, plant and equipment	94	16	(11)	–	–	99
Net investment in long-term receivables	(5)	18	–	–	1	14
Investments	2	–	–	–	–	2
Export partnerships	1	–	–	–	–	1
Trade and other receivables	9	4	(1)	–	–	12
Trade and other payables	(36)	(4)	4	–	–	(36)
Tax loss carry-forwards	(41)	(2)	5	–	–	(38)
Deferred income	105	(7)	(4)	–	–	94
	129	25	(7)	–	1	148
2011						
Property, plant and equipment	**99**	**10**	**24**	**–**	**–**	**133**
Net investment in long-term receivables	**14**	**65**	**–**	**–**	**1**	**80**
Investments	**2**	**–**	**–**	**–**	**–**	**2**
Export partnerships	**1**	**–**	**–**	**1**	**–**	**2**
Trade and other receivables	**12**	**–**	**3**	**–**	**–**	**15**
Trade and other payables	**(36)**	**(7)**	**(13)**	**–**	**–**	**(56)**
Tax loss carry-forwards	**(38)**	**(16)**	**(10)**	**–**	**–**	**(64)**
Deferred income	**94**	**(11)**	**7**	**–**	**–**	**90**
	148	**41**	**11**	**1**	**1**	**202**

12.1 The group has deferred tax assets of R64 million relating to tax loss carry-forwards (2010: R38 million) which will expire between 2017 and 2030 if not utilised.

12.2 In certain of the countries in which group companies 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 2011, cumulative earnings of approximately R372 million (2010: R240 million) would be subject to income taxes of approximately R112 million (2010: R71 million) if such earnings of foreign companies were transferred out of such jurisdictions in the form of dividends.

12.3 In the case of the company, the deferred tax liability of R1 million (2010: R1 million) arises as a result of its participation in export partnerships.

12.4 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 (2010: nil).

		Group 2011 Rm	Group 2010 Rm
13.	**Restricted cash**		
	The restricted cash is held by lenders as additional collateral for Textainer's secured debt facility and bonds payable (refer to note 19).	**370**	99
		370	99

The terms of the bonds payable and the secured debt facility require that a minimum of eight (2010: eight) months interest be held as restricted cash. The net operating income of the borrowing company is also required to be placed in a trust account and cannot be withdrawn until the monthly principal and interest payments are made.

		Group 2011 Rm	Group 2010 Rm
14.	**Inventories**		
	Container equipment held for resale	**64**	19
	Trading containers	**105**	3
		169	22

		Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
15.	**Trade and other receivables**				
	Trade receivables	**702**	420	**–**	–
	Prepayments	**45**	17	**–**	–
	Other	**26**	21	**4**	–
		773	458	**4**	–
16.	**Current tax**				
	Amounts payable at the beginning of the year	**64**	138	**–**	–
	Amounts receivable at the beginning of the year	**(3)**	(2)	**–**	–
	Effect of movements in exchange rates	**14**	(7)	**–**	–
	Recognised in profit or loss				
	South African normal	**14**	21	**1**	–
	Foreign normal	**26**	(56)	**–**	–
	Secondary tax on companies	**26**	23	**26**	23
	Excess tax benefit on equity-settled share-based payments	**(22)**	–	**–**	–
	Amounts payable at the end of the year	**(78)**	(64)	**–**	–
	Amounts receivable at the end of the year	**2**	3	**–**	–
	Amounts paid during the year	**43**	56	**27**	23

		Group 2011 Rm	Group 2010 Rm
17.	**Cash and cash equivalents**		
	Bank balances	**769**	579
	Call and term deposits	**564**	450
		1 333	1 029

	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
18. Capital and reserves				
Share capital				
Authorised				
Ordinary shares of 0,5 cent each				
200 000 000 (2010: 200 000 000)	**1**	1	**1**	1
Issued				
Ordinary shares of 0,5 cent each				
177 068 011 (2010: 187 468 892)	**1**	1	**1**	1
	Number of shares (million)			
In issue at the beginning of the year	**187,5**	187,5	**187,5**	187,5
Shares repurchased	**(10,8)**	–	**(10,8)**	–
Issued for cash	**0,4**	–	**0,4**	–
In issue at the end of the year	**177,1**	187,5	**177,1**	187,5

18.1 Shareholders have not been requested to place the unissued shares of the company under the control of the directors, save for those unissued shares reserved for The Trencor Share Option Plan.

18.2 Pursuant to the unbundling by Mobile Industries Limited of its shareholding in Trencor, the company entered into an agreement with trusts in respect of which Messrs C Jowell and N I Jowell are amongst the beneficiaries to repurchase from those trusts 10 800 881 of the company's ordinary shares at a price of R38,61 per share. The share repurchase was implemented on 14 March 2011 and resulted in the cancellation of the repurchased shares. The cancelled repurchased shares have reverted to authorised but unissued share capital.

18.3 The shares, issued for cash, were issued by the company pursuant to the exercise of certain options under The Trencor Share Option Plan (refer to note 29).

	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
18.4 Dividends				
Dividends declared and paid during the year are as follows:				
Final dividend in respect of financial year 2010 – 100 cents per share (2009: 85 cents)	**177**	159	**177**	159
Interim dividend in respect of financial year 2011 – 50 cents per share (2010: 40 cents)	**88**	75	**88**	75
	265	234	**265**	234

A final dividend of 125 cents per share in respect of financial year 2011 (2010: 100 cents per share) was declared by the board on 16 February 2012. This dividend will be subject to STC of R22 million (2010: R19 million).

18.5 Distributable reserves of the company of R50 million (2010: nil) would be subject to STC of R5 million (2010: nil) if distributed by way of dividend (2010: nil).

18.6 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.

Equity compensation reserve

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

Gain/Loss on changes in ownership interests in subsidiaries

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

Preference share amortisation adjustment

This reserve in the company comprises the difference between the present value of the subscription price of the preference shares paid at acquisition and the amount written up to the subscription price through profit or loss using the amortised cost method (refer to note 8).

	Group								
	Current interest rate % p.a.	Interest fixed or indexed to	Repayment terms	Annual instalment Rm	Final maturity	Foreign amount **2011 US$m**	Foreign amount 2010 US$m	**2011 Rm**	2010 Rm
19. Interest-bearing borrowings									
Secured (refer to note 19.1)									
Bonds payable	0,81	LIBOR	Monthly	418	May 2015	**176**	227	**1 429**	1 503
Bonds payable	4,70	Fixed	Monthly	325	June 2021	**380**	–	**3 085**	–
Debt facility	3,03	LIBOR	Monthly, commences June 2012	666	June 2020	**821**	558	**6 664**	3 692
Revolving debt facility	1,53	US Prime or LIBOR	Full amount repayable April 2013	1 015	Apr 2013	**125**	104	**1 015**	687
Total								**12 193**	5 882
Less unamortised debt issuance costs								**(86)**	(67)
								12 107	5 815
Less current portion included in current liabilities								**(1 076)**	(340)
								11 031	5 475

19.1 The secured loans are secured by way of a pledge against certain of the group's property, plant and equipment and investments in finance leases as well as requirements by lenders that a group company hold restricted cash as additional collateral for borrowings (refer to notes 4, 10 and 13 respectively).

19.2 Debt issuance costs of R61 million (2010: R85 million) were capitalised during the year.

19.3 In terms of the memorandum of incorporation, the company's borrowing powers are unlimited. The company's borrowings are disclosed in note 8.

19.4 Details of the group's borrowing facilities are as follows:

	Group **2011 Rm**	Group 2010 Rm
Total borrowing facilities	**16 532**	7 816
Actual borrowings at the end of the year	**12 193**	5 882
Unutilised facilities	**4 339**	1 934

19.5 Certain loans have restrictive covenants including minimum net worth requirements, minimum working capital requirements and maintenance of minimum levels of profitability. The borrowing companies were in compliance with the covenants throughout the year.

20. **Deferred revenue**

During the financial year, Textainer simultaneously entered into purchase and operating lease transactions in respect of specific containers, with shipping lines. The reduced rental rates agreed as part of these transactions effectively resulted in the shipping lines prepaying lease rentals by accepting a lower purchase price for the containers. As a result, Textainer recognised deferred revenue (to be recognised in profit or loss over the lease term). This deferred revenue equals the present value of rental revenue that would have been recognised under operating leases if Textainer received market-related rental rates. The containers purchased were recorded at the sum of the amount paid in cash and the present value of the lease rentals as calculated above (which approximated or were less than their fair values).

	Group	
	2011 Rm	2010 Rm
Balance at the beginning of the year	**65**	141
Transactions entered into during the year	**51**	–
Recognised in profit or loss	**(69)**	(52)
Terminations	**–**	(17)
Effect of movements in exchange rates	**13**	(7)
Balance at the end of the year	**60**	65
Analysed as:		
Non-current deferred revenue	**9**	20
Current deferred revenue	**51**	45
	60	65

	Group		**Company**	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
21. **Trade and other payables**				
Trade payables	**22**	43	**–**	–
Accrued expenses	**155**	95	**1**	8
Amounts due to container owners	**124**	113	**–**	–
Amounts due in respect of container acquisitions	**207**	653	**–**	–
Other	**2**	5	**1**	–
	510	909	**2**	8

	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
22. Operating profit before net finance expenses/income				
Operating profit before net finance expenses/income is arrived at after taking into account:				
Income				
Dividend income (included in revenue)				
Subsidiaries	**–**	–	**102**	249
Capital distribution from trust	**–**	–	**530**	–
Net profit on disposal of property, plant and equipment:				
Container leasing equipment	**353**	155	**–**	–
Other property, plant and equipment	**1**	–	**–**	–
Fair value adjustment – investment designated at fair value through profit or loss	**6**	4	**–**	–
Other realised and unrealised exchange gains not included in revenue	**–**	–	**11**	–
Expenses				
Amortisation of intangible assets	**44**	48	**–**	–
Auditors' remuneration	**11**	11	**1**	1
Audit fee – current year	**9**	9	**1**	1
– under provision prior year	**1**	1	**–**	–
Other services	**1**	1	**–**	–
Directors' emoluments	**15**	13	**1**	1
Executive directors				
Short-term employee benefits	**11**	11	**–**	–
Share-based payments – equity-settled	**1**	–	**–**	–
Non-executive directors				
Remuneration	**3**	2	**1**	1
Impairment losses/(reversal of losses)	**12**	14	**(12)**	26
Property, plant and equipment	**18**	12	**–**	–
Investment in subsidiaries	**–**	–	**(12)**	26
Trade and other receivables – losses	**22**	2	**–**	–
Trade and other receivables – reversals	**(28)**	–	**–**	–
Operating leases – premises	**13**	13	**–**	–
Share-based payments included in staff costs – equity-settled	**40**	34	**–**	–
Share-based payments to suppliers – equity-settled	**1**	–	**–**	–
Other realised and unrealised exchange losses not included in revenue	**–**	–	**–**	14
Retirement benefit contributions included in staff costs	**3**	3	**–**	–

		Group		Company	
		2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
23.	**Net finance expenses/(income)**				
	Finance expenses	**420**	234	**–**	–
	Interest expense – incurred by Textainer	**315**	131	**–**	–
	– incurred by other group companies	**–**	1	**–**	–
	Realised and unrealised losses on derivative financial instruments	**105**	102	**–**	–
	Finance income				
	Interest income	**(5)**	(10)	**–**	(2)
	Received from subsidiary	**–**	–	**–**	(2)
	Received on cash and cash equivalents	**(5)**	(10)	**–**	–
		415	224	**–**	(2)
24.	**Income tax expense**				
	South African normal	**14**	21	**1**	–
	Current	**14**	15	**1**	–
	Adjustment for prior year	**–**	6	**–**	–
	Foreign normal	**26**	(56)	**–**	–
	Current	**44**	20	**–**	–
	Adjustment for prior year	**(18)**	(76)	**–**	–
	Secondary tax on companies	**26**	23	**26**	23
	Associated tax credit – current year	**(5)**	(2)	**–**	–
	– prior year	**(2)**	(2)	**–**	–
	South African deferred				
	Origination and reversal of temporary differences	**58**	19	**–**	–
	Foreign deferred	**(17)**	6	**–**	–
	Origination and reversal of temporary differences	**(7)**	(1)	**–**	–
	Adjustment for prior year	**(6)**	7	**–**	–
	Reduction in tax rate	**(4)**	–	**–**	–
		100	9	**27**	23
	The effective tax rate is reconciled as follows:	**%**	%	**%**	%
	Statutory tax rate	**28,0**	28,0	**28,0**	28,0
	Non-taxable income	**(2,6)**	(0,1)	**(28,1)**	(35,4)
	Non-deductible expenses	**0,6**	0,4	**0,2**	7,3
	Foreign rate differential	**(20,0)**	(23,6)	**–**	–
	Over provided in prior years	**(1,5)**	(6,0)	**–**	–
	Secondary tax on companies	**1,5**	2,1	**4,1**	11,8
	Reduction in tax rate	**(0,3)**	–	**–**	–
	Effective tax rate	**5,7**	0,8	**4,2**	11,7

24.1 Certain group companies are not subject to tax in their country of incorporation. However, these companies are subject to tax in certain other jurisdictions due to the nature of their operations. The group estimates the tax liability based upon its interpretation of the tax laws of the various countries in which it operates. Deferred income taxes reflect temporary differences attributable to various jurisdictions at the appropriate statutory tax rates.

24.2 Certain group companies participate in export partnerships. As these companies 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 companies for the tax arising as the underlying receivables are collected. The amount thereof is disclosed as an associated tax credit.

	Group 2011 Rm	Group 2010 Rm
25. Earnings per share		
Basic earnings per share		
Profit for the year attributable to equity holders of the company	**991**	624
Weighted average number of shares in issue (million)	**178,8**	187,5
Issued ordinary shares at 1 January (million)	**187,5**	187,5
Effect of shares repurchased during the year (million)	**(8,7)**	–
Basic earnings per share (cents)	**554,3**	332,5
Diluted earnings per share		
Profit for the year attributable to equity holders of the company	**991**	624
Weighted average number of ordinary shares (diluted) (million)	**178,8**	187,9
Weighted average number of shares in issue (million)	**178,8**	187,5
Effect of exercise of share options (million)	**–**	0,4
Diluted earnings per share (cents)	**554,3**	331,8

There is no dilution in the current year as all outstanding share options from previous years were exercised during the current year.

	Group 2011 Gross Rm	Group 2011 Net Rm	Group 2010 Gross Rm	Group 2010 Net Rm
Headline earnings per share				
Undiluted				
Profit for the year attributable to equity holders of the company		**991**		624
Impairment of property, plant and equipment	**18**	**10**	12	5
Gain on disposal of property, plant and equipment	**(1)**	**–**	–	–
Headline earnings attributable to equity holders of the company		**1 001**		629
Weighted average number of shares in issue (million)		**178,8**		187,5
Headline earnings per share (cents)		**559,3**		335,5
Diluted				
Headline earnings attributable to equity holders of the company		**1 001**		629
Weighted average number of ordinary shares (diluted) (million)		**178,8**		187,9
Diluted headline earnings per share (cents)		**559,3**		334,8
Adjusted headline earnings per share				
Adjusted headline earnings per share is the more appropriate measure of Trencor's financial performance in that it excludes net unrealised foreign exchange losses and gains.				
Adjusted headline earnings may also include such other adjustments that, in the opinion of the board, are necessary to properly represent adjusted headline earnings.				
Headline earnings attributable to equity holders of the company		**1 001**		629
Net foreign exchange loss on translation of long-term receivables	**(191)**	**(138)**	88	63
Adjusted headline earnings attributable to equity holders of the company (diluted)		**863**		692
Adjusted headline earnings per share (cents)		**482,4**		369,4
Diluted adjusted headline earnings per share (cents)		**482,4**		368,6

		Group		Company	
		2011 **Rm**	2010 Rm	**2011** **Rm**	2010 Rm
26.	**Cash generated from operations**				
	Reconciliation of profit for the year to cash generated from operations:				
	Profit for the year	**1 645**	1 082	**621**	173
	Adjusted for:				
	Finance expenses	**420**	234	**–**	–
	Finance income	**(5)**	(10)	**–**	(2)
	Fair value adjustment – investment designated at fair value through profit or loss	**–**	(4)	**–**	–
	Unrealised foreign exchange (gains)/losses	**(263)**	151	**–**	–
	Net decrease/(increase) in adjustment to net investment in long-term receivables	**31**	(256)	**–**	–
	Other non-cash flow adjustments to the net investment in long-term receivables	**(27)**	(19)	**–**	–
	Depreciation	**582**	418	**–**	–
	Gain on disposal of property, plant and equipment, excluding container leasing equipment	**(1)**	–	**–**	–
	Cost of containers disposed of transferred to profit or loss	**421**	275	**–**	–
	Net impairment losses/(reversals)	**12**	14	**(12)**	26
	Share-based payments	**42**	39	**–**	–
	Amortisation of intangible assets	**44**	48	**–**	–
	Finance lease income	**(52)**	(45)	**–**	–
	Deferred revenue recognised in profit or loss	**(69)**	(52)	**–**	–
	Gain on sale of containers to non-controlling interest	**(138)**	–	**–**	–
	Loss from equity accounted investee	**2**	–	**–**	–
	Income tax expense	**100**	9	**27**	23
	Operating profit before working capital changes	**2 744**	1 884	**636**	220
	Working capital changes	**(259)**	(3)	**(10)**	7
	Increase in inventories	**(126)**	(15)	**–**	–
	(Increase)/Decrease in trade and other receivables	**(125)**	14	**(4)**	–
	(Decrease)/Increase in trade and other payables	**(8)**	(2)	**(6)**	7
	Cash generated from operations	**2 485**	1 881	**626**	227

		Group	
		2011 **Rm**	2010 Rm
27.	**Operating lease commitments**		
	Leases as lessee		
	Non-cancellable operating lease rentals are payable as follows:		
	Within one year	**13**	11
	Between one and five years	**46**	36
	After five years	**2**	11
		61	58

The group leases a number of office premises under operating leases. The leases typically run for a period of five to six years, with an option to renew the lease upon expiration. None of the leases include contingent rentals.

		Group	
		2011 **Rm**	2010 Rm
28.	**Capital commitments**		
	For container leasing equipment authorised by the board:		
	Contracted	**277**	–
		277	–

29. Employee benefits

29.1 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	Textainer
Number of shares available for utilisation under the plans at 31 December 2009	8 884 209	612 378
Additional shares authorised during 2010	–	1 468 500
Share options and restricted share units granted in 2010, net of forfeitures	–	(231 072)
Previously authorised shares cancelled during 2010	–	(3 925)
Number of shares available for utilisation under the plans at 31 December 2010	8 884 209	1 845 881
Share options and restricted share units granted in 2011, net of forfeitures	**–**	**(356 735)**
Previously authorised shares cancelled during 2011	**–**	**(2 263)**
Number of shares available for utilisation under the plans at 31 December 2011	**8 884 209**	**1 486 883**

Summary of activity in share option plans:

Trencor

The right to exercise the 400 000 options granted to certain directors on 11 June 2004 was subject to certain performance criteria being met. These options vest as follows: 100 000 on each of the third, fourth, fifth and sixth anniversaries of the grant date. All options lapse after a period of eight years after the grant date.

	Number of options			Weighted average	
	Unvested	Vested	Total	Exercise price R	Expiration year
Outstanding at 31 December 2009	250 000	150 000	400 000	12,10	2012
Vested	(50 000)	50 000	–	12,10	2012
Outstanding at 31 December 2010	200 000	200 000	400 000	12,10	2012
Vested	**(200 000)**	**200 000**	**–**	**12,10**	**2012**
Exercised	**–**	**(400 000)**	**(400 000)**	**12,10**	**2012**
Outstanding at 31 December 2011	**–**	**–**	**–**	**–**	**–**

The weighted average share price at date of exercise was R35,99 per share (2010: no options exercised).

The fair value of the share options at grant date is determined based on the Actuarial Binomial Model. The model inputs were as follows:

	Grant date 11 June 2004
Number of options granted	400 000
Fair value at measurement date (R)	7,67
Share price at grant date (R)	12,10
Expected option lifetime (years)	5 – 7
Volatility %	50,5 – 52,8
Dividend yield %	0,0
Risk free % rate (based on national government bonds)	10,0 – 10,1

In determining share price volatility, consideration has been given to historic volatility as well as the expected option lifetime.

Textainer

Textainer has one active share option and restricted share unit plan, the 2007 Plan. The 2007 Plan provides for the grant of share options, restricted share units, restricted shares, share appreciation rights and dividend equivalent rights. The 2007 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% per annum beginning approximately one year from grant date. All options lapse after a period of ten years from date of grant. Beginning approximately one year after a restricted share unit's grant date for each restricted share unit granted in 2007, 2008 and 2009, each employee's restricted share units vest in increments of 15% per year for the first two years, 20% for the third year and 25% for the fourth and fifth year. Beginning approximately one year after a restricted share unit's grant date for each restricted share unit granted in 2010 and 2011, each employee's restricted share units vest in increments of 25% per year.

29. **Employee benefits (continued)**

29.1 **Share-based payments (continued)**

Textainer (continued)

The following is a summary of activity in the 2007 Plan:

Share options

	Number of options			Weighted average	
	Unvested	Vested	Total	Exercise price US$	Expiration year
Outstanding at 31 December 2009	1 242 787	260 129	1 502 916	15,01	2017
Granted	151 687	–	151 687	28,26	2020
Vested	(322 119)	322 119	–	12,52	2017
Exercised	–	(364 046)	(364 046)	15,41	2017
Forfeited	(32 475)	–	(32 475)	14,49	2017
Outstanding at 31 December 2010	1 039 880	218 202	1 258 082	16,51	2017
Granted	**173 350**	**–**	**173 350**	**28,54**	**2021**
Vested	**(361 782)**	**361 782**	**–**	**15,02**	**2017**
Exercised	**–**	**(358 884)**	**(358 884)**	**15,29**	**2017**
Forfeited	**(3 503)**	**–**	**(3 503)**	**18,48**	**2017**
Outstanding at 31 December 2011	**847 945**	**221 100**	**1 069 045**	**18,86**	**2017**

Restricted share units

	Restricted share units	Weighted average grant date fair value US$
Outstanding at 31 December 2009	1 346 506	12,28
Granted	152 687	25,62
Vested	(193 241)	12,20
Forfeited	(40 056)	12,04
Outstanding at 31 December 2010	1 265 896	13,90
Granted	**191 449**	**25,45**
Vested	**(274 172)**	**13,23**
Forfeited	**(4 561)**	**14,73**
Outstanding at 31 December 2011	**1 178 612**	**15,95**

29. **Employee benefits (continued)**

29.1 **Share-based payments (continued)**

Textainer (continued)

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				
	16 November 2011	18 November 2010	18 November 2009	19 November 2008	9 October 2007
Number of options granted under the 2007 Plan	**173 350**	151 687	218 904	251 418	1 052 618
Fair value at measurement date (US$)	**11,60**	9,82	4,69	0,60	3,62
Share price at grant date (US$)	**28,54**	28,26	16,97	7,19	16,50
Expected life option time (years)	**5,7**	6,3	6,3	6,3	6,4
Volatility %	**68,0**	50,1	46,0	35,3	31,3
Dividend yield %	**4,9**	3,8	5,4	13,0	4,9
Risk free % rate (based on US Treasury bonds)	**1,1**	2,0	2,6	2,5	4,5

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

29.2 The amounts included in staff costs in respect of share-based payments are:

	Group	
	2011 Rm	2010 Rm
Equity-settled	**41**	34

29.3 **Retirement benefit funds**

Membership of the Trencor Pension Fund, a defined contribution fund governed by the Pension Funds Act, is compulsory for all permanent employees in South Africa.

At 31 December 2011 the fund had 16 members (2010: 17 members) whose aggregate share of the fund amounted to R78 million (2010: R50 million). The fund has no liability in respect of pensions as all pensioners were transferred to an insurer and all new retirees purchase annuities from insurers.

Certain non-South African group companies 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.

30. **Segment reporting**

Business segments

30.1 The group has two operating segments as described below, which are the group's strategic business units. The strategic business units are managed separately as they offer entirely different services. For each of the strategic business units, the executive committee reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the group's reportable segments: container finance, and container owning, leasing, management and reselling.

30.2 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 certain segments relative to other entities that operate within these industries. There is no inter-segment activity.

	Container finance		**Container owning, leasing, management and reselling**		**Consolidated**	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm
Revenue from external customers	**296**	(126)	**4 353**	2 477	**4 649**	2 351
Goods sold	**–**	–	**1 765**	521	**1 765**	521
Leasing income	**2**	–	**2 376**	1 742	**2 378**	1 742
Management fees	**–**	–	**212**	214	**212**	214
Finance income	**18**	23	**–**	–	**18**	23
Realised and unrealised exchange losses	**276**	(149)	**–**	–	**276**	(149)
Reportable segment profit before net finance (expenses)/income and income tax	**248**	123	**1 934**	1 223	**2 182**	1 346
Finance income	**–**	–	**–**	1	**–**	1
Finance expenses	**–**	–	**(420)**	(233)	**(420)**	(233)
Depreciation and amortisation	**–**	–	**(625)**	(464)	**(625)**	(464)
Income tax (expense)/credit	**(63)**	(32)	**(15)**	48	**(78)**	16
Other material non-cash items:						
Net long-term receivable valuation adjustment	**(31)**	256	**–**	–	**(31)**	256
Impairment losses						
Property, plant and equipment	**–**	–	**(18)**	(12)	**(18)**	(12)
Trade receivables	**–**	–	**(22)**	(2)	**(22)**	(2)
Trade receivables reversed	**–**	–	**28**	–	**28**	–
Net profit on disposal of property, plant and equipment	**1**	–	**353**	155	**354**	155
Share-based payments	**–**	–	**42**	34	**42**	34
Reportable segment assets	**1 048**	977	**18 488**	11 391	**19 536**	12 368
Capital expenditure	**–**	–	**5 396**	3 566	**5 396**	3 566
Reportable segment liabilities	**227**	246	**12 795**	6 857	**13 022**	7 103

30. **Segment reporting (continued)**

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

	Reportable segment total	**Unallocated**	**Con-solidated totals**	Reportable segment total	Unallocated	Con-solidated totals
		2011			2010	
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
Revenue	**4 649**	**–**	**4 649**	2 351	2	2 353
Profit before net finance expenses and income tax [1]	**2 182**	**(20)**	**2 162**	1 346	(31)	1 315
Finance income	**–**	**5**	**5**	1	9	10
Finance expenses	**(420)**	**–**	**(420)**	(233)	(1)	(234)
Depreciation and amortisation	**(625)**	**(1)**	**(626)**	(464)	(2)	(466)
Income tax (expense)/credit	**(78)**	**(22)**	**(100)**	16	(25)	(9)
Assets [2]	**19 536**	**782**	**20 318**	12 368	996	13 364
Liabilities [2]	**13 022**	**314**	**13 336**	7 103	310	7 413

[1] Unallocated amount includes corporate expenses of R34 million (2010: R38 million).

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

	Assets		**Liabilities**	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Property, plant and equipment	**–**	9	**–**	–
Investment in equity accounted investee	**3**	–	**–**	–
Other investments	**14**	249	**–**	–
Deferred tax assets/liabilities	**22**	77	**224**	225
Income tax assets/liabilities	**2**	3	**78**	64
Trade and other receivables/payables	**14**	6	**12**	21
Cash and cash equivalents	**727**	652	**–**	–
	782	996	**314**	310

30.4 **Major customer**

Leasing revenue from a single customer in the container owning, leasing, management and reselling operating segment amounted to 12% (2010: 11%) of the group's leasing revenue. The group had no other customer that individually accounted for more than 10% of revenue.

31. Financial instruments and risk management

31.1 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	Available-for-sale Rm	Loans and receiv-ables Rm	Liabilities at amortised cost Rm	Other Rm	Total carrying amount Rm	Fair value Rm
2011								
Financial assets								
Investments	**–**	**–**	**14**	**–**	**–**	**–**	**14**	**14**
Long-term receivables	**1 041**	**–**	**–**	**–**	**–**	**–**	**1 041**	**1 041**
Net investment in finance leases	**–**	**–**	**–**	**–**	**–**	**611**	**611**	**592**
Restricted cash	**–**	**–**	**–**	**370**	**–**	**–**	**370**	**370**
Trade and other receivables	**–**	**–**	**–**	**728**	**–**	**–**	**728**	**728**
Cash and cash equivalents	**–**	**–**	**–**	**1 333**	**–**	**–**	**1 333**	**1 333**
	1 041	**–**	**14**	**2 431**	**–**	**611**	**4 097**	**4 078**
Financial liabilities								
Interest-bearing borrowings	**–**	**–**	**–**	**–**	**12 193**	**–**	**12 193**	**11 980**
Amounts attributable to third parties in respect of long-term receivables	**226**	**–**	**–**	**–**	**–**	**–**	**226**	**226**
Derivative financial instruments	**–**	**131**	**–**	**–**	**–**	**–**	**131**	**131**
Trade and other payables	**–**	**–**	**–**	**–**	**510**	**–**	**510**	**510**
	226	**131**	**–**	**–**	**12 703**	**–**	**13 060**	**12 847**
2010								
Financial assets								
Investments	235	–	14	–	–	–	249	249
Long-term receivables	977	–	–	–	–	–	977	977
Net investment in finance leases	–	–	–	–	–	437	437	426
Derivative financial instruments	–	9	–	–	–	–	9	9
Restricted cash	–	–	–	99	–	–	99	99
Trade and other receivables	–	–	–	441	–	–	441	441
Cash and cash equivalents	–	–	–	1 029	–	–	1 029	1 029
	1 212	9	14	1 569	–	437	3 241	3 230
Financial liabilities								
Interest-bearing borrowings	–	–	–	–	5 882	–	5 882	5 748
Amounts attributable to third parties in respect of long-term receivables	245	–	–	–	–	–	245	245
Derivative financial instruments	–	90	–	–	–	–	90	90
Trade and other payables	–	–	–	–	909	–	909	909
	245	90	–	–	6 791	–	7 126	6 992

31. **Financial instruments and risk management (continued)**

31.1 Categories of financial assets and liabilities (continued)

	Company							
	Designated at fair value through profit or loss Rm	Held for trading Rm	Available-for-sale Rm	Loans and receivables Rm	Liabilities at amortised cost Rm	Other Rm	Total carrying amount Rm	Fair value Rm
2011								
Financial assets								
Amount due by subsidiary	**–**	**–**	**–**	**39**	**–**	**–**	**39**	**39**
Long-term receivables	**–**	**–**	**–**	**1**	**–**	**–**	**1**	**1**
Trade and other receivables	**–**	**–**	**–**	**4**	**–**	**–**	**4**	**4**
	–	**–**	**–**	**44**	**–**	**–**	**44**	**44**
Financial liabilities								
Amounts due to subsidiary	**–**	**–**	**–**	**–**	**399**	**–**	**399**	**365**
Trade and other payables	**–**	**–**	**–**	**–**	**2**	**–**	**2**	**2**
	–	**–**	**–**	**–**	**401**	**–**	**401**	**367**
2010								
Financial assets								
Amount due by subsidiary	–	–	–	65	–	–	65	65
Long-term receivables	–	–	–	1	–	–	1	1
	–	–	–	66	–	–	66	66
Financial liabilities								
Amount due to subsidiary	–	–	–	–	378	–	378	378
Trade and other payables	–	–	–	–	8	–	8	8
	–	–	–	–	386	–	386	386

31.2 Overview

The group's activities expose it to the following risks from its use of financial instruments:

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

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

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

The directors have overall responsibility for the establishment and oversight of the group's 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 the 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 faced by the group to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The group audit committees oversee how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The group regularly undertakes ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

31. **Financial instruments and risk management (continued)**

31.3 Credit risk

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

31.3.1 *Credit risk exposure*

The carrying amount of financial assets and the total amounts guaranteed (refer to note 33) represent the maximum credit exposure. The maximum exposure to credit risk from financial assets at 31 December was:

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Available-for-sale financial assets				
Investments	**14**	14	**–**	–
Financial assets designated at fair value through profit or loss				
Long-term receivables	**1 041**	977	**–**	–
Investments	**–**	235	**–**	–
Net investment in finance leases	**611**	437	**–**	–
Financial assets held for trading				
Derivative financial instruments	**–**	9	**–**	–
Loans and receivables excluding cash and cash equivalents				
Trade receivables	**702**	420	**4**	–
Restricted cash	**370**	99	**–**	–
Other	**26**	21	**1**	1
Amount due by subsidiary – short-term	**–**	–	**39**	65
Cash and cash equivalents	**1 333**	1 029	**–**	–
	4 097	3 241	**44**	66

The group's credit risk arises principally from the group's long-term receivables, derivative financial instruments (interest rate swap and cap contracts), trade receivables, investment securities and cash and cash equivalents.

Available-for-sale financial assets

Due to the amount of the group's available-for-sale financial assets, credit risk is not considered to be significant.

Financial assets designated at fair value through profit or loss

Credit risk with respect to long-term receivables is determined by the creditworthiness of the international customers to whom containers are supplied. Management closely monitors the activities and performance of these customers. Long-term receivables are valued by discounting future cash flows and an appropriate adjustment is made to the net investment for the estimated timing of receipt and possible non-collectibility of these receivables and the related effect on the payment to third parties.

The most significant long-term receivable at 31 December 2011 relates to TAC Limited totalling R614 million (2010: R608 million). Approximately 84% (2010: 82%) of the TAC containers measured on a twenty-foot equivalent unit basis are managed by Textainer.

Net investment in finance receivables

There is no significant concentration of credit risk relating to the net investment in finance leases.

31. **Financial instruments and risk management (continued)**

31.3 Credit risk (continued)

31.3.1 *Credit risk exposure (continued)*

Financial assets held for trading

With respect to the interest rate swap and cap contracts, the group's exposure to credit risk is determined with reference to the counterparties with which they contract and the markets and countries in which those counterparties conduct their business. Limits are established in advance for all credit exposures within strict company guidelines. Individual limits and the utilisation of those limits are continually reassessed. The group minimises such credit risk by limiting the counterparties to a group of major financial institutions, regulated by the relevant regulatory bodies.

Loans and receivables

Credit risk with respect to trade and other receivables is mitigated by the diverse customer base. The risk arising on short-term trade and other receivables is also managed through a group policy on the granting of credit limits and continual review and monitoring of these limits. At 31 December 2011 one customer accounted for 21% of the group's trade receivables (2010: 14%).

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

	Group	
	2011 Rm	2010 Rm
Container leasing customers	**702**	420

Cash and cash equivalents

The group's cash and cash equivalents are placed with financial institutions having acceptable credit ratings.

31.3.2 *Impairment losses*

The group establishes an allowance for impairment that represents its 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
	2011				2010			
	Rm	**Rm**	**Rm**	**Rm**	Rm	Rm	Rm	Rm
The ageing of trade receivables at the reporting date is:								
Not past due	**–**	**–**	**–**	**–**	1	–	–	1
Past due 0 – 30 days	**296**	**–**	**(7)**	**289**	188	1	(5)	184
Past due 31 – 120 days	**369**	**6**	**(11)**	**364**	228	4	(8)	224
Past due 121 – 180 days	**43**	**9**	**(9)**	**43**	8	1	(1)	8
More than 180 days	**7**	**36**	**(37)**	**6**	3	43	(43)	3
	715	**51**	**(64)**	**702**	428	49	(57)	420

[1] Gross receivables not subject to specific impairment.

[2] Gross receivables subject to specific impairment.

31. **Financial instruments and risk management (continued)**

31.3 Credit risk (continued)

31.3.2 *Impairment losses (continued)*

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

	Group	
	2011 Rm	2010 Rm
Balance at the beginning of the year	**57**	61
Impairment loss recognised	**22**	2
Impairment loss reversed	**(28)**	–
Effect of movements in exchange rates	**13**	(6)
Balance at the end of the year	**64**	57

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

31.4 Liquidity risk

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

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.

31. **Financial instruments and risk management (continued)**

31.4 **Liquidity risk (continued)**

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	Total Rm
2011						
Non-derivative financial liabilities						
Bonds payable	**4 514**	**5 233**	**892**	**2 723**	**1 618**	**5 233**
Debt facility	**6 664**	**7 797**	**536**	**3 284**	**3 977**	**7 797**
Revolving debt facility	**1 015**	**1 032**	**13**	**1 019**	**–**	**1 032**
Trade and other payables	**510**	**510**	**510**	**–**	**–**	**510**
Guarantee (refer to 33.2)	**–**	**183**	**183**	**–**	**–**	**183**
	12 703	**14 755**	**2 134**	**7 026**	**5 595**	**14 755**
Derivative financial liabilities						
Derivative financial instruments	**131**	**163**	**–**	**163**	**–**	**163**
	131	**163**	**–**	**163**	**–**	**163**
2010						
Non-derivative financial liabilities						
Bonds payable	1 503	1 530	351	1 179	–	1 530
Debt facility	3 692	4 424	113	1 674	2 637	4 424
Revolving debt facility	687	708	9	699	–	708
Trade and other payables	909	909	909	–	–	909
Guarantee (refer to 33.2)	–	149	149	–	–	149
	6 791	7 720	1 531	3 552	2 637	7 720
Derivative financial liabilities						
Derivative financial instruments	90	179	–	179	–	179
	90	179	–	179	–	179

Amounts attributable to third parties in respect of long-term receivables are required to be paid only when the proceeds from the related long-term receivables are received, consequently the group is not exposed to liquidity risk in respect of these financial liabilities.

	Company					
Non-derivative financial liabilities	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	Total Rm
2011						
Amount due to subsidiary	**399**	**399**	**–**	**399**	**–**	**399**
Trade and other payables	**2**	**2**	**2**	**–**	**–**	**2**
Guarantee (refer to 33.2)	**–**	**183**	**183**	**–**	**–**	**183**
	401	**584**	**185**	**399**	**–**	**584**
2010						
Amount due to subsidiary	378	378	–	378	–	378
Trade and other payables	8	8	8	–	–	8
Guarantee (refer to 33.2)	–	149	149	–	–	149
	386	535	157	378	–	535

31. **Financial instruments and risk management (continued)**

31.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's 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.

The group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the board.

31.5.1 *Currency risk*

The group is exposed to currency risk on sales and purchases and the group's long-term receivables that are denominated in a currency other than the respective functional currencies of group entities, primarily the US dollar and SA rand. The currency in which these transactions are primarily denominated is the US dollar.

The group enters 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 the group's 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 2011 the group had no exposure to forward exchange contracts (2010: nil).

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

	Group					
		2011			2010	
Denominated in	**SA rand Rm**	**US$ Rm**	**Total Rm**	SA rand Rm	US$ Rm	Total Rm
Assets						
Investments	**14**	**–**	**14**	14	235	249
Long-term receivables	**–**	**1 041**	**1 041**	–	977	977
Net investment in finance leases	**–**	**611**	**611**	–	437	437
Derivative financial instruments	**–**	**–**	**–**	–	9	9
Restricted cash	**–**	**370**	**370**	–	99	99
Trade and other receivables	**9**	**719**	**728**	5	436	441
Cash and cash equivalents	**50**	**1 283**	**1 333**	67	962	1 029
	73	**4 024**	**4 097**	86	3 155	3 241
Liabilities						
Interest-bearing borrowings	**–**	**11 117**	**11 117**	–	5 542	5 542
Amounts attributable to third parties in respect of long-term receivables	**226**	**–**	**226**	245	–	245
Derivative financial instruments	**–**	**131**	**131**	–	90	90
Trade and other payables	**11**	**499**	**510**	17	892	909
Current portion of interest-bearing borrowings	**–**	**1 076**	**1 076**	–	340	340
	237	**12 823**	**13 060**	262	6 864	7 126

The following exchange rates applied during the year (one US dollar equals SA rand):

	2011	2010
Year-end rate	**8,12**	6,61
Average rate	**7,20**	7,33

31. **Financial instruments and risk management (continued)**

31.5 Market risk (continued)

31.5.1 *Currency risk (continued)*

The long-term export receivables are all denominated in US dollars. The board has decided that these receivables should remain in US dollars and should not be hedged into any other currency, save that the executive committee is authorised to sell limited amounts due to be collected forward, into SA rand, if it believes that it would enhance the SA rand receipts to do so.

Sensitivity analysis

The group is exposed to currency risk only on those financial instruments that are denominated in a currency other than the respective functional currencies of group entities, namely the group's long-term receivables. A one per cent weakening of the rand against the US dollar would have increased the group's profit by approximately R6 million for the year ended 31 December 2011 (2010: R7 million). This analysis assumes that all other variables, in particular interest rates, remain constant. A one per cent strengthening of the SA rand against the US dollar would have had the equal and opposite effect to the amounts shown above, on the basis that all other variables remain constant.

31.5.2 *Interest rate risk*

As part of the process of managing the group's 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 of the group's borrowings are denominated in US dollars.

Textainer has a firm policy that long-term lease business should be financed with fixed rate debt and master lease (short-term) business should be financed with floating rate debt. Interest on loans raised to purchase containers leased out under long-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 lease 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.

The group is exposed to interest rate risk as it places 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 the group's interest-bearing financial instruments was:

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Fixed rate				
Financial liabilities	**3 085**	–	**–**	–
Variable rate instruments				
Financial assets	**1 703**	1 128	**39**	65
Financial liabilities	**(12 193)**	(5 882)	**–**	–
	(10 490)	(4 754)	**39**	65

Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. An increase/decrease of 100 basis points in interest rates on interest rate swap contracts would have increased/decreased profit by R40 million (2010: R29 million).

Cash flow sensitivity analysis for variable rate instruments

An increase/decrease of 100 basis points in interest rates at the reporting date would have decreased/increased profit or loss by R77 million (2010: R38 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31. **Financial instruments and risk management (continued)**

31.6 Fair value sensitivity for net investment in long-term receivables

The discount rate that is applied to reduce the future long-term dollar receivable stream to its net present value reflects the applicable risk free rate (being the United States Daily Treasury yield curve rate for the appropriate term) plus an industry specific risk premium (refer to note 34). An increase/decrease in the discount rate of 100 basis points would decrease/increase profit by R2 million (2010: R3 million).

The discount rate that is applied to reduce the future stream of rand amounts attributable to the company's export partners in respect of the long-term receivables to its net present value reflects the applicable risk free rate (being the Bond Exchange of South Africa yield curve rate for the appropriate term) adjusted for an appropriate risk premium (refer to note 34). An increase/decrease in the discount rate of 100 basis points would increase/decrease profit by R1 million (2010: R1 million).

31.7 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 also determines the level of dividends paid to shareholders.

The group may purchase its own shares on the market, if the resources of the company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs and the interests of the company.

The group monitors capital 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		**Company**	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Interest-bearing borrowings	**12 107**	5 815	**–**	–
Total equity	**6 982**	5 951	**696**	753
Ratio of interest-bearing borrowings to total equity	**173,4%**	97,7%	**–**	–

The increase in the ratio during 2011 resulted primarily from Textainer increasing its secured debt facility and the issuance of bonds, the proceeds of which have been utilised to finance capital expenditure during the year. The ratio was also affected by the weakening of the SA rand against the US dollar from US$1 = R6,61 to US$1 = R8,12 as at 31 December 2010 and 2011 respectively.

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

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

31.8 Guarantees

The group has provided guarantees in respect of obligations of certain group entities (refer to note 33.2). At 31 December 2011 the fair value of these guarantees was nil (2010: nil). These guarantees expose the group to credit and liquidity risk.

31.9 Fair values

The fair values of financial instruments have been arrived at after taking into account current market conditions (refer to note 31.1).

31.9.1 *Fair value hierarchy*

The group measures fair values 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).

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 instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

31. **Financial instruments and risk management (continued)**

31.9 Fair values (continued)

31.9.1 *Fair value hierarchy (continued)*

The table below analyses the instruments, measured at fair value at 31 December, by 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
2011				
Assets				
Long-term receivables	**–**	**–**	**1 041**	**1 041**
Investment securities	**–**	**14**	**–**	**14**
	–	**14**	**1 041**	**1 055**
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	**–**	**–**	**226**	**226**
Interest rate swap contracts	**–**	**131**	**–**	**131**
	–	**131**	**226**	**357**
2010				
Assets				
Long-term receivables	–	–	977	977
Interest rate swap contracts	–	9	–	9
Investment securities	235	14	–	249
	235	23	977	1 235
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	245	245
Interest rate swap contracts	–	90	–	90
	–	90	245	335

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:

	Long-term receivables Rm	Amounts attributable to third parties in respect of long-term receivables Rm	Total Rm
2010			
Balance at the beginning of the year	956	(225)	731
Total gains/(losses) in profit or loss	179	(49)	130
Settlements	(158)	29	(129)
Balance at the end of the year	977	(245)	732
2011			
Total gains/(losses) in profit or loss	**281**	**(16)**	**265**
Settlements	**(217)**	**35**	**(182)**
Balance at the end of the year	**1 041**	**(226)**	**815**

31. **Financial instruments and risk management (continued)**

31.9 Fair values (continued)

31.9.1 *Fair value hierarchy (continued)*

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

	Group Long-term receivables Rm	Group Amounts attributable to third parties in respect of long-term receivables Rm	Group Total Rm
2011			
Total gains or losses included in profit or loss for the year			
Operating profit	**281**	**(22)**	**259**
Associate tax credit	**–**	**6**	**6**
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year			
Operating profit	**216**	**(12)**	**204**
2010			
Total gains or losses included in profit or loss for the year			
Operating profit	179	(52)	127
Associate tax credit	–	3	3
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year			
Operating profit	125	(46)	79

Although the group believes that its estimates of fair value are appropriate, the use of different assumptions could lead to different measurements of fair value. For fair value measurement in level 3 of the fair value hierarchy, changing one or more of the unobservable inputs used, to reasonably possible alternative assumptions, would have the following effects:

	Effects on profit or loss		Effects on other comprehensive income	
	Favourable Rm	Unfavourable Rm	Favourable Rm	Unfavourable Rm
2011				
Long-term receivables	**9**	**(9)**	**–**	**–**
Amounts attributable to third parties in respect of long-term receivables	**1**	**(1)**	**–**	**–**
	10	**(10)**	**–**	**–**
2010				
Long-term receivables	10	(10)	–	–
Amounts attributable to third parties in respect of long-term receivables	1	(1)	–	–
	11	(11)	–	–

Long-term receivables and amounts due to third parties in respect of long-term receivables are valued by discounting future cash flows. These cash flows are determined according to the estimates and judgements discussed in note 34. The discount rate applied to the long-term receivables (denominated in US$) is 8,5% p.a. (2010: 8,5% p.a.), and amounts attributable to third parties in respect of long-term receivables is 10% p.a. (2010: 10% p.a.). An appropriate fair value adjustment is made to the net investment for the estimated timing of receipt and the possible non-collectibility of these receivables, and the related effect on the payment to third parties. The net present value of the long-term receivables and the related fair value adjustment were translated into SA rand at US$1 = R8,12 (2010: US$1 = R6,61). The effects noted in the above table are as a result of a 100 basis point change in discount rates and a one per cent change in exchange rates.

32. **Related parties**

32.1 **Identity of related parties**

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

32.2 **Intra-group transactions and balances**

Amounts due by and to subsidiaries (refer to note 8).
Interest income from subsidiary (refer to notes 8 and 23).
Dividend income from subsidiaries (refer to notes 8 and 22).
Administration fee paid to subsidiary R3 million (2010: R3 million)

32.3 **Transactions with key management personnel**

Messrs D M Nurek and E Oblowitz are non-executive directors of certain South African listed companies, some of whose subsidiaries are partners in export partnerships with the group. No new export partnerships have been concluded with these companies since March 1999.

Prior to the appointment of Mr H R van der Merwe as a director, a company in a family trust structure established by him issued 11% redeemable preference shares to a bank, which shares were subsequently acquired by a subsidiary company at a cost of R2,6 million. R1,3 million was received by way of a partial redemption and the balance of R1,3 million was included in trade and other receivables at 31 December 2010. During 2011, the put option that Mr H R van der Merwe had provided in favour of the subsidiary company in question was exercised and the aggregate remaining balance was fully settled in January 2012.

Certain non-executive directors are also directors of other companies which have transactions with the group. The relevant directors do not believe they have the capacity to control or significantly influence the financial or operating policies of those companies. Those companies are therefore not considered to be related parties.

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

	Direct	Indirect	Total
2011			
C Jowell*	**159 831**	**5 262 929**	**5 422 760**
N I Jowell*	**47 832**	**5 579 018**	**5 626 850**
J E McQueen	**49 649**	**102 133**	**151 782**
D M Nurek	**–**	**10 000**	**10 000**
E Oblowitz	**10 000**	**–**	**10 000**
R J A Sparks	**–**	**4 000**	**4 000**
H Wessels	**–**	**2 859**	**2 859**
	267 312	**10 960 939**	**11 228 251**
2010			
C Jowell	41 210	20 904	62 114
N I Jowell	41 808	20 904	62 712
J E McQueen	49 649	102 133	151 782
D M Nurek	–	10 000	10 000
E Oblowitz	10 000	–	10 000
R J A Sparks	–	4 000	4 000
	142 667	157 941	300 608

* Following the unbundling by Mobile Industries Limited of its entire interest in Trencor to Mobile shareholders and the subsequent specific repurchase of 50% of the unbundled Trencor shares in March 2011 held by Messrs C Jowell and N I Jowell and trusts of which they are among the beneficiaries.

The key management personnel compensation included in staff costs is as follows:

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Short-term employee benefits	**33**	21	**1**	1
Equity compensation benefits	**14**	7	**–**	–
	47	28	**1**	1
Paid to:				
Directors	**15**	13	**1**	1
Executive officers (Textainer)	**32**	15	**–**	–
	47	28	**1**	1

The number of executive officers has increased to three in the current year due to changes in key management of Textainer. Only one officer's salary was reported in 2010.

32. **Related parties (continued)**

The remuneration paid to the directors during the years ended 31 December 2011 and 2010 was as follows:

	Guaranteed remuneration including allowances R'000	Contributions to Medical aid R'000	Contributions to Retirement funds R'000	Incentive bonuses R'000	Equity compensation benefits* R'000	Other R'000	Total remuneration R'000
2011							
Non-executive directors							
J E Hoelter	**803**	**–**	**–**	**–**	**133**	**–**	**936**
D M Nurek	**799**	**–**	**–**	**–**	**133**	**–**	**932**
E Oblowitz	**275**	**–**	**–**	**–**	**–**	**–**	**275**
R J A Sparks	**274**	**–**	**–**	**–**	**–**	**–**	**274**
H Wessels	**154**	**–**	**–**	**–**	**–**	**–**	**154**
	2 305	**–**	**–**	**–**	**266**	**–**	**2 571**
Executive directors							
C Jowell	**1 050**	**15**	**–**	**925**	**133**	**–**	**2 123**
N I Jowell	**2 185**	**30**	**–**	**2 316**	**133**	**35**	**4 699**
J E McQueen	**2 260**	**30**	**193**	**528**	**133**	**35**	**3 179**
H R van der Merwe	**1 633**	**33**	**154**	**–**	**133**	**–**	**1 953**
	7 128	**108**	**347**	**3 769**	**532**	**70**	**11 954**
Aggregate remuneration 2011	**9 433**	**108**	**347**	**3 769**	**798**	**70**	**14 525**
2010							
Non-executive directors							
J E Hoelter	733	–	–	–	–	–	733
D M Nurek	712	–	–	–	–	–	712
E Oblowitz	250	–	–	–	–	–	250
R J A Sparks	250	–	–	–	–	–	250
	1 945	–	–	–	–	–	1 945
Executive directors							
C Jowell	1 086	14	–	639	–	–	1 739
N I Jowell	2 190	27	–	1 672	–	–	3 889
J E McQueen	2 056	28	143	405	30	–	2 662
H R van der Merwe	2 176	30	198	522	30	–	2 956
	7 508	99	341	3 238	60	–	11 246
Aggregate remuneration 2010	9 453	99	341	3 238	60	–	13 191

* Award of shares by Textainer. 2010 relates to share-based payments in Trencor.

33. **Contingent liabilities, guarantees and other commitments**

33.1 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 2011, the aggregate amount attributable to third parties in terms of these arrangements and payable to them over the remaining term of the underlying contracts was R319 million (2010: R359 million) (refer to note 9).

33.2 A company in which the group has a 100% beneficial interest has guaranteed a portion of certain loan facilities of an associate company. The amount guaranteed at 31 December 2011 was R183 million (2010: R149 million).

33.3 At 31 December 2011 the fair value of the above guarantees was nil (2010: nil).

34. **Accounting estimates and judgements**

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

34.1 **Long-term receivables**

34.1.1 ***Discount rate***

US dollar cash streams

The discount rate that is applied to reduce the future long-term dollar receivable stream to its net present value is determined by the board from time to time and reflects the applicable risk free rate (being the United States Daily Treasury yield curve rate for the appropriate term) plus an industry specific risk premium. In determining the amount of the specific risk premium to be applied, the board takes cognisance of the then prevailing market conditions.

Rand cash streams

The discount rate that is applied to reduce the future stream of rand amounts attributable to the company's export partners in respect of the long-term receivables to its net present value is determined by the board from time to time and reflects the applicable risk free rate (being the Bond Exchange of South Africa yield curve rate for the appropriate term) adjusted for an appropriate risk premium.

34.1.2 ***Fair value adjustment***

In calculating the amount of the fair value adjustment to the value of the net investment in long-term receivables that arose from the sale of marine cargo containers, mainly through export partnerships, management considers both the collectibility and the anticipated timing of the receipt of future instalments.

Forecasts of anticipated cash collections assist management in determining the necessity for and the amount of any fair value adjustment that may be required. These forecasts are based on estimates and judgements by management of, inter alia, the following variables for the remaining economic lives of the containers:

- New container prices
- Estimated economic life of containers
- Resale prices of used containers
- Container lease rates
- Container fleet utilisations
- Prevailing interest rates
- Past payment history

Management is able to draw on the considerable industry knowledge and experience of Textainer's management in testing the validity and appropriateness of these assumptions.

34. **Accounting estimates and judgements (continued)**

34.2 Marine cargo containers

34.2.1 *Residual values*

Marine cargo containers are depreciated over their estimated useful lives to their estimated residual values. The estimated useful life of new containers that are purchased for the leasing fleet is twelve years, based on historical data gathered over a number of years. The estimated residual values vary according to the type of container and are determined with reference to expected proceeds on disposal.

34.2.2 *Impairment*

Impairment exists when the estimated future discounted cash flows to be generated by a cash-generating unit are less than the net book value of that cash-generating unit. At each reporting date management 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 cash-generating unit, management assesses the historical lease operating revenue and expenses and the historical residual values, which are adjusted to reflect current market conditions.

35. **Accounting standards and interpretations in issue but not yet effective**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements:

35.1 IFRS 9 *Financial Instruments* (effective for years commencing on or after 1 January 2015) – this standard addresses the initial measurement and classification of financial assets as either measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows. All other financial assets are measured at fair value with changes recognised in profit or loss. For an investment in an equity instrument that is not held for trading, an entity may on initial recognition elect to present all fair value changes from the investment in other comprehensive income. IFRS 9 retains the classification and measurement requirements in IAS 39 for financial liabilities. The standard however requires for financial liabilities designated under the fair value option (other than loan commitments and financial guarantee contracts), that the amount of change in fair value attributable to changes in the credit risk of the liability be presented in other comprehensive income. The remaining amount of the total gain or loss is included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value. IFRS 9 becomes mandatory for the group's 2015 consolidated financial statements. The impact on the financial statements has not yet been estimated.

35.2 IAS 1 *Presentation of Items of Other Comprehensive Income* (effective for years commencing on or after 1 July 2012) – this amendment requires that an entity present separately the items of other comprehensive income (OCI) that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; and change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. IAS 1 will be adopted for the first time for the year ending 31 December 2012. There is no significant impact on the financial statements as this amendment will only require additional disclosure.

35.3 IFRS 10 *Consolidated Financial Statements* (effective for years commencing on or after 1 January 2013) – this standard introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with that investee, it has the ability to affect those returns through its power over that investee and there is a link between power and returns. Control is reassessed as facts and circumstances change. IFRS 10 supersedes IAS 27 (2008) and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

35.4 IFRS 11 *Joint Arrangements* (effective for years commencing on or after 1 January 2013) – this standard focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures, and always requires the equity method for jointly controlled entities that are now called joint ventures. IFRS 11 supersedes IAS 31 and SIC-13 J*ointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

35. **Accounting standards and interpretations in issue but not yet effective (continued)**

35.5 IFRS 12 *Disclosure of Interests in Other Entities* (effective for years commencing on or after 1 January 2013) – this standard combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The required disclosures aim to provide information to enable the user to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard may impact the disclosure to be provided by the company, but will have to be assessed based on IFRS 10 and IFRS 11 conclusions.

35.6 IFRS 13 *Fair Value Measurement* (effective for years commencing on or after 1 January 2013) – this standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value as an exit price, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. IFRS 13 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

35.7 IAS 27 *Separate Financial Statements* (2011) supersedes IAS 27 (2008) and is effective for years commencing on or after 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

35.8 IAS 28 *Investments in Associates and Joint Ventures* (2011) supersedes IAS 28 (2008) and is effective for years commencing on or after 1 January 2013. IAS 28 (2011) makes the following amendments: (i) IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (ii) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

35.9 Amendments to IFRS 7 Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities - The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position; or are subject to enforceable master netting arrangements or similar agreements. These amendments to IFRS 7 will be adopted for the first time for the year ending 31 December 2013 and there should be no significant impact on the financial statements.

35.10 Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities – The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. These amendments to IAS 32 will be adopted for the first time for the year ending 31 December 2014 and there should be no significant impact on the financial statements.