Trencor Limited and Subsidiaries

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 12 and 13.

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 2013, 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, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

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:

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Signed on behalf of the board

N I Jowell
Chairman

E Oblowitz
Director and chairman of the audit committee

Cape Town
24 April 2014

Declaration by the Company Secretary

It is hereby certified that for the year ended 31 December 2013, 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
Company Secretary

Cape Town
24 April 2014

Directors' Report

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 72.

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

	2013 Rm	2012 Rm
Container operations		
Container finance	**23**	15
Textainer/TAC	**1 113**	968
Exchange translation gains	**121**	48
Net long-term receivable adjustment	**6**	39
Interest and other corporate items	**128**	(43)
	1 391	1 027

Directors and secretary

The names of the directors appear on page 2 and that of the secretary on page 84.

In terms of the memorandum of incorporation Messrs J E McQueen, H R van der Merwe and H Wessels 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 74.

Directors' interests

The aggregate of the direct and indirect beneficial interests of the directors in the issued shares of the company at 31 December 2013 was 6,4% (2012: 6,4%).

The direct and indirect beneficial interests of each director who held in excess of 1% of the issued shares at 31 December 2013 and 2012 were as follows:

	2013 %	2012 %
C Jowell	**3,0**	3,0
N I Jowell	**3,2**	3,2

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

Cash dividends

	Payment number	Record date	Payment date	Cents per share (gross)	Total Rm
2012					
Interim	93	14/09/12	17/09/12	65	115
Final	94	22/03/13	25/03/13	150	266
2013					
Special*	**95**	**26/04/13**	**29/04/13**	**360**	**637**
Interim	**96**	**13/09/13**	**16/09/13**	**72**	**128**
Final	**97**	**28/03/14**	**31/03/14**	**158**	**230**

*On 19 September 2012, Halco Holdings Inc ('Halco') sold 2,5 million shares in Textainer, realising net proceeds of approximately US$75 million. Subsequent to the end of the 2012 financial year, Halco declared and paid a dividend of US$95 million, the proceeds of which were distributed by the trustee of the Halco Trust to Trencor. On 25 March 2013, the board of Trencor declared a special gross cash dividend.

The Trencor Share Option Plan

In terms of The Trencor Share Option Plan, options were previously granted to certain executive directors and employees amounting in aggregate to 6 740 000 shares (2012: 6 740 000 shares) in the unissued share capital of the company. The maximum number of shares available for utilisation under the Plan is 8 884 209 (2012: 8 884 209). All of the options have been exercised and there are no options currently outstanding.

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

Interest in significant subsidiaries

	Currency	Share capital & premium	Effective interest 2013 %	Effective interest 2012 %	Shares at cost 2013 Rm	Shares at cost 2012 Rm	Amount owing to company 2013 Rm	Amount owing to company 2012 Rm
Indirect:								
Textainer Group Holdings Ltd[1] (Incorporated in Bermuda) Owning, leasing, managing and trading of marine cargo containers	US$m	US$367	**48,3[2]**	48,9	**–**	–	**–**	–
TAC Ltd[1] (Incorporated in Bermuda) Owning of marine cargo containers	US$000's	69	**44,3**	–	**–**	–	**–**	–
Halco Holdings Incorporated Inc[1] (Incorporated in the British Virgin Islands) Shareholder in Textainer and TAC	US$	500	**100**	100	**–**	–	**–**	–
Leasecon International Inc (Incorporated in the British Virgin Islands) Container financing	US$	500	**100**	100	**–**	–	**–**	–
Direct:								
Trencor Container Holdings (Pty) Ltd (Incorporated in the Republic of South Africa) Collection of long-term receivables	Rm	4	**100**	100	**51**	51	**–**	–
Trencor Services (Pty) Ltd (Incorporated in the Republic of South Africa) Corporate administration and financing	Rm	1 012	**100**	100	**1 017**	1 017	**(672)**	(499)
					1 068	1 068	**(672)**	(499)
Aggregate of all other subsidiaries					**353**	353	**–**	–
					1 421	1 421	**(672)**	(499)
Less impairment loss					**(351)**	(367)	**–**	–
					1 070	1 054	**(672)**	(499)

[1] 48,3% of the issued shares of Textainer and 44,3% of the shares in TAC at 31 December 2013 were owned by Halco Holdings Inc ('Halco'). Halco 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 48,2% subsequent to the year-end following the issue of restricted share units.

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:

	2013 Rm	2012 Rm
Profits	**1 403**	1 064
Losses	**(3)**	–
	1 400	1 064

Special resolutions

At the annual general meeting held on 10 June 2013, shareholders passed special resolutions to approve the following:

- the provision of financial assistance, as contemplated in section 45 of the Companies Act, by the company to related or inter-related companies and others;
- the non-executive directors' remuneration, in their capacities as directors of the company, from 1 July 2013 until the next annual general meeting of the company;
- 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; and
- the replacement in its entirety of the company's existing memorandum of incorporation with a new memorandum of incorporation.

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 5% or more of the issued shares at 27 December 2013 is presented on page 73.

Independent Auditor's Report

to the shareholders of Trencor Limited

Report on the financial statements

We have audited the consolidated and separate financial statements of Trencor Limited, which comprise the statements of financial position at 31 December 2013, 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, as set out on pages 26 to 72.

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 2013 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.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc
Registered Auditor

Per G M Pickering
Chartered Accountant (SA)
Registered Auditor
Director
24 April 2014

MSC House
1 Mediterranean Street
Foreshore
Cape Town 8001

Statements of Financial Position

at 31 December 2013

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**Rm**	Rm	**Rm**	Rm
Assets					
Property, plant and equipment	4	**36 505**	24 798	**–**	–
Intangible assets	5	**305**	283	**–**	–
Investment in equity accounted investee	6	**57**	40	**–**	–
Other investments	7	**66**	66	**–**	–
Investment in subsidiaries	8	**–**	–	**1 070**	1 054
Long-term receivables	9	**637**	699	**1**	1
Net investment in finance leases	10	**1 305**	627	**–**	–
Derivative financial instruments	11	**12**	–	**–**	–
Deferred tax assets	12	**16**	20	**–**	–
Restricted cash	13	**629**	448	**–**	–
Total non-current assets		**39 532**	26 981	**1 071**	1 055
Inventories	14	**471**	195	**–**	–
Trade and other receivables	15	**1 201**	885	**–**	1
Current portion of long-term receivables	9	**230**	133	**–**	–
Current portion of net investment in finance leases	10	**447**	201	**–**	–
Current tax assets	16	**3**	2	**–**	–
Cash and cash equivalents	17	**2 744**	2 513	**–**	–
Total current assets		**5 096**	3 929	**–**	1
Total assets		**44 628**	30 910	**1 071**	1 056
Equity					
Issued capital	18	**1**	1	**1**	1
Share premium		**43**	43	**43**	43
Reserves	18	**7 868**	6 370	**351**	510
Equity attributable to equity holders of the company		**7 912**	6 414	**395**	554
Non-controlling interests		**6 647**	4 628	**–**	–
Total equity		**14 559**	11 042	**395**	554
Liabilities					
Interest-bearing borrowings	19	**26 936**	17 107	**–**	–
Amounts attributable to third parties in respect of long-term receivables	9	**119**	156	**–**	–
Amount due to subsidiary	8	**–**	–	**672**	499
Derivative financial instruments	11	**43**	89	**–**	–
Deferred revenue	20	**34**	27	**–**	–
Deferred tax liabilities	12	**284**	218	**1**	1
Total non-current liabilities		**27 416**	17 597	**673**	500
Trade and other payables	21	**594**	1 029	**3**	2
Current tax liabilities	16	**76**	83	**–**	–
Current portion of interest-bearing borrowings	19	**1 943**	1 115	**–**	–
Current portion of amounts attributable to third parties in respect of long-term receivables	9	**36**	30	**–**	–
Current portion deferred revenue	20	**4**	14	**–**	–
Total current liabilities		**2 653**	2 271	**3**	2
Total liabilities		**30 069**	19 868	**676**	502
Total equity and liabilities		**44 628**	30 910	**1 071**	1 056

Statements of Comprehensive Income

for the year ended 31 December 2013

	Notes	Group		Company	
		2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
Revenue	22, 30	**6 590**	4 553	**864**	231
Other operating income		**204**	86	**16**	–
Changes in inventories		**(1 182)**	(841)	**–**	–
Direct leasing expenses		**(463)**	(203)	**–**	–
Staff costs		**(246)**	(252)	**–**	–
Depreciation		**(1 397)**	(839)	**–**	–
Other operating expenses		**(336)**	(151)	**(11)**	(15)
Net long-term receivable fair value adjustment		**(49)**	68	**–**	–
Operating profit before net finance (expenses)/income	22	**3 121**	2 421	**869**	216
Net finance (expenses)/income	23	**(817)**	(589)	**4**	1
Finance expenses					
Interest expense		**(829)**	(571)	**–**	–
Realised and unrealised losses on derivative financial instruments		**(6)**	(34)	**–**	–
Finance income					
Interest income		**18**	16	**4**	1
Share of profit of equity accounted investees (net of tax)		**182**	2	**–**	–
Profit before tax		**2 486**	1 834	**873**	217
Income tax expense	24	**(83)**	(61)	**(1)**	(23)
Profit for the year		**2 403**	1 773	**872**	194
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		**2 434**	389	**–**	–
Change in fair value of available-for-sale financial asset		**–**	52	**–**	–
Income tax expense on other comprehensive income		**–**	(10)	**–**	–
Total comprehensive income for the year		**4 837**	2 204	**872**	194
Total comprehensive income for the year attributable to:					
Equity holders of the company		**2 666**	1 282	**872**	194
Non-controlling interests		**2 171**	922	**–**	–
		4 837	2 204	**872**	194
Profit for the year attributable to:					
Equity holders of the company		**1 391**	1 027	**872**	194
Non-controlling interests		**1 012**	746	**–**	–
		2 403	1 773	**872**	194
Basic earnings per share (cents)	25	**785,7**	579,9		
Diluted earnings per share (cents)	25	**785,7**	579,9		

Statements of Changes in Equity

for the year ended 31 December 2013

	Attributable to		
	Share capital Rm	Share premium Rm	Fair value reserve Rm
Group			
Balance at 31 December 2011	1	43	10
Total comprehensive income for the year			
Profit for the year	–	–	–
Other comprehensive income for the year			
Foreign currency translation differences	–	–	–
Net change in fair value of available-for-sale financial asset	–	–	42
Total other comprehensive income for the year	–	–	42
Total comprehensive income for the year	–	–	42
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	–	–	–
Share options exercised	–	–	–
Issue of shares by subsidiary	–	–	–
Acquisition of controlling interest of a subsidiary	–	–	–
Dividends paid to equity holders	–	–	–
Sale of shares of subsidiary without loss of control	–	–	–
Total contributions by/(distributions to) owners	–	–	–
Changes in ownership interests in subsidiaries	–	–	–
Total transactions with owners	–	–	–
Balance at 31 December 2012	1	43	52
Total comprehensive income for the year			
Profit for the year	**–**	**–**	**–**
Other comprehensive income for the year			
Foreign currency translation differences	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	**–**	**–**	**–**
Share options exercised	**–**	**–**	**–**
Acquisition of controlling interest of a subsidiary	**–**	**–**	**–**
Dividends paid to equity holders	**–**	**–**	**–**
Total contributions by/(distributions to) owners	**–**	**–**	**–**
Fair value adjustment on option to acquire non-controlling interest	**–**	**–**	**–**
Changes in ownership interests in subsidiaries	**–**	**–**	**–**
Total transactions with owners	**–**	**–**	**–**
Balance at 31 December 2013	**1**	**43**	**52**

	Share capital Rm	Share premium Rm	Preference share amortisation adjustment Rm
Company			
Balance at 31 December 2011	1	43	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	–	–	–
Total distributions to owners	–	–	–
Transfer between reserves	–	–	(600)
Balance at 31 December 2012	1	43	–
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	**–**	**–**	**–**
Total distributions to owners	**–**	**–**	**–**
Balance at 31 December 2013	**1**	**43**	**–**

equity holders of the company						
Foreign currency translation reserve Rm	Equity compensation reserve Rm	Gain/(Loss) on changes in ownership interests in subsidiaries Rm	Retained income Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
495	189	83	3 973	4 794	2 188	6 982
–	–	–	1 027	1 027	746	1 773
213	–	–	–	213	176	389
–	–	–	–	42	–	42
213	–	–	–	255	176	431
213	–	–	1 027	1 282	922	2 204
–	52	–	–	52	36	88
–	–	–	–	–	37	37
–	–	–	–	–	1 519	1 519
–	–	–	–	–	234	234
–	–	–	(336)	(336)	(302)	(638)
–	–	–	292	292	324	616
–	52	–	(44)	8	1 848	1 856
–	–	330	–	330	(330)	–
–	52	330	(44)	338	1 518	1 856
708	241	413	4 956	6 414	4 628	11 042
–	**–**	**–**	**1 391**	**1 391**	**1 012**	**2 403**
1 275	**–**	**–**	**–**	**1 275**	**1 159**	**2 434**
1 275	**–**	**–**	**1 391**	**2 666**	**2 171**	**4 837**
–	**40**	**–**	**–**	**40**	**42**	**82**
–	**–**	**–**	**–**	**–**	**34**	**34**
–	**–**	**–**	**–**	**–**	**277**	**277**
–	**–**	**–**	**(1 031)**	**(1 031)**	**(535)**	**(1 566)**
–	**40**	**–**	**(1 031)**	**(991)**	**(182)**	**(1 173)**
–	**–**	**–**	**(147)**	**(147)**	**–**	**(147)**
–	**–**	**(30)**	**–**	**(30)**	**30**	**–**
–	**40**	**(30)**	**(1 178)**	**(1 168)**	**(152)**	**(1 320)**
1 983	**281**	**383**	**5 169**	**7 912**	**6 647**	**14 559**

Equity compensation reserve Rm	Retained income Rm	Total Rm
2	50	696
–	194	194
–	(336)	(336)
–	(336)	(336)
–	600	–
2	508	554
–	**872**	**872**
–	**(1 031)**	**(1 031)**
–	**(1 031)**	**(1 031)**
2	**349**	**395**

Statements of Cash Flows

for the year ended 31 December 2013

	Notes	Group 2013 Rm	Group 2012 Rm	Company 2013 Rm	Company 2012 Rm
Cash flows from operating activities					
Cash generated from operations	26	**5 104**	3 510	**855**	219
Increase in container leasing equipment		**(7 595)**	(8 036)	**–**	–
Finance income received		**18**	16	**4**	1
Finance lease income		**139**	70	**–**	–
Finance expenses paid		**(795)**	(559)	**–**	–
Decrease in finance leases		**392**	186	**–**	–
Receipts from long-term receivables		**202**	368	**–**	–
Payments to third parties in respect of long-term receivables		**(39)**	(60)	**–**	–
Dividends paid to shareholders of the company		**(1 031)**	(336)	**(1 031)**	(336)
Dividends paid to non-controlling interest		**(535)**	(302)	**–**	–
Income taxes paid	16	**(54)**	(64)	**(1)**	(23)
Net cash outflow from operating activities		**(4 194)**	(5 207)	**(173)**	(139)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(9)**	(7)	**–**	–
Increase in equity accounted investee		**(8)**	(33)	**–**	–
Amounts repaid by subsidiary		**–**	–	**–**	39
Acquisition of subsidiary		**62**	(175)	**–**	–
Increase in restricted cash		**(71)**	(43)	**–**	–
Sale of shares in subsidiary to non-controlling interest without a change in control		**–**	616	**–**	–
Net cash (outflow)/inflow from investing activities		**(26)**	358	**–**	39
Cash flows from financing activities					
Interest-bearing borrowings repaid		**(5 753)**	(8 969)	**–**	–
Interest-bearing borrowings raised		**9 832**	13 560	**–**	–
Debt issuance costs incurred		**(144)**	(202)	**–**	–
Proceeds on issue of shares by subsidiary		**34**	1 556	**–**	–
Amounts advanced by subsidiary		**–**	–	**173**	100
Net cash inflow from financing activities		**3 969**	5 945	**173**	100
Net (decrease)/increase in cash and cash equivalents before exchange rate fluctuations		**(251)**	1 096	**–**	–
Cash and cash equivalents at the beginning of the year		**2 513**	1 333	**–**	–
Effect of exchange rate fluctuations on cash and cash equivalents		**482**	84	**–**	–
Cash and cash equivalents at the end of the year	17	**2 744**	2 513	**–**	–

Notes to the Financial Statements

for the year ended 31 December 2013

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 2013 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 trading marine cargo containers worldwide, and related financing activities.

2. **Basis of preparation**

2.1 **Statement of compliance**

The group (consolidated) and company (separate) financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa 2008 and the JSE Listings Requirements.

The financial statements were authorised for issue by the board of directors on 24 April 2014.

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.

2.5 **Adoption of new accounting standards**

2.5.1 The group early adopted IAS 1 Presentation of Items of Other Comprehensive Income during the financial year end 31 December 2012. This amendment requires that an entity present separately the items of other comprehensive income 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 changes 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. There was no impact on the group's financial statements and the name of the statement was not changed.

2.5.2 The group adopted IFRS 10 Consolidated financial statements (2011) which introduces a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement and ability to use its power to affect those returns.

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.

In assessing control, the evaluation of consolidation requirements should take into account de facto circumstances. De facto control arises when the group holds a significant minority interest and can control another entity without legal arrangements that give it majority voting power. De facto control could exist because the balance of holdings with other shareholders is dispersed and the other shareholders have not organised their interests in such a way that they commonly exercise more votes than the significant minority shareholder. Under a de facto control model, the power to govern an entity through a majority of the voting rights or other legal means is not essential for consolidation. Instead, the ability in practice to control – e.g. by casting a majority of the votes actually cast – in the absence of legal control may be enough if no other party has the power to govern. Under this view, in de facto control circumstances, which is evaluated based on all evidence available, the significant minority shareholder is required to consolidate.

In accordance with IFRS 10, the group consolidated TAC as a subsidiary effective 1 July 2013 (refer to note 8).

2.5.3 The group adopted IFRS 12 Disclosure of interests in other entities, and the group has disclosed its interests in subsidiaries (refer to note 8) and equity accounted investees (refer to note 6).

2.5.4 The group adopted IFRS 13 Fair value measurement, which establishes a single framework for measuring fair value and making disclosures about fair value measurement when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result the group has included additional disclosure in this regard (refer to note 31).

In accordance with the transitional provisions of IFRS 13, the group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the group's assets and liabilities.

3. Significant accounting policies

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

3.1 Basis of consolidation

3.1.1 *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group (see 3.1.2). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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).

When the relative interests of the parent and non-controlling interest change, the balance of the components of other comprehensive income are reallocated between the parent and the non-controlling interest to reflect the new interests.

3.1.2 *Subsidiaries*

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date 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.

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

3.1.3 *Non-controlling interests*

An entity has a choice on a combination-by-combination basis to measure any non-controlling interest in the acquiree at either the proportionate share of the acquiree's identifiable net assets or fair value. The group has elected the former approach for all combinations to date.

3.1.4 *Associates (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.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements include the group's share of profit or loss, other comprehensive income and equity movements of equity accounted investees, 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 that form part thereof 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 while maintaining equity accounting, are recognised in profit or loss and the net gain or loss attributable to the group is transferred to the appropriate reserve in equity (refer to note 18).

3.1.5 *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 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, such that control or significant influence is lost, the relevant amount in the foreign currency translation reserve is reclassified to profit or loss as part of the gain 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. When the group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then the foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly such differences are recognised in other comprehensive income and accumulated in the translation reserve.

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 are classified as available-for-sale financial assets, unless they meet the requirements of another IAS 39 financial instrument classification. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 3.8), are recognised in other comprehensive income and presented within equity in the fair value reserve. 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 from time to time. 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, including any interest or dividend income, 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.

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.

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.

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. Financial liabilities and other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest 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 economically 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 re-measurement 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***

Items of property, plant and equipment, which includes improvements made to leasehold premises are measured at cost less accumulated depreciation (refer to note 3.4.3) and accumulated impairment losses (refer to note 3.8). Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 3.9.1) and the carrying value is included in changes in inventories.

3.4.2 ***Subsequent costs***

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to 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 on the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 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. Leasehold improvements are depreciated over the shorter of the lease term or their useful lives.

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

	Years	
	2013	2012
Container leasing equipment	12 – 13	12
Plant and machinery	9	9
Motor vehicles	4 – 5	4 – 5
Other equipment	3 – 10	3 – 10

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. From 1 January 2013 the estimated useful life of non-refrigerated containers was increased from 12 to 13 years.

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 individually identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment 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. 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.

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 to reduce the carrying amount of the 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.

Impairment losses are recognised in profit or loss. They are allocated against a specific asset or on a pro-rata basis to the assets which comprise the cash generating unit.

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 Revenue

3.9.1 *Goods sold*

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

3.9.2 *Leasing income*

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 collectability of these amounts from lessees who are billed at the end of the lease term because the amounts due under the DPP are typically renegotiated at the end of the lease term or the lease term is extended.

3.9.3 *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).

3.9.4 ***Translation differences***

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

3.9.5 ***Dividend income***

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

3.10 **Expenses**

3.10.1 ***Operating lease payments***

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

3.10.2 ***Net finance expenses***

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

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

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

3.11 **Employee benefits**

3.11.1 ***Short-term employee benefits***

The cost of all short-term employee benefits is recognised during the year in which the employee renders the related service. The accruals for employee entitlements to remuneration and annual leave represent the amount which 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.

3.11.2 ***Retirement benefits***

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

3.11.3 ***Share-based payments***

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.

3.12 **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.

3.13 **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.

3.14 **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' 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 executive committee 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.

3.15 **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.

3.16 **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 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the group are set out below. The group does not plan to adopt these standards early.

IFRS 9 Financial Instruments (effective date to be confirmed) – introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The effective date of IFRS 9 was 1 January 2015. The effective date has been postponed and a new date is yet to be specified. The group will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised. The group will assess the impact once the standard has been finalised and the effective date is known.

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.

	Group				
	Leasehold improve-ments Rm	Container leasing equipment Rm	Plant and machinery Rm	Other equipment and motor vehicles Rm	Total Rm
4. **Property, plant and equipment**					
Cost					
2012					
Balance at the beginning of the year	14	18 719	16	78	18 827
Additions	–	8 640	–	7	8 647
Acquisition through business combination	1	1 116	1	4	1 122
Effect of movements in exchange rates	–	1 372	–	–	1 372
Transfer to container inventory	–	(806)	–	–	(806)
Transfer to finance leases	–	(366)	–	–	(366)
Disposals	(1)	–	–	(6)	(7)
Balance at the end of the year	14	28 675	17	83	28 789
2013					
Additions	**–**	**6 919**	**–**	**9**	**6 928**
Effect of movements in exchange rates	**4**	**7 137**	**4**	**17**	**7 162**
Acquisition through business combination (refer to note 8.4)	**–**	**2 300**	**–**	**–**	**2 300**
Transfer to container inventory	**–**	**(1 869)**	**–**	**–**	**(1 869)**
Transfer to finance leases	**–**	**(1 079)**	**–**	**–**	**(1 079)**
Disposals	**–**	**–**	**(1)**	**(17)**	**(18)**
Balance at the end of the year	**18**	**42 083**	**20**	**92**	**42 213**
Depreciation and impairment losses					
2012					
Balance at the beginning of the year	8	3 140	12	67	3 227
Depreciation for the year	1	832	1	5	839
Effect of movements in exchange rates	1	162	1	3	167
Impairment loss for the year (refer to note 22)	–	6	–	–	6
Transfer to container inventory	–	(239)	–	–	(239)
Transfer to finance leases	–	(2)	–	–	(2)
Disposals	(1)	–	–	(6)	(7)
Balance at the end of the year	9	3 899	14	69	3 991
2013					
Depreciation for the year	**2**	**1 387**	**–**	**8**	**1 397**
Effect of movements in exchange rates	**3**	**969**	**3**	**15**	**990**
Impairment loss for the year (refer to note 22)	**–**	**86**	**–**	**–**	**86**
Transfer to container inventory	**–**	**(726)**	**–**	**–**	**(726)**
Transfer to finance leases	**–**	**(12)**	**–**	**–**	**(12)**
Disposals	**–**	**–**	**(1)**	**(17)**	**(18)**
Balance at the end of the year	**14**	**5 603**	**16**	**75**	**5 708**
Carrying amounts:					
At 1 January 2012	6	15 579	4	11	15 600
At 31 December 2012	5	24 776	3	14	24 798
At 31 December 2013	**4**	**36 480**	**4**	**17**	**36 505**
Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 19):					
At 31 December 2012	–	24 776	–	–	24 776
At 31 December 2013	**–**	**36 480**	**–**	**–**	**36 480**

4.1 An impairment loss of R40 million (2012: R6 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. In 2013, a further impairment loss of R46 million (2012: nil) was incurred in respect of containers on lease to customers, whose accounts have been impaired, to take into account the potential non-recovery of the equipment on lease to the customers.

4.2 The estimated useful life of non-refrigerated containers was increased from 12 to 13 years from 1 January 2013. The effect of this change was a reduction in depreciation expense of R232 million (R227 million after tax) for the year ended 31 December 2013.

4.3 For commitments on property, plant and equipment refer to note 28.

	Group Container management contracts Rm
5. Intangible assets	
Cost	
2012	
Balance at the beginning of the year	581
Effect of movements in exchange rates	20
Disposals	(141)
Balance at the end of the year	460
2013	
Effect of movements in exchange rates	**107**
Balance at the end of the year	**567**
Amortisation	
2012	
Balance at the beginning of the year	201
Amortisation for the year	41
Effect of movements in exchange rates	8
Disposals	(73)
Balance at the end of the year	177
2013	
Amortisation for the year	**41**
Effect of movements in exchange rates	**44**
Balance at the end of the year	**262**
Carrying amounts:	
At 1 January 2012	380
At 31 December 2012	283
At 31 December 2013	**305**

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 years.

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

	Group	
	2013 Rm	2012 Rm
6. Investment in equity accounted investees		
The carrying amount and share of profit of the group's associates at 31 December are as follows:		
Carrying value of associates	**57**	40
Share of profits	**182**	2

6.1 The group has a 25% investment in TW Container Leasing Limited, which is not listed, and leases containers under finance leases.

6.2 TAC Limited ('TAC'), a company in which the group holds a 44,3% beneficiary interest through Halco Holdings Inc ('Halco'), had negative equity at 31 December 2012. The option held by Halco to acquire the remaining 55,7% of TAC which it does not already own became exercisable with effect from 1 July 2013 and, in accordance with IFRS, TAC has been consolidated as a subsidiary (refer to note 8) with effect from that date. Accordingly the results of TAC recorded in the above table are for the period 1 January to 30 June 2013 and, including the gain as a result of the modification of certain debt terms, the group recorded its share of profit of R182 million.

7. Other investments		
Equity instruments available-for-sale		
Unlisted shares	**66**	66

7.1 The investments represent a 15% interest in the companies that own and operate Grand Central Airport in Midrand, Gauteng.

7.2 The fair value of the investment is based on the latest valuation of the property in the company, using the Depreciated Replacement Cost method, undertaken by an independent valuer.

	Company 2013 Rm	Company 2012 Rm
8. Interest in subsidiaries		
Ordinary shares at cost	**408**	408
Preference shares including amortisation adjustment	**1 013**	1 013
Investment in subsidiaries before impairment loss	**1 421**	1 421
Less impairment loss	**(351)**	(367)
Investment in subsidiaries	**1 070**	1 054
Amount due to subsidiary – long-term	**(672)**	(499)
	398	555

8.1 The impairment loss on investment in subsidiaries has been reduced by R16 million (2012: nil) as a result of the net asset value of the underlying subsidiary being restored, through trading, to a value above the original cost of the underlying subsidiary in the company.

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:

	2013 Rm	2012 Rm
Capital distribution from trust (refer to note 22)	**864**	231
Interest received from subsidiary (refer to note 23)	**4**	–
	868	231

8.4 **Acquisition of subsidiary and non-controlling interests**

Halco has an option to acquire the remaining 55,7% of the shares in TAC for approximately US$5 million, which option became exercisable on 1 July 2013. The option expires on 31 December 2015. The board of Halco has not yet elected to exercise the option. As the option is exercisable and is substantive in nature (as defined in IFRS 10), the results of TAC have been consolidated in the group financial statements, as required by IFRS, with effect from 1 July 2013. The consolidation resulted in a bargain purchase gain of R54 million, which has been recorded in the statement of comprehensive income in other operating income. The bargain purchase gain arose as a result of the fair value of TAC's assets and liabilities at 1 July 2013 exceeding the fair value of the previously held interest in TAC.

Fair value of assets and liabilities now consolidated:

	Group Rm
Property, plant and equipment	**2 300**
Net investment in finance leases	**59**
Trade and other receivables	**100**
Cash and cash equivalents	**62**
Interest-bearing borrowings	**(1 924)**
Derivative financial instruments	**(1)**
Trade and other payables	**(96)**
Current tax liability	**(11)**
Deferred revenue	**(2)**
Net assets	**487**
Non-controlling interest	**(12)**
Net assets now consolidated	**475**
Fair value of previously held interest	**(156)**
Non-controlling interest arising on step up to control	**(265)**
Bargain purchase gain	**54**

The non-controlling interest was measured at its proportionate share of attributable net assets measured at fair value.

Cumulative income or expense included in profit or loss:

For the period from 1 July to 31 December 2013 revenue of R268 million and net profit attributable to TAC's operations of R30 million (net of non-controlling interests of R40 million) was included in the consolidated statement of comprehensive income.

Had TAC been consolidated for the full year from 1 January 2013 there would have been no change to net profit for the year since the results of TAC for the period 1 January 2013 to 30 June 2013 were equity accounted in the statement of comprehensive income. However, revenue would have increased by R200 million.

8.5 **List of material subsidiaries**

	Holding %		Place of registration
	2013	2012	
Direct and indirect holdings:			
Trencor Services (Pty) Limited (Direct)	**100**	100	Republic of South Africa
Trencor Containers (Pty) Limited (Indirect)	**100**	100	Republic of South Africa
Leasecon International Inc (Indirect)	**100**	100	British Virgin Islands
Beneficiary interests:			
Halco Holdings Inc	**100**	100	British Virgin Islands
Textainer Group Holdings Limited	**48,3**	48,9	Bermuda
TAC Limited (2012: Treated as an associate)	**44,3**	44,3	Bermuda

Textainer

Although the group holds a beneficiary interest in Textainer which is less than 50%, management has determined that the group controls Textainer on a de facto basis, because the remaining voting rights are widely dispersed and there is no indication that all other shareholders exercise their votes collectively.

TAC

Although the group holds a beneficiary interest in TAC which is less than 50%, management has determined that the group controls TAC because the option held by Halco (refer to note 8.4) is exercisable and is substantive in nature.

8.6 **Non-controlling interests**

The following subsidiaries have material non-controlling interests:

	Ownership interests held by non-controlling interest (%)	
	2013	2012
Textainer	**51,7**	51,1
TAC (2012: Treated as an associate)	**55,7**	55,7

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

	Textainer		TAC	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
Revenue	**6 066**	4 483	**268**	–
Profit	**1 801**	1 714	**67**	–
*Profit attributable to non-controlling interests**	**972**	746	**40**	–
Other comprehensive income	**2 394**	387	**29**	–
Total comprehensive income	**4 195**	2 101	**96**	
*Total comprehensive income attributable to non-controlling interests**	**2 114**	922	**57**	–
Non-current assets	**36 185**	26 207	**2 635**	–
Current assets	**3 202**	2 117	**194**	–
Non-current liabilities	**(25 147)**	(17 266)	**(1 956)**	–
Current liabilities	**(2 308)**	(2 220)	**(292)**	–
Indirect non-controlling interest	**(334)**	(232)	**(10)**	–
Net assets	**11 598**	8 606	**571**	–
Net assets attributable to non-controlling interests	**5 984**	4 395	**319**	–
Cash outflow from operating activities	**(3 565)**	(5 485)	**(157)**	–
Cash outflow from investing activities	**(88)**	(250)	**–**	–
Cash inflow from financing activities	**3 801**	5 938	**169**	–
Net increase in cash and cash equivalents	**148**	203	**12**	–
Dividends paid to non-controlling interest during the year included in cash flow from operating activities	**529**	302	**6**	–

* Including indirect non-controlling interest.

	Group		Company	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
9. Net investment in long-term receivables				
Net investment in long-term receivables comprises:				
Long-term receivables	**637**	699	**1**	1
Amounts attributable to third parties in respect of long-term receivables	**(119)**	(156)	**–**	–
	518	543	**1**	1
Represented by:				
Total receivables	**1 173**	1 135	**1**	1
Less deferred income	**14**	23	**–**	–
Net present value of long-term receivables	**1 159**	1 112	**1**	1
Less amounts attributable to third parties in respect of long-term receivables	**198**	240	**–**	–
Total amount	**207**	253	**–**	–
Less deferred expenditure	**9**	13	**–**	–
Net present value of net investment in long-term receivables	**961**	872	**1**	1
Less fair value adjustment to net investment relating to:	**249**	226	**–**	–
Long-term receivables	**292**	280	**–**	–
Amounts attributable to third parties in respect of long-term receivables	**(43)**	(54)	**–**	–
	712	646	**1**	1
Less current portion of net investment included in:	**194**	103	**–**	–
Current assets	**230**	133	**–**	–
Current liabilities	**(36)**	(30)	**–**	–
	518	543	**1**	1

9.1 Total gross receivables in base currency amounted to US$112 million (2012: US$134 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. (2012: 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-collectability 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=R10,46 (2012: US$1=R8,48). Approximately 98% (2012: 98%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income and approximately 2% (2012: 2%) relates to the possible non-collection of receivables. There has been a base currency decrease equal to R9 million (2012: R81 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. (2012: 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	
	2013 Rm	2012 Rm
Total amounts attributable to third parties	**207**	253
Less deferred expenditure	**9**	13
Net present value of amounts attributable to third parties	**198**	240
Fair value adjustment	**(43)**	(54)
Fair value of amounts attributable to third parties	**155**	186
Current portion	**(36)**	(30)
	119	156

	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
	2013			2012		
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
10. Net investment in finance leases						
Amounts receivable under finance leases:						
Within one year	**598**	**151**	**447**	273	72	201
Between one and five years	**1 449**	**211**	**1 238**	684	121	563
After five years	**75**	**8**	**67**	75	11	64
	2 122	**370**	**1 752**	1 032	204	828

	Group	
	2013 **Rm**	2012 Rm
Present value of minimum lease payments analysed as:		
Non-current finance lease receivables	**1 305**	627
Current finance lease receivables included in current assets	**447**	201
	1 752	828

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

10.2 The interest rates inherent in the leases are fixed at the contract date for the full term of the leases. The average effective interest rate contracted approximates 9,59% p.a. (2012: 9,42% p.a.).

10.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R27 million (2012: R0,6 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 R1 732 million (2012: R801 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.

	Group				
			Notional amount of contracts outstanding	Fair value	
	Final maturity	Underlying	Rm	Assets Rm	Liabilities Rm
11. Derivative financial instruments					
The group's various derivative instruments at 31 December comprise:					
2013					
Type of contract					
Interest rate cap contracts	November 2015	Interest rates	**2 256**	**–**	**–**
Interest rate swap contracts	July 2023	Interest rates	**7 714**	**12**	**43**
				12	**43**
2012					
Type of contract					
Interest rate cap contracts	November 2015	Interest rates	4 089	–	–
Interest rate swap contracts	December 2020	Interest rates	4 159	–	89
				–	89

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 R18 948 million at 31 December 2013 (2012: R12 249 million) of which R9 970 million (2012: R8 248 million) in notional value was covered by interest rate cap and swap contracts.

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

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm
Property, plant and equipment	**–**	–	**199**	165	**199**	165
Net investment in long-term receivables	**–**	–	**114**	88	**114**	88
Investments	**–**	–	**12**	12	**12**	12
Export partnerships	**–**	–	**1**	1	**1**	1
Trade and other receivables	**–**	–	**7**	14	**7**	14
Trade and other payables	**(47)**	(60)	**–**	–	**(47)**	(60)
Tax loss carry-forwards	**(93)**	(99)	**–**	–	**(93)**	(99)
Deferred income	**–**	–	**75**	77	**75**	77
Tax (assets)/liabilities	**(140)**	(159)	**408**	357	**268**	198
Set-off of tax	**124**	139	**(124)**	(139)	**–**	–
Net tax (assets)/liabilities	**(16)**	(20)	**284**	218	**268**	198

Movement in temporary differences for the group during the year:

	Group						
	Balance at the beginning of the year Rm	Recognised in profit or loss Rm	Recognised in equity Rm	Exchange adjustment in equity Rm	Acquired in business combination Rm	Long-term receivables Rm	Balance at the end of the year Rm
2012							
Property, plant and equipment	133	25	–	7	–	–	165
Net investment in long-term receivables	80	6	–	–	–	2	88
Investments	2	–	10	–	–	–	12
Export partnerships	2	(1)	–	–	–	–	1
Trade and other receivables	15	(2)	–	1	–	–	14
Trade and other payables	(56)	(1)	–	(3)	–	–	(60)
Tax loss carry-forwards	(64)	(31)	–	(4)	–	–	(99)
Deferred income	90	(14)	–	1	–	–	77
	202	(18)	–	2	–	2	198
2013							
Property, plant and equipment	**165**	**22**	**–**	**39**	**(27)**	**–**	**199**
Net investment in long-term receivables	**88**	**25**	**–**	**–**	**–**	**1**	**114**
Investments	**12**	**–**	**–**	**–**	**–**	**–**	**12**
Export partnerships	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Trade and other receivables	**14**	**(10)**	**–**	**3**	**–**	**–**	**7**
Trade and other payables	**(60)**	**24**	**–**	**(11)**	**–**	**–**	**(47)**
Tax loss carry-forwards	**(99)**	**1**	**–**	**(22)**	**27**	**–**	**(93)**
Deferred income	**77**	**(8)**	**–**	**6**	**–**	**–**	**75**
	198	**54**	**–**	**15**	**–**	**1**	**268**

12.1 The group has deferred tax assets of R93 million relating to tax loss carry-forwards (2012: R99 million) which will expire between 2018 and 2033 if not utilised.

12.2 A deferred tax asset of R90 million (2012: nil) has not been provided in respect of tax losses, because it is not probable that future income will be available against which the group can use the benefits therefrom.

12.3 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 2013 cumulative earnings of approximately R274 million (2012: R16 million) would be subject to income taxes of approximately R82 million (2012: R5 million) if such earnings of foreign companies were transferred out of such jurisdictions in the form of dividends. The method of calculation has been refined in the current year. Cumulative earnings subject to income tax would have been R171 million, with related income tax of R51 million in 2012, had the current year method of calculation been applied last year.

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 (2012: nil).

12.5 In the case of the company, the deferred tax liability of R1 million (2012: R1 million) arises as a result of its participation in export partnerships.

	Group 2013 Rm	Group 2012 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)	**629**	448

The terms of the bonds payable and the secured debt facility require that a minimum of nine (2012: nine) 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 2013 Rm	Group 2012 Rm
14. Inventories		
Container equipment held for resale	**335**	133
Trading containers	**136**	62
	471	195

	Group		Company	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
15. Trade and other receivables				
Trade receivables	**1 028**	800	**–**	–
Prepayments	**85**	30	**–**	1
Other	**88**	55	**–**	–
	1 201	885	**–**	1
16. Current tax				
Amounts payable at the beginning of the year	**83**	78	**–**	–
Amounts receivable at the beginning of the year	**(2)**	(2)	**–**	–
Amount arising through business combination (refer to note 8.4)	**11**	–	**–**	–
Effect of movements in exchange rates	**17**	3	**–**	–
Recognised in profit or loss				
South African normal	**33**	32	**1**	1
Foreign normal	**5**	32	**–**	–
Secondary tax on companies	**–**	22	**–**	22
Excess tax benefit on equity-settled share-based payments	**(20)**	(20)	**–**	–
Amounts payable at the end of the year	**(76)**	(83)	**–**	–
Amounts receivable at the end of the year	**3**	2	**–**	–
Amounts paid during the year	**54**	64	**1**	23

	Group 2013 Rm	Group 2012 Rm
17. Cash and cash equivalents		
Bank balances	**1 239**	905
Call and term deposits	**1 505**	1 608
	2 744	2 513

	Group		Company	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
18. **Capital and reserves**				
Share capital				
Authorised				
Ordinary shares of 0,5 cent each				
200 000 000 (2012: 200 000 000)	**1**	1	**1**	1
Issued				
Ordinary shares of 0,5 cent each				
177 068 011 (2012: 177 068 011)	**1**	1	**1**	1

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

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

18.3 **Dividends**

	Group 2013 Rm	Group 2012 Rm	Company 2013 Rm	Company 2012 Rm
Dividends declared and paid during the year are as follows:				
Special dividend – 360 cents per share (2012: nil)	**637**	–	**637**	–
Final dividend in respect of the financial year 2012 – 150 cents per share (2011: 125 cents per share)	**266**	221	**266**	221
Interim dividend in respect of the financial year 2013 – 72 cents per share (2012: 65 cents per share)	**128**	115	**128**	115
	1 031	336	**1 031**	336

A final dividend of 158 cents per share in respect of the financial year 2013 (2012: 150 cents per share) was declared by the board on 26 February 2014. No secondary tax on companies' credits are available. Dividend withholding tax at the rate of 15% is applicable to shareholders who are not exempt, which results in a net dividend of 134,3 cents per share.

18.4 **Reserves**

Fair value reserve

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

Foreign currency translation reserve

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

Equity compensation reserve

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

Gain/Loss in changes in ownership interests in subsidiaries

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

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).

Repayment terms	Current interest rate % p.a.	Interest fixed or indexed to	Annual instalment Rm	Foreign amount **2013 US$m**	Foreign amount 2012 US$m	**2013 Rm**	2012 Rm
19. Interest-bearing borrowings							
Secured (refer to note 19.1)							
Bonds:							
Repayable in monthly instalments, final payment in May 2015	0,70	LIBOR	539	**73**	124	**763**	1 055
Repayable in monthly instalments, final payment in June 2021	4,70	Fixed	418	**300**	340	**3 138**	2 883
Repayable in monthly instalments, final payment in April 2022	4,21	Fixed	418	**333**	373	**3 487**	3 166
Repayable in monthly instalments, final payment in September 2023	3,90	Fixed	323	**292**	–	**3 053**	–
Debt facilities:							
Facility with partial repayment commencing May 2015, final repayment in May 2019	2,12	LIBOR	811	**775**	874	**8 108**	7 412
Facility repayable in full in August 2015	2,42	LIBOR	350	**34**	–	**350**	–
Revolving debt facilities:							
Facility repayable in full in September 2017	1,71	US Prime or LIBOR	6 783	**649**	353	**6 783**	2 989
Facility repayable in full in April 2016	2,17	LIBOR	1 260	**121**	–	**1 261**	–
Facility – no repayment within revolving period, final repayment estimated in November 2021 (refer to note 19.7)	2,54	LIBOR	Refer to note 19.2	**161**	–	**1 683**	–
Facility repaid during the year	3,96	LIBOR	–	**–**	108	**–**	920
Unsecured							
Obligations under instalment sale agreements, final repayment estimated in December 2018 (refer to note 19.8)	5,99–8,46	Fixed	Refer to note 19.8	**53**	–	**556**	–
Total						**29 182**	18 425
Less unamortised debt issuance costs						**(303)**	(203)
						28 879	18 222
Less current portion included in current liabilities						**(1 943)**	(1 115)
						26 936	17 107

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 The facility will convert to a six year fully amortising note if the revolving period is not extended by agreement between the banks and the relevant group company.

19.3 Debt issuance costs of R144 million (2012: R202 million) were capitalised during the year.

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

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

	Group **2013 Rm**	Group 2012 Rm
Total borrowing facilities	**37 580**	23 386
Actual borrowings at the end of the year	**29 182**	18 425
Unutilised facilities	**8 398**	4 961

19.6 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.

19.7 The fair value of the obligations under instalment sale agreements is determined by discounting expected future cash flows at a pre-tax rate that reflects current assessments of the time value of money and the risks specific to the liability.

19.8 Repayable out of available free cash flow arising in TAC.

20. **Deferred revenue**

Deferred revenue includes R2 million (2012: R32 million) arising from the business combination (refer to note 8).

The remainder of deferred revenue arose in prior years as a result of Textainer simultaneously entering 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	
	2013 Rm	2012 Rm
Balance at the beginning of the year	**41**	60
Amount arising through business combination (refer to note 8.4)	**2**	32
Recognised in profit or loss	**(10)**	(49)
Terminations	**(4)**	(2)
Effect of movements in exchange rates	**9**	–
Balance at the end of the year	**38**	41
Analysed as:		
Non-current deferred revenue	**34**	27
Current deferred revenue	**4**	14
	38	41

	Group		**Company**	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
21. **Trade and other payables**				
Trade payables	**91**	39	**–**	–
Accrued expenses	**128**	137	**2**	1
Amounts due to container owners	**123**	107	**–**	–
Amounts due in respect of container acquisitions	**249**	744	**–**	–
Other	**3**	2	**1**	1
	594	1 029	**3**	2

	Group		Company	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
22. Operating profit before net finance expenses/income				
Operating profit before net finance expenses/income is arrived at after taking into account:				
Income				
Capital distribution from trust	**–**	–	**864**	231
Bargain purchase gain on acquisition of subsidiary	**54**	80	**–**	–
Gain – fair value of option to acquire non-controlling interest	**147**	–	**–**	–
Net profit on disposal of property, plant and equipment:				
Container leasing equipment	**284**	250	**–**	–
Net realised and unrealised exchange gains not included in revenue	**–**	2	**–**	–
Expenses				
Amortisation of intangible assets	**41**	41	**–**	–
Auditors' remuneration	**20**	16	**1**	1
Audit fee – current year	**16**	11	**1**	1
– under provision prior year	**4**	4	**–**	–
Other services	**–**	1	**–**	–
Directors' emoluments	**17**	16	**2**	2
Executive directors				
Short-term employee benefits	**12**	12	**–**	–
Share-based payments – equity-settled	**1**	1	**–**	–
Non-executive directors				
Remuneration	**3**	2	**2**	2
Share-based payments – equity-settled	**1**	1	**–**	–
Impairment losses/(reversal of losses)	**170**	8	**(15)**	–
Property, plant and equipment	**86**	6	**–**	–
Investment in subsidiaries – reversals	**–**	–	**(15)**	–
Trade and other receivables – losses	**96**	13	**–**	–
Trade and other receivables – reversals	**(12)**	(11)	**–**	–
Loss on step up to control	**26**	–	**–**	–
Operating leases – premises	**15**	14	**–**	–
Share-based payments included in staff costs – equity-settled	**52**	57	**–**	–
Share-based payments to suppliers – equity-settled	**8**	9	**–**	–
Retirement benefit contributions included in staff costs	**4**	3	**–**	–
23. Net finance expenses/(income)				
Finance expenses – incurred by Textainer and TAC	**835**	605	**–**	–
Interest expense	**829**	571	**–**	–
Realised and unrealised losses on derivative financial instruments	**6**	34	**–**	–
Finance income				
Interest income				
Received on cash and cash equivalents	**(18)**	(16)	**–**	(1)
Received from subsidiary	**–**	–	**(4)**	–
	817	589	**(4)**	(1)

	Group		Company	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
24. **Income tax expense**				
South African normal				
Current	**33**	32	**1**	1
Foreign normal	**5**	32	**–**	–
Current	**6**	46	**–**	–
Adjustment for prior years	**(1)**	(14)	**–**	–
Secondary tax on companies	**–**	22	**–**	22
Associated tax credit – current year	**(3)**	(6)	**–**	–
– prior year	**(6)**	(1)	**–**	–
South African deferred				
Origination and reversal of temporary differences	**23**	7	**–**	–
Foreign deferred	**31**	(25)	**–**	–
Origination and reversal of temporary differences	**35**	(17)	**–**	–
Adjustment for prior years	**–**	(1)	**–**	–
Reduction in tax rate	**(4)**	(7)	**–**	–
	83	61	**1**	23
The effective tax rate is reconciled as follows:	**%**	%	**%**	%
Statutory tax rate	**28,0**	28,0	**28,0**	28,0
Non-taxable income	**(2,3)**	(1,3)	**(28,2)**	(29,8)
Non-deductible expenses	**0,5**	0,3	**0,4**	2,2
Foreign rate differential	**(19,5)**	(23,6)	**–**	–
Over-provided in prior years	**(0,5)**	(0,9)	**–**	–
Secondary tax on companies	**–**	1,2	**–**	10,2
Profit from equity accounted investees	**(2,1)**	–	**–**	–
Operating losses	**(0,8)**	–	**–**	–
Reduction in tax rate	**(0,2)**	(0,4)	**–**	–
Effective tax rate	**3,1**	3,3	**0,2**	10,6

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 jurisdictions 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 2013	Group 2012
25. Earnings per share		
Basic earnings per share		
Profit for the year attributable to equity holders of the company (R million)	**1 391**	1 027
Weighted average number of shares in issue (million)	**177,1**	177,1
Basic earnings per share (cents)	**785,7**	579,9
Diluted earnings per share is equal to basic earnings per share*		

	Group			
	Gross	Net	Gross	Net
	2013		2012	
	Rm	**Rm**	Rm	Rm
Headline earnings per share				
Profit for the year attributable to equity holders of the company		**1 391**		1 027
Impairment of property, plant and equipment	**86**	**41**	6	3
Loss on step up to control	**26**	**26**	–	–
Gain on bargain purchase of subsidiary	**(54)**	**(54)**	(80)	(39)
Headline earnings attributable to equity holders of the company		**1 404**		991
Weighted average number of shares in issue (million)		**177,1**		177,1
Headline earnings per share (cents)		**792,6**		559,6
Diluted headline earnings per share is equal to headline earnings per share*				
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 gains and losses, and it 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		**1 404**		991
Net foreign exchange gain on translation of long-term receivables	**(159)**	**(115)**	(33)	(24)
Gain on modification of debt terms	**(172)**	**(172)**	–	–
Adjusted headline earnings attributable to equity holders of the company		**1 117**		967
Adjusted headline earnings per share (cents)		**630,7**		546,1

Diluted adjusted headline earnings per share is equal to adjusted headline earnings per share*

* Textainer has issued share options (refer to note 29.1) which are potentially dilutive to all classes of earnings per share. The impact is not material in the current or prior year.

	Group		Company	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
26. Cash generated from operations				
Reconciliation of profit for the year to cash generated from operations:				
Profit for the year	**2 403**	1 773	**872**	194
Adjusted for:				
Finance expenses	**835**	605	**–**	–
Finance income	**(18)**	(16)	**(4)**	(1)
Unrealised foreign exchange gains	**(236)**	(49)	**–**	–
Net decrease/(increase) in adjustment to the net investment in long-term receivables	**23**	(77)	**–**	–
Other non-cash flow adjustments to the net investment in long-term receivables	**(6)**	(4)	**–**	–
Depreciation	**1 397**	839	**–**	–
Gain – fair value of option to acquire non-controlling interest	**(147)**	–	**–**	–
Cost of containers disposed of transferred to profit or loss	**1 048**	503	**–**	–
Net impairment losses/(reversals)	**170**	8	**(16)**	–
Share-based payments	**62**	68	**–**	–
Amortisation of intangible assets	**41**	41	**–**	–
Finance lease income	**(139)**	(70)	**–**	–
Deferred revenue recognised in profit or loss	**(10)**	(49)	**–**	–
Bargain purchase gain on acquisition of subsidiary	**(54)**	(80)	**–**	–
Loss on step up to control	**26**	–	**–**	–
Share of profit from equity accounted investees	**(182)**	(2)	**–**	–
Income tax expense	**83**	61	**1**	23
Operating profit before working capital changes	**5 296**	3 551	**853**	216
Working capital changes	**(192)**	(41)	**2**	3
(Increase)/Decrease in inventories	**(60)**	49	**–**	–
(Increase)/Decrease in trade and other receivables	**(88)**	(24)	**1**	3
(Decrease)/Increase in trade and other payables	**(44)**	(66)	**1**	–
Cash generated from operations	**5 104**	3 510	**855**	219

	Group	
	2013 Rm	2012 Rm
27. Operating lease commitments		
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	**18**	15
Between one and five years	**33**	41
After five years	**1**	2
	52	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 leases upon expiration. None of the leases include contingent rentals.

28. Capital commitments		
For container leasing equipment authorised by the board:		
Contracted	**643**	193

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

All options granted in terms of The Trencor Share Plan have been exercised in prior periods and consequently there are no share options outstanding. In terms of the Plan, options were previously granted to certain executive directors and employees amounting in aggregate to 6 740 000 shares (2012: 6 740 000 shares) in the unissued share capital of the company. The maximum number of shares available for utilisation under the Plan is 8 884 209 (2012: 8 884 209).

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

Textainer

	Number of shares
Shares available for utilisation under the plans at 31 December 2011	1 486 883
Share options and restricted share units granted in 2012, net of forfeitures	(407 833)
Previously authorised shares cancelled during 2012	(502)
Shares available for utilisation under the plans at 31 December 2012	1 078 548
Share options and restricted share units granted in 2013, net of forfeitures	**(366 002)**
Previously authorised shares cancelled during 2013	**(13 115)**
Shares available for utilisation under the plans at 31 December 2013	**699 431**

Textainer has one 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. No grants have been made of share appreciation 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 thereafter, each employee's restricted share units vest in increments of 25% per year. Restricted share units granted to directors fully vest one year after their grant date.

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 2011	847 945	221 100	1 069 045	18,86	2017
Granted	201 658	–	201 658	28,21	2022
Vested	(398 340)	398 340	–	16,28	2018
Exercised	–	(302 100)	(302 100)	15,45	2017
Forfeited	(2 675)	–	(2 675)	22,63	2020
Outstanding at 31 December 2012	648 588	317 340	965 928	21,87	2020
Granted	**213 907**	**–**	**213 907**	**38,36**	**2023**
Vested	**(240 076)**	**240 076**	**–**	**17,86**	**2019**
Exercised	**–**	**(207 191)**	**(207 191)**	**17,46**	**2018**
Forfeited	**(29 262)**	**–**	**(29 262)**	**26,63**	**2021**
Outstanding at 31 December 2013	**593 157**	**350 225**	**943 382**	**26,43**	**2021**

29. **Employee benefits (continued)**

29.1 Share-based payments (continued)

Restricted share units

	Restricted share units	Weighted average fair value at grant date US$
Outstanding at 31 December 2011	1 178 612	15,95
Granted	213 295	28,29
Vested	(376 056)	14,37
Forfeited	(4 445)	17,58
Outstanding at 31 December 2012	1 011 406	19,13
Granted	**223 492**	**33,84**
Vested	**(488 860)**	**16,16**
Forfeited	**(42 135)**	**19,91**
Outstanding at 31 December 2013	**703 903**	**24,57**

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				
	14 November 2013	14 November 2012 and 20 January 2012	16 November 2011	18 November 2010	18 November 2009
Number of options granted under the 2007 Plan	**213 907**	201 658	173 350	151 687	218 904
Fair value at measurement date (US$)	**13,19**	9,42	11,60	9,82	4,69
Share price at grant date (US$)	**38,36**	28,21	28,54	28,26	16,97
Expected life option time (years)	**5,0**	5,2 - 5,7	5,7	6,3	6,3
Volatility %	**58,2**	62,5 - 67,1	68,0	50,1	46,0
Dividend yield %	**4,9**	4,5 - 6,3	4,9	3,8	5,4
Risk free % rate (based on US Treasury bonds)	**1,3**	0,7 - 1,1	1,1	2,0	2,6

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 profit or loss in respect of share-based payments are:

	Group	
	2013 Rm	2012 Rm
Equity-settled	**62**	68

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 eligible employees in South Africa.

At 31 December 2013 the fund had 15 members (2012: 16 members) whose aggregate share of the fund amounted to R116 million (2012: R92 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 trading.

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.

	Group					
	Container finance		Container owning, leasing, management and trading		Consolidated	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm
Revenue	**254**	70	**6 336**	4 483	**6 590**	4 553
Goods sold	**–**	–	**1 477**	1 134	**1 477**	1 134
Leasing income	**1**	2	**4 682**	3 128	**4 683**	3 130
Management fees	**–**	–	**177**	221	**177**	221
Finance income	**27**	14	**–**	–	**27**	14
Realised and unrealised exchange losses	**226**	54	**–**	–	**226**	54
Reportable segment profit before net finance expenses and income tax	**196**	130	**2 788**	2 330	**2 984**	2 460
Finance income	**–**	–	**4**	1	**4**	1
Finance expenses	**–**	–	**(835)**	(605)	**(835)**	(605)
Depreciation and amortisation	**–**	(1)	**(1 437)**	(879)	**(1 437)**	(880)
Share of profit of equity accounted investees	**–**	–	**182**	2	**182**	2
Income tax expense	**(46)**	(28)	**(40)**	(15)	**(86)**	(43)
Other material non-cash items:						
Net long-term receivable valuation adjustment	**(23)**	77	**–**	–	**(23)**	77
Impairment losses:						
Property, plant and equipment	**–**	–	**(86)**	(6)	**(86)**	(6)
Trade receivables	**–**	–	**(96)**	(13)	**(96)**	(13)
Trade receivables reversed	**–**	–	**12**	11	**12**	11
Net profit on disposal of property, plant and equipment	**–**	–	**284**	250	**284**	250
Share-based payments	**–**	–	**(62)**	(68)	**(62)**	(68)
Reportable segment assets	**876**	842	**42 139**	28 264	**43 015**	29 106
Capital expenditure	**–**	–	**6 928**	8 646	**6 928**	8 646
Reportable segment liabilities	**156**	186	**29 538**	19 364	**29 694**	19 550

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

	Group					
	Reportable segment total	Unallocated	Consolidated total	Reportable segment total	Unallocated	Consolidated total
	2013			2012		
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
Revenue	**6 590**	**–**	**6 590**	4 553	–	4 553
Profit before net finance expenses and income tax*	**2 984**	**137**	**3 121**	2 460	(39)	2 421
Finance income	**4**	**14**	**18**	1	15	16
Finance expenses	**(835)**	**–**	**(835)**	(605)	–	(605)
Depreciation and amortisation	**(1 437)**	**(1)**	**(1 438)**	(880)	–	(880)
Income tax (expense)/credit	**(86)**	**3**	**(83)**	(43)	(18)	(61)
Capital expenditure	**6 928**	**–**	**6 928**	8 646	1	8 647
Assets	**43 015**	**1 613**	**44 628**	29 106	1 804	30 910
Liabilities	**29 694**	**375**	**30 069**	19 550	318	19 868

*Unallocated amount includes corporate expenses of R40 million (2012: R41 million).

	Group			
	Assets		Liabilities	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
The following is an analysis of the unallocated assets and liabilities:				
Property, plant and equipment	**1**	2	**–**	–
Investment in equity accounted investee	**57**	39	**–**	–
Other investments	**66**	66	**–**	–
Deferred tax assets/liabilities	**16**	20	**284**	218
Income tax assets/liabilities	**3**	2	**76**	83
Trade and other receivables/payables	**5**	6	**15**	17
Cash and cash equivalents	**1 465**	1 669	**–**	–
	1 613	1 804	**375**	318

30.4 **Major customer**

Leasing revenue from a single customer in the container owning, leasing, management and trading operating segment amounted to 11% (2012: 12%) of the group's leasing revenue. The group had no other customer that individually accounted for more than 10% of revenue.

30.5 **Geographic segment information**

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

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 receivables Rm	Liabilities at amortised cost Rm	Other Rm	Total carrying amount Rm	Fair value Rm
2013								
Financial assets								
Other investments	**–**	**–**	**66**	**–**	**–**	**–**	**66**	**66**
Long-term receivables	**867**	**–**	**–**	**–**	**–**	**–**	**867**	**867**
Net investment in finance leases	**–**	**–**	**–**	**–**	**–**	**1 752**	**1 752**	**1 732**
Derivative financial instruments	**–**	**12**	**–**	**–**	**–**	**–**	**12**	**12**
Restricted cash	**–**	**–**	**–**	**629**	**–**	**–**	**629**	**629**
Trade and other receivables	**–**	**–**	**–**	**1 116**	**–**	**–**	**1 116**	**1 116**
Cash and cash equivalents	**–**	**–**	**–**	**2 744**	**–**	**–**	**2 744**	**2 744**
	867	**12**	**66**	**4 489**	**–**	**1 752**	**7 186**	**7 166**
Financial liabilities								
Interest-bearing borrowings	**–**	**–**	**–**	**–**	**29 182**	**–**	**29 182**	**29 266**
Amounts attributable to third parties in respect of long-term receivables	**155**	**–**	**–**	**–**	**–**	**–**	**155**	**155**
Derivative financial instruments	**–**	**43**	**–**	**–**	**–**	**–**	**43**	**43**
Trade and other payables	**–**	**–**	**–**	**–**	**594**	**–**	**594**	**594**
	155	**43**	**–**	**–**	**29 776**	**–**	**29 974**	**30 058**
2012								
Financial assets								
Other investments	–	–	66	–	–	–	66	66
Long-term receivables	832	–	–	–	–	–	832	832
Net investment in finance leases	–	–	–	–	–	828	828	801
Restricted cash	–	–	–	448	–	–	448	448
Trade and other receivables	–	–	–	855	–	–	855	855
Cash and cash equivalents	–	–	–	2 513	–	–	2 513	2 513
	832	–	66	3 816	–	828	5 542	5 515
Financial liabilities								
Interest-bearing borrowings	–	–	–	–	18 425	–	18 425	18 607
Amounts attributable to third parties in respect of long-term receivables	186	–	–	–	–	–	186	186
Derivative financial instruments	–	89	–	–	–	–	89	89
Trade and other payables	–	–	–	–	1 029	–	1 029	1 029
	186	89	–	–	19 454	–	19 729	19 911

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
2013								
Financial assets								
Long-term receivables	**–**	**–**	**–**	**1**	**–**	**–**	**1**	**1**
	–	**–**	**–**	**1**	**–**	**–**	**1**	**1**
Financial liabilities								
Amounts due to subsidiary	**–**	**–**	**–**	**–**	**672**	**–**	**672**	**672**
Trade and other payables	**–**	**–**	**–**	**–**	**3**	**–**	**3**	**3**
	–	**–**	**–**	**–**	**675**	**–**	**675**	**675**
2012								
Financial assets								
Long-term receivables	–	–	–	1	–	–	1	1
Trade and other receivables	–	–	–	1	–	–	1	1
	–	–	–	2	–	–	2	2
Financial liabilities								
Amount due to subsidiary	–	–	–	–	499	–	499	499
Trade and other payables	–	–	–	–	2	–	2	2
	–	–	–	–	501	–	501	501

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 and interest rate 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 audit and risk 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 and risk committees.

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 represents the maximum credit exposure. The maximum exposure to credit risk from financial assets at 31 December was:

	Group		**Company**	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
Available-for-sale financial assets				
Other investments	**66**	66	**–**	–
Financial assets designated at fair value through profit or loss				
Long-term receivables	**867**	832	**1**	1
Held for trading financial instruments				
Derivative financial instruments	**12**	–	**–**	–
Other financial instruments				
Net investment in finance leases	**1 752**	828	**–**	–
Loans and receivables excluding cash and cash equivalents				
Trade receivables	**1 028**	800	**–**	1
Restricted cash	**629**	448	**–**	–
Other	**88**	55	**–**	–
Cash and cash equivalents	**2 744**	2 513	**–**	–
	7 186	5 542	**1**	2

The group's credit risk arises principally from the group's long-term receivables, trade receivables, investment securities and cash and cash equivalents.

Available-for-sale financial assets and held for trading financial instruments

Due to the amounts of these 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-collection of these receivables and the related effect on the payment to third parties.

The most significant net present value long-term receivable (net of fair value adjustment) at 31 December 2013 ultimately relates to TAC totalling R431 million (2012: R441 million). Approximately 90% (2012: 88%) 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.

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 2013 one customer accounted for 13% of the group's trade receivables (2012: 12%).

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

31.3 **Credit risk (continued)**

31.3.1 ***Credit risk exposure (continued)***

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

	Group	
	2013 Rm	2012 Rm
Container leasing customers	**1 027**	798
Other	**1**	2
	1 028	800

Cash and cash equivalents

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

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
	2013				2012			
	Rm	**Rm**	**Rm**	**Rm**	Rm	Rm	Rm	Rm
The ageing of trade receivables at the reporting date was:								
Not past due	**1**	**–**	**–**	**1**	2	–	–	2
Past due 0 - 30 days	**556**	**3**	**(15)**	**544**	386	–	(10)	376
Past due 31 - 120 days	**477**	**28**	**(36)**	**469**	413	2	(9)	406
Past due 121 - 180 days	**11**	**29**	**(28)**	**12**	13	5	(5)	13
More than 180 days	**2**	**96**	**(96)**	**2**	3	44	(44)	3
	1 047	**156**	**(175)**	**1 028**	817	51	(68)	800

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

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

	Group	
	2013 Rm	2012 Rm
Balance at the beginning of the year	**68**	64
Impairment loss recognised	**96**	13
Impairment loss reversed	**(12)**	(11)
Effect of movements in exchange rates	**23**	2
Balance at the end of the year	**175**	68

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.

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
2013						
Non-derivative financial liabilities						
Bonds payable	**10 441**	**12 232**	**2 088**	**5 907**	**4 237**	**12 232**
Debt facility	**8 458**	**9 379**	**183**	**3 851**	**5 345**	**9 379**
Revolving debt facility	**9 727**	**10 430**	**147**	**9 727**	**556**	**10 430**
Obligations under instalment agreement	**556**	**590**	**288**	**302**	**–**	**590**
Trade and other payables	**594**	**594**	**594**	**–**	**–**	**594**
	29 776	**33 225**	**3 300**	**19 787**	**10 138**	**33 225**
Derivative financial liabilities						
Derivative financial instruments	**43**	**201**	**76**	**125**	**–**	**201**
2012						
Non-derivative financial liabilities						
Bonds payable	7 104	8 328	1 378	4 058	2 892	8 328
Debt facility	7 412	8 507	213	3 371	4 923	8 507
Revolving debt facility	3 909	4 259	89	4 170	–	4 259
Trade and other payables	1 029	1 029	1 029	–	–	1 029
	19 454	22 123	2 709	11 599	7 815	22 123
Derivative financial liabilities						
Derivative financial instruments	89	98	–	98	–	98

The cash flows disclosed in the above table represent the contractual undiscounted net cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity.

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					
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	Total Rm
Non-derivative financial liabilities						
2013						
Amount due to subsidiary	**672**	**672**	**–**	**672**	**–**	**672**
Trade and other payables	**3**	**3**	**3**	**–**	**–**	**3**
	675	**675**	**3**	**672**	**–**	**675**
2012						
Amount due to subsidiary	499	499	–	499	–	499
Trade and other payables	2	2	2	–	–	2
	501	501	2	499	–	501

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 2013 the group had no exposure to forward exchange contracts (2012: 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					
	2013			2012		
Denominated in	**SA rand Rm**	**US$ Rm**	**Total Rm**	SA rand Rm	US$ Rm	Total Rm
Assets						
Investments	**66**	**–**	**66**	66	–	66
Long-term receivables	**–**	**867**	**867**	–	832	832
Net investment in finance leases	**–**	**1 752**	**1 752**	–	828	828
Derivative financial instrument	**–**	**12**	**12**	–	–	–
Restricted cash	**–**	**629**	**629**	–	448	448
Trade and other receivables	**2**	**1 114**	**1 116**	4	851	855
Cash and cash equivalents	**103**	**2 641**	**2 744**	191	2 322	2 513
	171	**7 015**	**7 186**	261	5 281	5 542
Liabilities						
Interest-bearing borrowings	**–**	**27 239**	**27 239**	–	17 310	17 310
Amounts attributable to third parties in respect of long-term receivables	**155**	**–**	**155**	186	–	186
Derivative financial instruments	**–**	**43**	**43**	–	89	89
Trade and other payables	**14**	**580**	**594**	13	1 016	1 029
Current portion of interest-bearing borrowings	**–**	**1 943**	**1 943**	–	1 115	1 115
	169	**29 805**	**29 974**	199	19 530	19 729

The following exchange rates applied during the year:

	2013	2012
Year-end rate US$1=	**R10,46**	R8,48
Average rate US$1=	**R9,67**	R8,16

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 percent 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 2013 (2012: R6 million). This analysis assumes that all other variables, in particular interest rates, remain constant. A one percent 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 **Market risk (continued)**

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**	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
Fixed rate				
Financial liabilities	**(10 234)**	(6 049)	**–**	–
Variable rate instruments				
Financial assets	**3 373**	2 961	**–**	–
Financial liabilities	**(18 948)**	(12 376)	**–**	–
	(15 575)	(9 415)	**–**	–

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 R59 million (2012: R38 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 R215 million (2012: R117 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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) adjusted for 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 R1 million (2012: R1 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 (2012: 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 determines dividends paid to shareholders.

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

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

31.7 Capital management (continued)

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	
	2013 **Rm**	2012 Rm	**2013** **Rm**	2012 Rm
Interest-bearing borrowings	**28 879**	18 222	**–**	–
Total equity	**14 559**	11 042	**395**	554
Ratio of interest-bearing borrowings to total equity	**198,4%**	165,0%	**–**	–

The ratio has been affected in 2013, by the payment of the special dividend by the company, the increase in Textainer's interest-bearing borrowings, the consolidation of TAC for the first time and the weakening of the SA rand against the US dollar from US$1=R8,48 to US$1=R10,46 as at December 2012 and 2013 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 Fair values

The fair values of financial instruments have been arrived at after taking into account current market conditions (refer to note 31.1). All of the fair value measurements are recurring in nature.

31.8.1 *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) that the group can assess at the measurement date.

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

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

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

	Group			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2013				
Assets				
Long-term receivables	**–**	**–**	**867**	**867**
Other investments	**–**	**66**	**–**	**66**
Interest rate swap contracts	**–**	**12**	**–**	**12**
	–	**78**	**867**	**945**
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	**–**	**–**	**155**	**155**
Interest-bearing borrowings	**–**	**–**	**556**	**556**
Interest rate swap contracts	**–**	**43**	**–**	**43**
	–	**43**	**711**	**754**
2012				
Assets				
Long-term receivables	–	–	832	832
Other investments	–	66	–	66
	–	66	832	898
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	186	186
Interest rate swap contracts	–	89	–	89
	–	89	186	275

Valuation techniques for the group's other investments and interest rate swap contracts are referred to in notes 7, 11 and 19 respectively.

31.8 **Fair values (continued)**

31.8.1 ***Fair value hierarchy (continued)***

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

	Group			
	Long-term receivables Rm	Amounts attributable to third parties in respect of long-term receivables Rm	Interest-bearing borrowings Rm	Total Rm
2012				
Balance at the beginning of the year	1 041	(226)	–	815
Total gains/(losses) in profit or loss	159	(20)	–	139
Settlements	(368)	60	–	(308)
Balance at the end of the year	832	(186)	–	646
2013				
Total gains/(losses) in profit or loss	**237**	**(8)**	**(14)**	**215**
Settlements	**(202)**	**39**	**65**	**(98)**
Effect of movements in exchange rates included in equity	**–**	**–**	**(26)**	**(26)**
Amount arising through business combination	**–**	**–**	**(581)**	**(581)**
Balance at the end of the year	**867**	**(155)**	**(556)**	**156**

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:

2013				
Total gains or losses included in profit or loss for the year				
Operating profit	**237**	**(12)**	**–**	**225**
Finance expenses	**–**	**–**	**(14)**	**(14)**
Associate tax credit	**–**	**4**	**–**	**4**
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	**183**	**(3)**	**–**	**180**
Finance expenses	**–**	**–**	**(23)**	**(23)**
2012				
Total gains or losses included in profit or loss for the year				
Operating profit	159	(27)	–	132
Associate tax credit	–	7	–	7
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	79	(12)	–	67

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

31.8 **Fair values (continued)**

31.8.1 ***Fair value hierarchy (continued)***

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:

	Group				
	Change in unobservable inputs	Favourable/(Unfavourable) impact on profit or loss		Favourable/(Unfavourable) impact on other comprehensive income	
		2013	2012	**2013**	2012
Interest rates – discount rates					
Long-term receivables	100 basis points	**(1)**	(1)	**–**	–
	(100) basis points	**1**	1	**–**	–
Amounts attributable to third parties in respect of long-term receivables	100 basis points	**1**	1	**–**	–
	(100) basis points	**(1)**	(1)	**–**	–
Finance expenses	100 basis points	**(3)**	–	**–**	–
	(100) basis points	**3**	–	**–**	–
Exchange rates (SA rand=US$1)					
Long-term receivables	1%	**6**	6	**–**	–
	(1%)	**(6)**	(6)	**–**	–

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 as disclosed in note 34. The discount rate applied to the long-term receivables (denominated in US$) is 8,5% p.a. (2012: 8,5% p.a.), and amounts attributable to third parties in respect of long-term receivables is 10% p.a. (2012: 10% p.a.). An appropriate fair value adjustment is made to the net investment for the estimated timing of receipt and the possible non-collectability 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=R10,46 (2012: US$1=R8,48). The table above demonstrates the effects of a 100 basis point change in discount rates and a one percent change in exchange rates.

The fair value of the obligations under instalment sale agreements is determined by discounting expected future cash flows at a pre-tax rate that reflects current assessments of the time value of money and the risks specific to the liability.

32. **Related parties**

32.1 **Identity of related parties**

The group has related party relationships with its subsidiaries (refer 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 R5 million (2012: R4 million).

32.3 **Transactions with key management personnel**

Messrs D M Nurek, E Oblowitz and R J A Sparks 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.

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 2013 and 2012 was as follows:

	Direct	Indirect	Total
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	**–**	**27 859**	**27 859**
	267 312	**10 985 939**	**11 253 251**

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

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

	Group		Company	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
Short-term employee benefits	**34**	29	**2**	2
Equity compensation benefits	**18**	16	**–**	–
	52	45	**2**	2
Paid to:				
Directors	**17**	16	**2**	2
Executive officers (Textainer)	**35**	29	**–**	–
	52	45	**2**	2

The number of executive officers for 2013 was 2 (2012: 2).

32. **Related parties** (continued)

The remuneration paid to the directors during the years ended 31 December 2013 and 2012 was as follows:

	Group						
	Guaranteed remu-neration R'000	Medical aid R'000	Retirement funds R'000	Incentive bonuses R'000	Equity com-pensation benefits* R'000	Other R'000	Total remu-neration R'000
2013							
Non-executive directors							
J E Hoelter	**1 124**	**–**	**–**	**–**	**333**	**–**	**1 457**
D M Nurek	**942**	**–**	**–**	**–**	**333**	**–**	**1 275**
E Oblowitz	**307**	**–**	**–**	**–**	**–**	**–**	**307**
R J A Sparks	**307**	**–**	**–**	**–**	**–**	**–**	**307**
H Wessels	**252**	**–**	**–**	**–**	**–**	**–**	**252**
	2 932	**–**	**–**	**–**	**666**	**–**	**3 598**
Executive directors							
C Jowell	**1 215**	**19**	**–**	**1 191**	**333**	**–**	**2 758**
N I Jowell	**2 646**	**24**	**–**	**2 947**	**333**	**–**	**5 950**
J E McQueen	**2 782**	**36**	**235**	**707**	**333**	**–**	**4 093**
H R van der Merwe	**781**	**37**	**82**	**–**	**–**	**–**	**900**
	7 424	**116**	**317**	**4 845**	**999**	**–**	**13 701**
Aggregate remuneration 2013	**10 356**	**116**	**317**	**4 845**	**1 665**	**–**	**17 299**
2012							
Non-executive directors							
J E Hoelter	917	–	–	–	291	–	1 208
D M Nurek	864	–	–	–	291	–	1 155
E Oblowitz	285	–	–	–	–	–	285
R J A Sparks	285	–	–	–	–	–	285
H Wessels	233	–	–	–	–	–	233
	2 584	–	–	–	582	–	3 166
Executive directors							
C Jowell	1 091	17	–	1 031	291	–	2 430
N I Jowell	2 380	32	–	2 578	291	–	5 281
J E McQueen	2 440	32	208	586	291	–	3 557
H R van der Merwe	903	36	95	200	–	10	1 244
	6 814	117	303	4 395	873	10	12 512
Aggregate remuneration 2012	9 398	117	303	4 395	1 455	10	15 678

* Award of shares by Textainer Group Holdings Limited.

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

The company has warranted the performance and obligations of certain subsidiary companies in terms of a number of partnership agreements entered into with third parties. The partnerships were established for the purposes of purchasing and selling marine cargo containers. At 31 December 2013, 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 R207 million (2012: R253 million) (refer to note 9).

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) adjusted for 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 collectability 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.

34.2 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 lives of new non-refrigerated and refrigerated containers that are purchased for the leasing fleet are thirteen and twelve years respectively, 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. **Cash flow changes in classification**

The group has reclassified receipts from long-term receivables, payments to third parties in respect of long-term receivables and decrease in finance leases to cash flows from operating activities, as management believe that these cash flows are more closely aligned to the operating activities of the group. These items were previously classified as cash flows from financing and investing activities.

A summary of the effects of the changes on the amounts previously reported are as follows:

	Amount previously reported Rm	Reclassification Rm	Restated amount Rm
Net cash outflow from operating activities	(5 771)		
Finance lease income		70	
Receipts from long-term receivables		368	
Payments to third parties in respect of long-term receivables		(60)	
Decrease in finance leases		186	
	(5 771)	564	(5 207)
Net cash inflow from investing activities	614		
Decrease in finance leases		(256)	
	614	(256)	358
Net cash inflow from financing activities	6 253		
Receipts from long-term receivables		(368)	
Payments to third parties in respect of long-term receivables		60	
	6 253	(308)	5945
Net increase in cash and cash equivalents before exchange rate fluctuations	1 096	–	1 096