Notes to the Financial Statements

for the year ended 31 December 2014

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 2014 comprise the company and its subsidiaries, as defined by IFRS 10 Consolidated Financial Statements ('IFRS 10'), together referred to as the 'group' and individually as 'group entity/ies', and the group's interest in associates. The group interests are primarily owning, leasing, managing and trading marine cargo containers worldwide, and related financing activities.

2. Basis of preparation

2.1 Statement of compliance

The consolidated and 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 29 April 2015.

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 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

The adoption of the amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities has had no impact on current or comparative financial results.

3. Significant accounting policies

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

3.1 Basis of consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date in accordance with IFRS 3 Business Combinations. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the group in accordance with IFRS 10. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

3.1.3 Changes in control

Changes in any group entity's ownership interest in a subsidiary that do not result in loss of control 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 recognised in equity (refer to note 18). When the relative ownership interests of the parent and non-controlling interest change, equity reserves are reallocated between the parent and the non-controlling interest to reflect the new ownership interests.

Where there is a loss of control by the group over a subsidiary, the assets and liabilities and any related non-controlling interest and other components of equity of the subsidiary are derecognised. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value after control is lost.

3. **Significant accounting policies** (continued)

3.1.4 *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 former approach has been elected for all combinations to date.

3.1.5 *Associates (equity accounted investees)*

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies in accordance with IAS 28 Investment in Associates and Joint Ventures. Investments in associates are accounted for using the equity method and are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements include the group's share of profit or loss, other comprehensive income and equity movements of equity accounted investees, in accordance with accounting policies applied uniformly within 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 entity has an obligation or made payments on behalf of the investee. Gains or losses arising on the dilution of investments in associates while maintaining equity accounting, are recognised in profit or loss and the net gain or loss attributable to the group is transferred to the appropriate reserve in equity (refer to note 18).

3.1.6 *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 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 are translated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate 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 only part of an interest is disposed in a subsidiary that includes a foreign operation while retaining control, as defined, the relevant proportion of the cumulative amount is attributed to non-controlling interests. When only part of an associate is disposed while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.3 Financial instruments

3.3.1 *Non-derivative financial instruments*

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

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

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

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

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

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 cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are carried at amortised cost.

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

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

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

3.3.2 ***Derivative financial instruments***
Derivative financial instruments are held to economically hedge foreign exchange and interest rate risk exposures arising from operational, financing and investing activities.

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. Hedge accounting is not applied to such derivative financial instruments therefore the gain or loss on re-measurement to fair value is recognised in profit or loss.

3. **Significant accounting policies** (continued)

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

3.4 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. Purchased software that is integral to the functionality of equipment is capitalised as part of that equipment.

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

3.4.2 *Subsequent costs*

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

3.4.3 *Depreciation*

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

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

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

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

3.5 Intangible assets

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

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 reflect the pattern in which the asset's future economic benefits are expected to be consumed by a group entity).

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 entities' net investment in the leases.

3.7 Inventories

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

3.8 **Impairment**

3.8.1 ***Financial assets***

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

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

Evidence of impairment for receivables is considered at both an individual asset and collective level. All individually significant receivables are assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, consideration is given to historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

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

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

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

3.8.2 ***Non-financial assets***

The carrying amount of 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. **Significant accounting policies** (continued)

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 entities is rented to various shipping lines and revenue is earned and recognised evenly over the period that the equipment is on lease, according to the terms of the contracts. These contracts are typically for terms of five years or less. 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 a group entity is the lessor, is the fair value of the asset or if lower, the present value of the minimum lease payments accruing to the group entity, computed at a market rate of interest. The revenue associated with the sale of goods which are subject to finance leases is accounted for in terms of the accounting policy for goods sold (see note 3.9.1). The cost of sales recognised at the commencement of the lease term is the cost, or carrying amount if different, of the leased item less the present value of the unguaranteed residual value.

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

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

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

3.9.3 *Management fees*

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

3.9.4 *Translation differences*

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

3.9.5 *Dividend income and distributions from trust*

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

3.10 Expenses

3.10.1 *Operating lease payments*

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

3.10.2 *Net finance expenses*

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

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

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

3.11 Employee benefits

3.11.1 *Short-term employee benefits*

The cost of all short-term employee benefits is recognised during the year in which the employee renders the related service. The accruals for employee entitlements to remuneration and annual leave represent the amount which group entities have a present obligation to pay as a result of

employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current remuneration rates.

3.11.2 *Retirement benefits*
Certain of the 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 transactions*
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 share-based awards granted is recognised as an expense with a corresponding increase in equity over the vesting period of the awards. The fair value is measured at grant date using the Actuarial Binomial Model or Black-Scholes-Merton ('Black-Scholes') option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted for service and non-market performance conditions, so as to reflect the actual number of share-based awards that vest.

3.12 **Income tax**
Income tax 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 a business combination, or items recognised directly in equity or in 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. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future.

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

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

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

3.14 **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 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the group entities are set out below (early adoption of these standards is not anticipated).

IFRS 9 Financial Instruments – replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance for the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The impact of the adoption of IFRS 9 will be assessed.

IFRS 15 Revenue from contracts with customers – IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, in IAS 18 Revenue. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The impact of the adoption of IFRS 15 will be assessed.

The following amended standards are not expected to a have a significant impact on the consolidated financial statements.

IAS 38 Intangible Assets – Clarification of acceptable methods of amortisation.

Annual improvements to IFRS 2010 – 2012 and IFRS 2011 – 2013 cycles.

	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					
2013					
Balance at the beginning of the year	14	28 675	17	83	28 789
Additions	–	6 919	–	9	6 928
Acquisition through business combination	–	2 300	–	–	2 300
Effect of movements in exchange rates	4	7 137	4	17	7 162
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
2014					
Additions	**1**	**8 648**	**–**	**4**	**8 653**
Effect of movements in exchange rates	**2**	**4 751**	**2**	**9**	**4 764**
Transfer to container inventory	**–**	**(1 923)**	**–**	**–**	**(1 923)**
Transfer to finance leases	**–**	**(960)**	**–**	**–**	**(960)**
Disposals	**–**	**–**	**(2)**	**–**	**(2)**
Balance at the end of the year	**21**	**52 599**	**20**	**105**	**52 745**
Depreciation and impairment losses					
2013					
Balance at the beginning of the year	9	3 899	14	69	3 991
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
2014					
Depreciation for the year	**2**	**1 868**	**–**	**9**	**1 879**
Effect of movements in exchange rates	**2**	**679**	**2**	**7**	**690**
Impairment loss for the year (refer to note 22)	**–**	**18**	**–**	**–**	**18**
Transfer to container inventory	**–**	**(416)**	**–**	**–**	**(416)**
Transfer to finance leases	**–**	**(43)**	**–**	**–**	**(43)**
Disposals	**–**	**–**	**(2)**	**–**	**(2)**
Balance at the end of the year	**18**	**7 709**	**16**	**91**	**7 834**
Carrying amounts:					
At 1 January 2013	5	24 776	3	14	24 798
At 31 December 2013	4	36 480	4	17	36 505
At 31 December 2014	**3**	**44 890**	**4**	**14**	**44 911**
Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 19):					
At 31 December 2013	–	36 480	–	–	36 480
At 31 December 2014	**–**	**44 890**	**–**	**–**	**44 890**

4.1 An impairment loss of R18 million (2013: R46 million) 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 For commitments in respect of property, plant and equipment refer to note 28.

	Group Container management contracts Rm
5. Intangible assets	
Cost	
2013	
Balance at the beginning of the year	460
Effect of movements in exchange rates	107
Balance at the end of the year	567
2014	
Effect of movements in exchange rates	**58**
Disposals	**(3)**
Balance at the end of the year	**622**
Amortisation	
2013	
Balance at the beginning of the year	177
Amortisation for the year	41
Effect of movements in exchange rates	44
Balance at the end of the year	262
2014	
Amortisation for the year	**43**
Effect of movements in exchange rates	**30**
Disposals	**(1)**
Balance at the end of the year	**334**
Carrying amount:	
At 1 January 2013	283
At 31 December 2013	305
At 31 December 2014	**288**

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

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

	Group	
	2014 Rm	2013 Rm
6. Investment in equity accounted investees		
The carrying amount and share of profit of the associate at 31 December are as follows:		
Carrying value of associate	**92**	57
Share of profits	**4**	182

6.1 Textainer Group Holdings Limited ('Textainer') has a 25% investment in TW Container Leasing Limited, which is not listed, and leases containers under finance leases.

6.2 In 2013, TAC Limited ('TAC'), a company in which a 44,3% beneficiary interest is held through Halco Holdings Inc ('Halco') under the Halco Trust, was accounted for as an associate until 30 June 2013. Accordingly, the results of TAC recorded in the above table are for the period 1 January to 30 June 2013, and included a gain as a result of the modification of certain debt terms. 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 the requirements of IFRS, TAC has been consolidated as a subsidiary with effect from that date.

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 2014 Rm	Company 2013 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)**	(351)
Investment in subsidiaries	**1 070**	1 070
Amount due to subsidiary – long-term	**(768)**	(672)
	302	398

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

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

	2014 Rm	2013 Rm
Interest received from subsidiary (refer to note 23)	**–**	4
Capital distribution from trust (refer to note 22)	**324**	864
	324	868

8.3 **List of material subsidiaries**

	2014 %	2013 %	Place of registration
Indirect beneficiary interests:			
Halco Holdings Inc	**100**	100	British Virgin Islands
Textainer Group Holdings Limited	**48,0**	48,3	Bermuda
TAC Limited	**44,3**	44,3	Bermuda
Indirect interest:			
Leasecon International Inc	**100**	100	British Virgin Islands
Direct interests:			
Trencor Services (Pty) Limited	**100**	100	Republic of South Africa
Trencor Containers (Pty) Limited	**100**	100	Republic of South Africa

Textainer

Although Halco holds less than 50% of the issued shares in Textainer, for purposes of IFRS it is treated as controlling Textainer on a de facto basis because the remaining voting rights are widely dispersed and there is no indication that all other shareholders exercise their votes collectively. Trencor's interest in Textainer is a beneficiary interest through Halco under the Halco Trust.

TAC

Although Halco holds less than 50% of the issued shares in TAC, for purposes of IFRS it is treated as controlling TAC because Halco holds an option to acquire the remaining 55,7% of TAC which it does not already own, which is exercisable and is substantive in nature. Trencor's interest in TAC is a beneficiary interest through Halco under the Halco Trust.

8.4 **Non-controlling interests**

The following subsidiaries have material non-controlling interests:

	Ownership interests held by non-controlling interest (%)	
	2014	2013
Textainer	**52,0**	51,7
TAC	**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 accounting policies reflected in note 3. The information is before inter-company eliminations with other group entities.

	Textainer		TAC	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Revenue	**7 368**	6 066	**574**	268
Profit	**1 893**	1 801	**126**	67
*Profit attributable to non-controlling interests**	**1 006**	972	**81**	40
Other comprehensive income	**1 252**	2 394	**59**	29
Total comprehensive income	**3 145**	4 195	**185**	96
*Total comprehensive income attributable to non-controlling interests**	**1 694**	2 114	**118**	57
Non-current assets	**44 657**	36 185	**2 974**	2 635
Current assets	**3 472**	3 202	**281**	194
Non-current liabilities	**(29 929)**	(25 147)	**(2 297)**	(1 956)
Current liabilities	**(4 094)**	(2 308)	**(219)**	(292)
Indirect non-controlling interest	**(420)**	(334)	**–**	(10)
Net assets	**13 686**	11 598	**739**	571
Net assets attributable to non-controlling interests	**7 121**	5 984	**412**	319
Cash (outflow)/inflow from operating activities	**(3 095)**	(3 565)	**77**	(157)
Cash inflow/(outflow)from investing activities	**16**	(88)	**–**	–
Cash inflow/(outflow) from financing activities	**2 974**	3 801	**(5)**	169
Net (decrease)/increase in cash and cash equivalents	**(105)**	148	**72**	12
Dividends paid to non-controlling interest during the year included in cash flow from operating activities	**595**	529	**36**	6

* Including indirect non-controlling interest.

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
9. Net investment in long-term receivables				
Net investment in long-term receivables comprises:				
Long-term receivables	**498**	637	**–**	1
Amounts attributable to third parties in respect of long-term receivables	**(85)**	(119)	**–**	–
	413	518	**–**	1
Represented by:				
Total receivables	**1 003**	1 173	**–**	1
Less deferred income	**6**	14	**–**	–
Net present value of long-term receivables	**997**	1 159	**–**	1
Less amounts attributable to third parties in respect of long-term receivables	**158**	198	**–**	–
Total amount	**165**	207	**–**	–
Less deferred expenditure	**7**	9	**–**	–
Net present value of net investment in long-term receivables	**839**	961	**–**	1
Less fair value adjustment to net investment relating to:	**275**	249	**–**	–
Long-term receivables	**318**	292	**–**	–
Amounts attributable to third parties in respect of long-term receivables	**(43)**	(43)	**–**	–
	564	712	**–**	1
Less current portion of net investment included in:	**151**	194	**–**	–
Current assets	**181**	230	**–**	–
Current liabilities	**(30)**	(36)	**–**	–
	413	518	**–**	1

9.1 Total gross receivables in base currency amounted to US$87 million (2013: US$112 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. (2013: 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 of amounts attributable 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=R11,54 (2013: US$1=R10,46). Approximately 98% (2013: 98%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income and approximately 2% (2013: 2%) relates to the possible non-collection of these receivables. There has been a base currency increase equal to R10 million (2013: R9 million decrease) 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. (2013: 10% p.a.). These become due 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	
	2014 Rm	2013 Rm
Total amounts attributable to third parties	**165**	207
Less deferred expenditure	**7**	9
Net present value of amounts attributable to third parties	**158**	198
Fair value adjustment	**(43)**	(43)
Fair value of amounts attributable to third parties	**115**	155
Current portion	**(30)**	(36)
	85	119

	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
		2014			2013	
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
10. Net investment in finance leases						
Amounts receivable under finance leases:						
Within one year	**832**	**180**	**652**	598	151	447
Between one and five years	**1 851**	**223**	**1 628**	1 449	211	1 238
After five years	**35**	**1**	**34**	75	8	67
	2 718	**404**	**2 314**	2 122	370	1 752

	Group	
	2014 Rm	2013 Rm
Present value of minimum lease payments analysed as:		
Non-current finance lease receivables	**1 662**	1 305
Current finance lease receivables included in current assets	**652**	447
	2 314	1 752

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 9,28% p.a. (2013: 9,59% p.a.).

10.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R38 million (2013: R27 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 R2 291 million (2013: R1 732 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					
Derivative financial instruments at 31 December comprise:					
2014					
Type of contract					
Interest rate cap contracts	December 2015	Interest rates	**7 216**	**–**	**–**
Interest rate swap contracts	July 2023	Interest rates	**13 993**	**14**	**20**
				14	**20**
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

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 R28 541 million at 31 December 2014 (2013: R18 948 million) of which R21 209 million (2013: R9 970 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

	Group					
	Assets		Liabilities		Net	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Deferred tax assets and liabilities are attributable to the following:						
Property, plant and equipment	**–**	–	**259**	193	**259**	193
Net investment in long-term receivables	**–**	–	**100**	114	**100**	114
Investments	**–**	–	**12**	12	**12**	12
Export partnerships	**–**	–	**1**	1	**1**	1
Inventories	**–**	–	**5**	6	**5**	6
Trade and other receivables	**–**	–	**14**	7	**14**	7
Trade and other payables	**(67)**	(47)	**–**	–	**(67)**	(47)
Tax loss carry-forwards	**(180)**	(93)	**–**	–	**(180)**	(93)
Deferred income	**–**	–	**67**	75	**67**	75
Tax (assets)/liabilities	**(247)**	(140)	**458**	408	**211**	268
Set-off of tax	**223**	124	**(223)**	(124)	**–**	–
Net tax (assets)/liabilities	**(24)**	(16)	**235**	284	**211**	268

Movement in temporary differences during the year:

	Group					
	Balance at the beginning of the year Rm	Recognised in profit or loss Rm	Exchange adjustment in equity Rm	Acquired in business combination Rm	Long-term receivables Rm	Balance at the end of the year Rm
2013						
Property, plant and equipment	162	20	38	(27)	–	193
Net investment in long-term receivables	88	25	–	–	1	114
Investments	12	–	–	–	–	12
Export partnerships	1	–	–	–	–	1
Inventories	3	2	1	–	–	6
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
2014						
Property, plant and equipment	**193**	**43**	**23**	**–**	**–**	**259**
Net investment in long-term receivables	**114**	**(15)**	**–**	**–**	**1**	**100**
Investments	**12**	**–**	**–**	**–**	**–**	**12**
Export partnerships	**1**	**–**	**–**	**–**	**–**	**1**
Inventories	**6**	**(2)**	**1**	**–**	**–**	**5**
Trade and other receivables	**7**	**6**	**1**	**–**	**–**	**14**
Trade and other payables	**(47)**	**(14)**	**(6)**	**–**	**–**	**(67)**
Tax loss carry-forwards	**(93)**	**(73)**	**(14)**	**–**	**–**	**(180)**
Deferred income	**75**	**(11)**	**3**	**–**	**–**	**67**
	268	**(66)**	**8**	**–**	**1**	**211**

12.1 Deferred tax assets of R180 million relate to tax loss carry-forwards (2013: R93 million) which will expire between 2018 and 2034 if not utilised.

12.2 A deferred tax asset of R99 million (2013: R90 million) has not been provided in respect of losses, because it is not probable that future taxable income will be available against which benefits can be derived therefrom.

12.3 In certain of the countries in which group entities operate, local tax laws provide that earnings only be taxed in those jurisdictions when the earnings are transferred out of such jurisdictions. It is intended that these earnings be permanently reinvested in those countries. At 31 December 2014 cumulative earnings of approximately R376 million (2013: R274 million) would be subject to income taxes of approximately R113 million (2013: R82 million) if such earnings of foreign entities were transferred out of such jurisdictions in the form of dividends.

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 (2013: nil).

12.5 In the case of the company, the deferred tax liability of nil (2013: R1 million) arose as a result of its participation in export partnerships.

	Group	
	2014 Rm	2013 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)	**646**	629

The terms of the bonds payable and the secured debt facility require that a minimum of nine (2013: 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	
	2014 Rm	2013 Rm
14. Inventories		
Container equipment held for resale	**298**	335
Trading containers	**77**	136
	375	471

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
15. Trade and other receivables				
Trade receivables	**1 129**	1 028	**–**	–
Prepayments	**123**	85	**–**	–
Other	**108**	88	**–**	–
	1 360	1 201	**–**	–
16. Current tax				
Amounts payable at the beginning of the year	**76**	83	**–**	–
Amounts receivable at the beginning of the year	**(3)**	(2)	**–**	–
Amount arising through business combination	**–**	11	**–**	–
Effect of movements in exchange rates	**8**	17	**–**	–
Recognised in profit or loss				
South African normal	**36**	33	**1**	1
Foreign normal	**57**	5	**–**	–
Excess tax benefit on equity-settled share-based payments	**(22)**	(20)	**–**	–
Amounts payable at the end of the year	**(92)**	(76)	**–**	–
Amounts receivable at the end of the year	**–**	3	**–**	–
Amounts paid during the year	**60**	54	**1**	1

	Group	
	2014 Rm	2013 Rm
17. Cash and cash equivalents		
Bank balances	**1 351**	1 239
Call and term deposits	**1 809**	1 505
	3 160	2 744

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
18. **Capital and reserves**				
Share capital				
Authorised				
Ordinary shares of 0,5 cent each				
200 000 000 (2013: 200 000 000)	**1**	1	**1**	1
Issued				
Ordinary shares of 0,5 cent each				
177 068 011 (2013: 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 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
Dividends declared and paid during the year are as follows:				
Final dividend in respect of the financial year 2013 – 158 cents per share (2012: 150 cents per share)	**279**	266	**279**	266
Interim dividend in respect of the financial year 2014 – 72 cents per share (2013: 72 cents per share)	**128**	128	**128**	128
Special dividend – 360 cents per share declared and paid in 2013	**–**	637	**–**	637
	407	1 031	**407**	1 031

A final dividend of 195 cents per share in respect of the financial year 2014 (2013: 158 cents per share) was declared by the board on 20 February 2015. No secondary tax on companies' credits are available. Dividend withholding tax at the rate of 15% is applicable to shareholders who are not exempt from this tax, which results in a net dividend of 165,75 cents per share to these shareholders.

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.

Share-based payment reserve

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

Gain/loss in changes in ownership interests in subsidiaries

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

Preference share amortisation adjustment

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

			Group				
	Current interest rate	Interest fixed or indexed	Annual instalment	Foreign amount			
Repayment terms	% p.a.	to	Rm	**2014 US$m**	2013 US$m	**2014 Rm**	2013 Rm
19. Interest-bearing borrowings							
Secured (refer to note 19.1)							
Bonds:							
Repayable in monthly instalments, final payment in September 2023	3,90	Fixed	357	**262**	292	**3 025**	3 053
Repayable in monthly instalments, final payment in October 2024	3,27	Fixed	348	**296**	–	**3 419**	–
Repaid in May 2014	–	–	–	**–**	73	**–**	763
Repaid in May 2014	–	–	–	**–**	300	**–**	3 138
Repaid in May 2014	–	–	–	**–**	333	**–**	3 487
Term loan:							
Partially repayable in 19 quarterly instalments of $7,9 million, and a final payment in April 2019	1,76	US Prime or LIBOR	365	**476**	–	**5 489**	–
Debt facilities:							
Facility – repayments commencing September 2017, final repayment in May 2019	1,86	LIBOR	–	**852**	775	**9 833**	8 108
Facility repayable in full in August 2015 (refer to note 19.8)	2,42	LIBOR	1 904	**165**	34	**1 904**	350
Revolving debt facilities							
Facility repayable in full in September 2017	1,73	US Prime or LIBOR	–	**685**	649	**7 899**	6 783
Facility repayable in full in April 2016	1,91	LIBOR	–	**126**	121	**1 454**	1 261
Facility – no repayment within revolving period, final repayment estimated in November 2021	2,54	LIBOR	Refer to note 19.2	**170**	161	**1 962**	1 683
Unsecured							
Obligations under instalment sale agreements, final repayment estimated in December 2018	5,99–8,46	Fixed	Refer to note 19.7	**34**	53	**398**	556
Total						**35 383**	29 182
Less unamortised debt issuance costs						**(279)**	(303)
						35 104	28 879
Less current portion included in current liabilities						**(3 128)**	(1 943)
						31 976	26 936

19. **Interest-bearing borrowings (continued)**

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

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

19.3 Debt issuance costs of R135 million (2013: R144 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 borrowing facilities are as follows:

	Group	
	2014 Rm	2013 Rm
Total borrowing facilities	**41 425**	37 580
Actual borrowings at the end of the year	**35 383**	29 182
Unutilised facilities	**6 042**	8 398

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 Repayable out of available free cash flow arising in TAC.

19.8 Subsequent to the year-end, the terms of the facility were amended which extended the conversion date to February 2018 and if not refinanced or renewed within this three-year period, the facility will partially amortise over the following two years and then mature.

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
20. Trade and other payables				
Trade payables	**69**	91	**–**	–
Accrued expenses	**193**	128	**3**	2
Amounts due to container owners	**109**	123	**–**	–
Amounts due in respect of container acquisitions	**731**	249	**–**	–
Other	**3**	3	**2**	1
	1 105	594	**5**	3

21. **Deferred revenue**

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

The deferred revenue which arose prior to the business combination in 2012 was fully amortised by the end of 2013.

	Group	
	2014 Rm	2013 Rm
Balance at the beginning of the year	**38**	41
Amount arising through business combination	**–**	2
Recognised in profit or loss	**(4)**	(10)
Terminations	**–**	(4)
Effect of movements in exchange rates	**3**	9
Balance at the end of the year	**37**	38
Analysed as:		
Non-current deferred revenue	**33**	34
Current deferred revenue	**4**	4
	37	38

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 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	**–**	–	**324**	864
Bargain purchase gain on acquisition of subsidiary	**–**	54	**–**	–
Gain – fair value of option to acquire non-controlling interest	**–**	147	**–**	–
Expenses				
Amortisation of intangible assets	**43**	41	**–**	–
Auditors' remuneration	**21**	20	**3**	1
Audit fee – current year	**20**	16	**3**	1
– under-provision prior year	**–**	4	**–**	–
Other services	**1**	–	**–**	–
Directors' remuneration and benefits	**18**	17	**2**	2
Executive directors				
Short-term employee benefits	**13**	12	**–**	–
Share-based payments – equity-settled	**1**	1	**–**	–
Non-executive directors				
Remuneration	**3**	3	**2**	2
Share-based payments – equity-settled	**1**	1	**–**	–
Impairment (reversals)/losses incurred	**(29)**	170	**–**	(15)
Property, plant and equipment	**18**	86	**–**	–
Investment in subsidiaries	**–**	–	**–**	(15)
Trade and other receivables	**(19)**	96	**–**	–
Trade and other receivables	**(28)**	(12)	**–**	–
Write-down of inventories	**123**	–	**–**	–
Loss on step up to control	**–**	26	**–**	–
Operating leases – premises	**19**	15	**–**	–
Share-based payments included in employee benefits expense – equity-settled	**76**	52	**–**	–
Share-based payments to suppliers – equity-settled	**10**	8	**–**	–
Retirement benefit contributions included in employee benefits expense	**6**	4	**–**	–
23. Net finance expenses/(income)				
Finance expenses – incurred by Textainer and TAC	**1 055**	835	**–**	–
Interest expense	**970**	829	**–**	–
Realised and unrealised losses on derivative financial instruments	**85**	6	**–**	–
Finance income				
Interest income				
Received on cash and cash equivalents	**(13)**	(18)	**–**	–
Received from subsidiary	**–**	–	**–**	(4)
	1 042	817	**–**	(4)

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
24. Income tax expense				
South African normal	**36**	33	**1**	1
Current	**32**	33	**1**	1
Adjustment for prior years	**4**	–	**–**	–
Foreign normal	**57**	5	**–**	–
Current	**94**	6	**–**	–
Adjustment for prior years	**(37)**	(1)	**–**	–
Associated tax credit	**(5)**	(9)	**–**	–
Current year	**(2)**	(3)	**–**	–
Prior year	**(3)**	(6)	**–**	–
South African deferred				
Origination and reversal of temporary differences	**(16)**	23	**(1)**	–
Foreign deferred	**(50)**	31	**–**	–
Origination and reversal of temporary differences	**(41)**	35	**–**	–
Adjustment for prior years	**(2)**	–	**–**	–
Reduction in tax rate	**(7)**	(4)	**–**	–
	22	83	**–**	1
The effective tax rate is reconciled as follows:	**%**	%	**%**	%
Statutory tax rate	**28,0**	28,0	**28,0**	28,0
Non-taxable income	**–**	(2,3)	**(29,3)**	(28,2)
Non-deductible expenses	**0,3**	0,5	**1,3**	0,4
Foreign rate differential	**(25,0)**	(19,5)	**–**	–
Over-provided in prior years	**(1,8)**	(0,5)	**–**	–
Profit from equity accounted investees	**(0,1)**	(2,1)	**–**	–
Operating losses	**–**	(0,8)	**–**	–
Reduction in tax rate	**(0,3)**	(0,2)	**–**	–
Effective tax rate	**1,1**	3,1	**–**	0,2

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

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

25. Earnings per share

	Group 2014	Group 2013
Basic earnings per share		
Profit for the year attributable to equity holders of the company (R million)	**960**	1 391
Weighted average number of shares in issue (million)	**177,1**	177,1
Basic earnings per share (cents)	**542,0**	785,7
Diluted earnings per share is equal to basic earnings per share*		

	Group			
	Gross	Net	Gross	Net
	2014		2013	
	Rm	**Rm**	Rm	Rm
Headline earnings per share				
Profit for the year attributable to equity holders of the company		**960**		1 391
Impairment of property, plant and equipment	**18**	**8**	86	41
Loss on step up to control	**–**	**–**	26	26
Gain on bargain purchase of subsidiary	**–**	**–**	(54)	(54)
Headline earnings attributable to equity holders of the company		**968**		1 404
Weighted average number of shares in issue (million)		**177,1**		177,1
Headline earnings per share (cents)		**546,6**		792,6
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 on translation of long-term receivables, and it may also include such other adjustments that, in the opinion of the board, are necessary to properly represent financial performance.				
Headline earnings attributable to equity holders of the company		**968**		1 404
Net unrealised foreign exchange gain on translation of long-term receivables	**(67)**	**(48)**	(159)	(115)
Gain on modification of debt terms	**–**	**–**	(172)	(172)
Adjusted headline earnings attributable to equity holders of the company		**920**		1 117
Adjusted headline earnings per share (cents)		**519,4**		630,7

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

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
26. Cash generated from operations				
Reconciliation of profit for the year to cash generated from operations:				
Profit for the year	**2 047**	2 403	**309**	872
Adjusted for:				
Finance expenses	**1 055**	835	**–**	–
Finance income	**(13)**	(18)	**–**	(4)
Unrealised foreign exchange gains	**(101)**	(236)	**–**	–
Net decrease in adjustment to the net investment in long-term receivables	**25**	23	**–**	–
Other non-cash flow adjustments to the net investment in long-term receivables	**(2)**	(6)	**–**	–
Depreciation	**1 879**	1 397	**–**	–
Gain – fair value of option to acquire non-controlling interest	**–**	(147)	**–**	–
Carrying value of container leasing equipment identified for sale	**1 577**	1 048	**–**	–
Net impairment (reversals)/losses incurred	**(29)**	130	**–**	(16)
Share-based payments	**88**	62	**–**	–
Amortisation of intangible assets	**43**	41	**–**	–
Finance lease income	**(187)**	(139)	**–**	–
Deferred revenue recognised in profit or loss	**(4)**	(10)	**–**	–
Bargain purchase gain on acquisition of subsidiary	**–**	(54)	**–**	–
Loss on step up to control	**–**	26	**–**	–
Share of profit from equity accounted investees	**(4)**	(182)	**–**	–
Income tax expense	**22**	83	**–**	1
Operating profit before working capital changes	**6 396**	5 296	**309**	853
Working capital changes	**138**	(192)	**2**	2
Decrease/(Increase) in inventories	**62**	(60)	**–**	–
Decrease/(Increase) in trade and other receivables	**16**	(88)	**–**	1
Increase/(Decrease) in trade and other payables	**60**	(44)	**2**	1
Cash generated from operations	**6 534**	5 104	**311**	855

	Group	
	2014 Rm	2013 Rm
27. Operating lease commitments		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	**19**	18
Between one and five years	**19**	33
After five years	**–**	1
	38	52

A number of office premises are leased under operating leases. The leases typically run for periods 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:		
Contracted	**1 018**	643

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 (2013: 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 (2013: 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 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
Share options and restricted share units granted in 2014, net of forfeitures	**(461 027)**
Previously authorised shares cancelled during 2014	**101 549**
Shares available for utilisation under the plans at 31 December 2014	**339 953**

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 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 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
Granted	**225 865**	**–**	**225 865**	**34,14**	**2024**
Vested	**(163 886)**	**163 886**	**–**	**24,05**	**2020**
Exercised	**–**	**(131 076)**	**(131 076)**	**19,07**	**2019**
Expired	**(54 976)**	**–**	**(54 976)**	**17,06**	**2022**
Forfeited	**(22 164)**	**–**	**(22 164)**	**32,91**	**2018**
Outstanding at 31 December 2014	**577 996**	**383 035**	**961 031**	**29,63**	**2022**

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 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
Granted	**235 162**	**29,85**
Vested	**(281 438)**	**21,05**
Forfeited	**(24 409)**	**27,39**
Outstanding at 31 December 2014	**633 218**	**27,99**

The options outstanding at 31 December 2014 had an exercise price ranging from US$7,10 to US$38,36 (2013: US$7,10 to US$38,36) and a weighted average contractual life of 7,6 years (2013: 7,5 years).

The weighted average share price at the date of exercise for share options exercised in 2014 was US$36,97 (2013: US$37,70).

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				
	19 November 2014	14 November 2013	14 November 2012 and 20 January 2012	16 November 2011	18 November 2010
Number of options granted under the 2007 Plan	**225 865**	213 907	201 658	173 350	151 687
Fair value at measurement date (US$)	**10,67**	13,19	9,42	11,60	9,82
Share price at grant date (US$)	**34,14**	38,36	28,21	28,54	28,26
Expected life option time (years)	**5,0**	5,0	5,2 – 5,7	5,7	6,3
Volatility (%)	**54,7**	58,2	62,5 – 67,1	68,0	50,1
Dividend yield (%)	**5,5**	4,9	4,5 – 6,3	4,9	3,8
Risk free % rate (based on US Treasury bonds)	**1,6**	1,3	0,7 – 1,1	1,1	2,0

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	
	2014 Rm	2013 Rm
Equity-settled	**88**	62

29.3 Retirement benefit funds

Membership of the Trencor Pension Fund ('the Fund'), a defined contribution fund governed by the Pension Funds Act, was compulsory for all eligible employees in South Africa. Effective 1 June 2014, the 15 members of the Fund (31 December 2013: 15 members) transferred to the Alexander Forbes Retirement Fund, an umbrella fund arrangement which provides member investment choice from a range of portfolios.

At 31 December 2014 the aggregate share of members of the Fund amounted to R128 million (2013: R116 million) and will be transferred to the Alexander Forbes Retirement Fund on receipt of approval by the Registrar of Pension Funds. 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 entities offer defined contribution plans for their employees in the various jurisdictions in which they are employed. None of these plans have any defined liability in respect of pensioners.

30. **Segment reporting**

Business segments

30.1 There are two operating segments (strategic business units) managed separately as they offer entirely different services. The reportable segments are: 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 the segments relative to other entities that operate within these industries. There is no inter-segment activity.

	Group					
	Container finance		Container owning, leasing, management and trading		Consolidated	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Revenue	**113**	254	**7 942**	6 336	**8 055**	6 590
Goods sold	**–**	–	**1 976**	1 477	**1 976**	1 477
Leasing income	**2**	1	**5 817**	4 682	**5 819**	4 683
Management fees	**–**	–	**149**	177	**149**	177
Finance income	**13**	27	**–**	–	**13**	27
Realised and unrealised exchange losses	**98**	226	**–**	–	**98**	226
Reportable segment profit before net finance expenses and income tax	**66**	196	**3 083**	2 788	**3 149**	2 984
Finance income	**–**	–	**1**	4	**1**	4
Finance expenses	**–**	–	**(1 055)**	(835)	**(1 055)**	(835)
Depreciation and amortisation	**–**	–	**(1 921)**	(1 437)	**(1 921)**	(1 437)
Share of profit of equity accounted investees	**–**	–	**4**	182	**4**	182
Income tax expense	**(12)**	(46)	**(14)**	(40)	**(26)**	(86)
Other material non-cash items:						
Net long-term receivable valuation adjustment	**(25)**	(23)	**–**	–	**(25)**	(23)
Impairment losses:						
Property, plant and equipment	**–**	–	**(18)**	(46)	**(18)**	(46)
Trade receivables recovered/(loss incurred)	**–**	–	**19**	(96)	**19**	(96)
Trade receivables reversed	**–**	–	**28**	12	**28**	12
Write-down of inventories	**–**	–	**(123)**	–	**(123)**	–
Carrying value of container leasing equipment identified for sale	**–**	–	**(1 577)**	(1 048)	**(1 577)**	(1 048)
Share-based payments	**–**	–	**(88)**	(62)	**(88)**	(62)
Reportable segment assets	**688**	876	**51 268**	42 139	**51 956**	43 015
Capital expenditure	**–**	–	**8 653**	6 928	**8 653**	6 928
Reportable segment liabilities	**115**	156	**36 250**	29 538	**36 365**	29 694

30. **Segment reporting (continued)**

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

	Group					
	Reportable segment total	Unallocated	Consolidated total	Reportable segment total	Unallocated	Consolidated total
	2014			2013		
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
Profit before net finance expenses and income tax*	**3 149**	**(42)**	**3 107**	2 984	137	3 121
Finance income	**1**	**12**	**13**	4	14	18
Depreciation and amortisation	**(1 921)**	**(1)**	**(1 922)**	(1 437)	(1)	(1 438)
Income tax (expense)/credit	**(26)**	**4**	**(22)**	(86)	3	(83)
Assets	**51 956**	**1 973**	**53 929**	43 015	1 613	44 628
Liabilities	**36 365**	**343**	**36 708**	29 694	375	30 069

*Unallocated amount includes corporate expenses of R43 million (2013: R40 million).

	Group			
	Assets		Liabilities	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
The following is an analysis of the unallocated assets and liabilities:				
Property, plant and equipment	**–**	1	**–**	–
Investment in equity accounted investee	**92**	57	**–**	–
Other investments	**66**	66	**–**	–
Deferred tax assets/liabilities	**24**	16	**235**	284
Income tax assets/liabilities	**–**	3	**92**	76
Trade and other receivables/payables	**6**	5	**16**	15
Cash and cash equivalents	**1 785**	1 465	**–**	–
	1 973	1 613	**343**	375

30.4 **Major customer**

Leasing revenue from a single customer in the container owning, leasing, management and trading operating segment amounted to 9% (2013: 11%) of leasing revenue. No other customer individually accounted for more than 9% of revenue.

30.5 **Geographic segment information**

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

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
2014								
Financial assets								
Other investments	**–**	**–**	**66**	**–**	**–**	**–**	**66**	**66**
Long-term receivables	**679**	**–**	**–**	**–**	**–**	**–**	**679**	**679**
Net investment in finance leases	**–**	**–**	**–**	**–**	**–**	**2 314**	**2 314**	**2 291**
Derivative financial instruments	**–**	**14**	**–**	**–**	**–**	**–**	**14**	**14**
Restricted cash	**–**	**–**	**–**	**646**	**–**	**–**	**646**	**646**
Trade and other receivables	**–**	**–**	**–**	**1 237**	**–**	**–**	**1 237**	**1 237**
Cash and cash equivalents	**–**	**–**	**–**	**3 160**	**–**	**–**	**3 160**	**3 160**
	679	**14**	**66**	**5 043**	**–**	**2 314**	**8 116**	**8 093**
Financial liabilities								
Interest-bearing borrowings	**–**	**–**	**–**	**–**	**35 383**	**–**	**35 383**	**35 409**
Amounts attributable to third parties in respect of long-term receivables	**115**	**–**	**–**	**–**	**–**	**–**	**115**	**115**
Derivative financial instruments	**–**	**20**	**–**	**–**	**–**	**–**	**20**	**20**
Trade and other payables	**–**	**–**	**–**	**–**	**1 105**	**–**	**1 105**	**1 105**
	115	**20**	**–**	**–**	**36 488**	**–**	**36 623**	**36 649**
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

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

31.1 Categories of financial assets and liabilities (continued)

	Loans and receivables Rm	Liabilities at amortised cost Rm	Total carrying amount Rm	Fair value Rm
2014				
Financial liabilities				
Amounts due to subsidiary	**–**	**768**	**768**	**768**
Trade and other payables	**–**	**5**	**5**	**5**
	–	**773**	**773**	**773**
2013				
Financial assets				
Long-term receivables	1	–	1	1
	1	–	1	1
Financial liabilities				
Amount due to subsidiary	–	672	672	672
Trade and other payables	–	3	3	3
	–	675	675	675

31.2 **Overview**

The risks arising from the use of financial instruments include:

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

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

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

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

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

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

31.3 **Credit risk**

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

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	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Available-for-sale financial assets				
Other investments	**66**	66	**–**	–
Financial assets designated at fair value through profit or loss				
Long-term receivables	**679**	867	**–**	1
Held for trading financial instruments				
Derivative financial instruments	**14**	12	**–**	–
Other financial instruments				
Net investment in finance leases	**2 314**	1 752	**–**	–
Loans and receivables excluding cash and cash equivalents				
Trade receivables	**1 129**	1 028	**–**	–
Restricted cash	**646**	629	**–**	–
Other	**108**	88	**–**	–
Cash and cash equivalents	**3 160**	2 744	**–**	–
	8 116	7 186	**–**	1

Credit risk arises principally from 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 (refer to note 9.2).

The most significant net present value long-term receivable (net of fair value adjustment) at 31 December 2014 ultimately relates to TAC totalling R286 million (2013: R431 million). Approximately 92% (2013: 90%) of the TAC containers measured on a twenty-foot equivalent unit basis are managed by Textainer.

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 policy on the granting of credit limits and continual review and monitoring of these limits. At 31 December 2014 one customer accounted for 9% of the trade receivables (2013: 13%).

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	
	2014 Rm	2013 Rm
Container leasing customers	**1 128**	1 027
Other	**1**	1
	1 129	1 028

Cash and cash equivalents

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

31.3.2 *Impairment losses*

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

	Group							
	Gross[1]	Gross[2]	Total impair-ment	Net trade receiv-ables	Gross[1]	Gross[2]	Total impair-ment	Net trade receiv-ables
	2014				2013			
	Rm	**Rm**	**Rm**	**Rm**	Rm	Rm	Rm	Rm
The ageing of trade receivables at the reporting date was:								
Not past due	**1**	**–**	**–**	**1**	1	–	–	1
Past due 0 - 30 days	**667**	**–**	**(15)**	**652**	556	3	(15)	544
Past due 31 - 120 days	**469**	**1**	**(7)**	**463**	477	28	(36)	469
Past due 121 - 180 days	**13**	**12**	**(12)**	**13**	11	29	(28)	12
More than 180 days	**1**	**107**	**(108)**	**–**	2	96	(96)	2
	1 151	**120**	**(142)**	**1 129**	1 047	156	(175)	1 028

[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	
	2014 Rm	2013 Rm
Balance at the beginning of the year	**175**	68
Impairment loss (recovered)/recognised	**(19)**	96
Impairment loss reversed	**(28)**	(12)
Effect of movements in exchange rates	**14**	23
Balance at the end of the year	**142**	175

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

31.4 **Liquidity risk**

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

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

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

	Group					
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	Total Rm
2014						
Non-derivative financial liabilities						
Bonds payable	**6 444**	**7 539**	**915**	**3 409**	**3 215**	**7 539**
Debt facility	**11 737**	**12 876**	**2 120**	**2 911**	**7 845**	**12 876**
Revolving debt facility	**11 315**	**12 039**	**241**	**11 493**	**305**	**12 039**
Term loan	**5 489**	**5 805**	**455**	**5 350**	**–**	**5 805**
Obligations under instalment agreement	**398**	**410**	**130**	**176**	**104**	**410**
Trade and other payables	**1 105**	**1 105**	**1 105**	**–**	**–**	**1 105**
	36 488	**39 774**	**4 966**	**23 339**	**11 469**	**39 774**
Derivative financial liabilities						
Derivative financial instruments	**20**	**334**	**111**	**233**	**–**	**334**
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

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.

There is no exposure to liquidity risk in respect of amounts attributable to third parties in respect of long-term receivables, as these amounts are required to be paid only when the proceeds from the related long-term receivables are received.

	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						
2014						
Amount due to subsidiary	**768**	**768**	**–**	**768**	**–**	**768**
Trade and other payables	**5**	**5**	**5**	**–**	**–**	**5**
	773	**773**	**5**	**768**	**–**	**773**
2013						
Amount due to subsidiary	672	672	–	672	–	672
Trade and other payables	3	3	3	–	–	3
	675	675	3	672	–	675

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 income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

31.5.1 ***Currency risk***

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

Group entities enter into forward exchange contracts from time to time, and as required, to buy and sell specified amounts of various foreign currencies in the future at predetermined exchange rates. The contracts are entered into in order to manage their exposure to fluctuations in foreign currency exchange rates. The contracts are generally matched with anticipated future cash flows in foreign currencies primarily from sales and purchases. As at 31 December 2014 there was no exposure to forward exchange contracts (2013: nil).

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

	Group					
	2014			2013		
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	**–**	**679**	**679**	–	867	867
Net investment in finance leases	**–**	**2 314**	**2 314**	–	1 752	1 752
Derivative financial instrument	**–**	**14**	**14**	–	12	12
Restricted cash	**–**	**646**	**646**	–	629	629
Trade and other receivables	**3**	**1 234**	**1 237**	2	1 114	1 116
Cash and cash equivalents	**161**	**2 999**	**3 160**	103	2 641	2 744
	230	**7 886**	**8 116**	171	7 015	7 186
Liabilities						
Interest-bearing borrowings	**–**	**32 255**	**32 255**	–	27 239	27 239
Amounts attributable to third parties in respect of long-term receivables	**115**	**–**	**115**	155	–	155
Derivative financial instruments	**–**	**20**	**20**	–	43	43
Trade and other payables	**15**	**1 090**	**1 105**	14	580	594
Current portion of interest-bearing borrowings	**–**	**3 128**	**3 128**	–	1 943	1 943
	130	**36 493**	**36 623**	169	29 805	29 974

The following exchange rates applied during the year:

	2014	2013
Year-end rate US$1=	**R11,54**	R10,46
Average rate US$1=	**R10,78**	R9,67

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 protect the SA rand receipts to do so.

31.5 **Market risk (continued)**

31.5.2 ***Interest rate risk***

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

Textainer has a firm policy that 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.

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

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

	Group	
	2014 Rm	2013 Rm
Fixed rate		
Financial liabilities	**(6 842)**	(10 234)
Variable rate instruments		
Financial assets	**3 806**	3 373
Financial liabilities	**(28 541)**	(18 948)
	(24 735)	(15 575)

Based on the derivative and non-derivative financial asset and liability balances as at 31 December 2014, it is estimated that a 100 basis points increase/decrease in interest rates would result in a decrease/increase in the fair value of interest rate swap derivative liabilities of R244 million (2013: R59 million), an increase/decrease in interest expense on non-derivative financial assets and liabilities of R214 million (2013: R215 million) and a decrease/increase in interest expense on interest rate swap derivative liabilities of R105 million (2013: R51 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31.6 **Capital management**

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

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

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

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Interest-bearing borrowings	**35 104**	28 879	**–**	–
Total equity	**17 221**	14 559	**297**	395
Ratio of interest-bearing borrowings to total equity	**203,8%**	198,4%	**–**	–

The ratio has been affected by the increase in Textainer's interest-bearing borrowings, and the weakening of the SA rand against the US dollar from US$1=R10,46 to US$1=R11,54 as at December 2013 and 2014 respectively.

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

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

31.7 **Fair values**

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

31.7.1 ***Fair value hierarchy***

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

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

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

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

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

	Group			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2014				
Assets				
Long-term receivables	**–**	**–**	**679**	**679**
Other investments	**–**	**66**	**–**	**66**
Interest rate swap contracts	**–**	**14**	**–**	**14**
	–	**80**	**679**	**759**
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	**–**	**–**	**115**	**115**
Interest rate swap contracts	**–**	**20**	**–**	**20**
	–	**20**	**115**	**135**
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 rate swap contracts	–	43	–	43
	–	43	155	198

Valuation techniques for other investments and interest rate swap contracts are referred to in notes 7 and 11 respectively.

31.8 **Fair values (continued)**

31.7.1 ***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	Total Rm
2013			
Balance at the beginning of the year	832	(186)	646
Total gains/(losses) in profit or loss	237	(8)	229
Settlements	(202)	39	(163)
Balance at the end of the year	867	(155)	712
2014			
Total gains/(losses) in profit or loss	**84**	**–**	**84**
Settlements	**(272)**	**40**	**(232)**
Balance at the end of the year	**679**	**(115)**	**564**

Total unrealised 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:

2014			
Total gains or losses included in profit or loss for the year			
Operating profit	**84**	**(3)**	**81**
Associate tax credit	**–**	**3**	**3**
Total unrealised gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year			
Operating profit	**32**	**4**	**36**
2013			
Total gains or losses included in profit or loss for the year			
Operating profit	237	(12)	225
Associate tax credit	–	4	4
Total unrealised 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

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

31.7 **Fair values (continued)**

31.7.1 ***Fair value hierarchy (continued)***

Although the estimates of fair value are considered to be 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	
		2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Interest rates – discount rates					
Long-term receivables	100 basis points	**(19)**	(18)	**–**	–
	(100) basis points	**19**	18	**–**	–
Amounts attributable to third parties in respect of long-term receivables	100 basis points	**3**	3	**–**	–
	(100) basis points	**(3)**	(3)	**–**	–
Exchange rates (SA rand=US$1)					
Long-term receivables	1%	**4**	6	**–**	–
	(1%)	**(4)**	(6)	**–**	–

Long-term receivables and amounts attributable to third parties in respect of long-term receivables are valued by discounting future cash flows. The discount rate applied to the long-term receivables (denominated in US$) is 8,5% p.a. (2013: 8,5% p.a.), and amounts attributable to third parties in respect of long-term receivables is 10% p.a. (2013: 10% p.a.). The discount rates and cash flows are determined according to the estimates and judgements as disclosed in note 34. 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=R11,54 (2013: US$1=R10.46).

The table above demonstrates the effects of a 100 basis point change in discount rates and a one percent change in exchange rates. The method of calculating the sensitivity exposure of the long-term receivables and amounts attributable to third parties in respect of long-term receivables has changed to that of using free cash flows, as opposed to contractual cash flows, which is considered to be a more appropriate and enhanced disclosure. Had the previous method been used in the current year, the amounts would have been: long-term receivables R1 million (2013: R1 million) and amounts attributable to third parties in respect of long-term receivables R1 million (2013: R1 million).

32. **Related parties**

32.1 **Identity of related parties**

The company 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 and capital distribution from trust (refer to notes 8 and 22).
Administration fee paid to subsidiary R6 million (2013: R5 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 entities. No new export partnerships have been concluded with these companies since March 1999.

Certain non-executive directors are also directors of other companies which have transactions with the group entities. The relevant directors do not believe they have the capacity to control or significantly influence the financial or operating policies of those companies. 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 2014 and 2013 was as follows:

2014	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**

Subsequent to the financial year-end, Mr N I Jowell acquired an additional 86 200 shares. There have been no other changes in the above interests between the financial year-end and the date of this report.

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

	Group		**Company**	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Short-term employee benefits	**32**	34	**2**	2
Share-based payments	**28**	18	**–**	–
	60	52	**2**	2
Paid to:				
Directors	**18**	17	**2**	2
Executive officers (Textainer)	**42**	35	**–**	–
	60	52	**2**	2

The number of executive officers for 2014 was 2 (2013: 2).

32. **Related parties (continued)**

The remuneration paid to the directors during the years ended 31 December 2014 and 2013 was as follows:

	Group					
	Guaranteed remu-neration R'000	Contributions to Medical aid R'000	Contributions to Retirement funds R'000	Incentive bonuses R'000	Share-based payments* R'000	Total remu-neration R'000
2014						
Non-executive directors						
J E Hoelter	**1 285**	**–**	**–**	**–**	**413**	**1 698**
D M Nurek	**1 011**	**–**	**–**	**–**	**413**	**1 424**
E Oblowitz	**331**	**–**	**–**	**–**	**–**	**331**
R J A Sparks	**330**	**–**	**–**	**–**	**–**	**330**
H Wessels	**271**	**–**	**–**	**–**	**–**	**271**
	3 228	**–**	**–**	**–**	**826**	**4 054**
Executive directors						
C Jowell	**1 329**	**20**	**–**	**1 042**	**413**	**2 804**
N I Jowell	**2 881**	**28**	**–**	**2 606**	**413**	**5 928**
J E McQueen	**3 022**	**39**	**254**	**593**	**413**	**4 321**
H R van der Merwe	**844**	**39**	**89**	**–**	**–**	**972**
	8 076	**126**	**343**	**4 241**	**1 239**	**14 025**
Aggregate remuneration 2014	**11 304**	**126**	**343**	**4 241**	**2 065**	**18 079**
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

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

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 2014, 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 R165 million (2013: R207 million) (refer to note 9.4).

34. Accounting estimates and judgements

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

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 i.e. seven years) adjusted for a 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 i.e. seven years) 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 believes that forecast and/or assumptions are based on competent industry knowledge and experience.

34.2 Marine cargo containers

34.2.1 *Residual values*

Marine cargo containers are depreciated by the relevant operating companies over their estimated useful lives to their estimated residual values. The estimated useful lives of new non-refrigerated and refrigerated containers that are purchased by such 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 current 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 of the relevant operating companies 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, such management assesses the historical lease operating revenue and expenses and the historical residual values, which are adjusted to reflect current market conditions.