

Notes to the Financial Statements

for the year ended 31 December 2016

1. Reporting entity

Trencor Limited (the 'company') is a company incorporated in the Republic of South Africa. The address of the company's registered office is 13th Floor, The Towers South, Heerengracht, Cape Town, 8001. The consolidated financial statements of the company as at and for the year ended 31 December 2016 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 or otherwise referred to as 'group' and 'company' financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The financial statements were authorised for issue by the board of directors on 28 June 2017.

2.2 Basis of measurement

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

- derivative financial instruments are measured at fair value;
- 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, unless otherwise indicated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates

are recognised in the period in which the estimate is revised and any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 34.

2.5 Adoption of new accounting standards

The adoption of the amendments to IAS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation* has changed the method of amortisation of intangible assets for the group to the straight-line method prospectively from 1 January 2016. The adoption of the amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* and IAS 1: Disclosure Initiative have 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. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date that control ceases.

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

3.1.3 Changes in control

Changes in the group entity's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. Accordingly, gains or losses which arise from acquisitions or disposals of non-controlling interests, calculated based on the carrying value of the assets and liabilities of the subsidiary, are recognised in equity (refer to note 18). When the relative interests of the parent and non-controlling

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

3.1.4 *Non-controlling interests*

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

3.1.5 *Interests in equity-accounted investees*

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

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method and are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements include the group's share of profit or loss, other comprehensive income and equity movements of equity accounted investees, until the date on which significant influence ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments that form part thereof is reduced to nil and recognition of further losses is discontinued except to the extent that the group entity has an obligation or made payments on behalf of the investee. Gains or losses arising on the dilution of investments in associates while maintaining equity accounting, are recognised in profit or loss and the net gain or loss attributable to the group is transferred to the appropriate reserve in equity (refer to note 18).

3.1.6 *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 *Foreign currency*

3.2.1 *Foreign currency transactions*

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional

currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

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

3.2.2 *Foreign operations*

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

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

3.3 *Financial instruments*

3.3.1 *Non-derivative financial instruments*

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

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

3. Significant accounting policies (continued)

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

Available-for-sale financial assets

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

Assets at fair value through profit or loss

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

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.

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

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

3.3.2 *Derivative financial instruments*

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

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

3.3.3 Offsetting

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

3.3.4 Share capital**Ordinary shares**

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

Dividends

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

3.4 Property, plant and equipment**3.4.1 Recognition and measurement**

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

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

3.4.2 Subsequent costs

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

3.4.3 Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of property,

plant and equipment. Leasehold improvements are depreciated over the shorter of the lease term or their useful lives. The estimated useful lives for the current and comparative periods are as follows:

	2016	2015
Container leasing equipment		
Non-refrigerated containers other than open top and flat rack containers	13 – 14	13
Refrigerated containers	12	12
Tanks	20	20
Open top and flat rack containers	14 – 16	14
Plant and machinery	9	9
Motor vehicles	4 – 5	4 – 5
Other equipment	3 – 10	3 – 10

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

3.5 Intangible assets and goodwill

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

3.5.1 Subsequent expenditure

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

3.5.2 Amortisation

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

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

	Years
Container management contracts	11 – 13

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

3.6 Net investment in finance leases

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

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

3. Significant accounting policies (continued)

consideration. Contingent rentals are excluded from the minimum lease payments and are recognised as they are incurred.

3.7 Inventories

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

3.8 Impairment

3.8.1 Financial assets

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

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a group entity considers that there are no realistic

prospects of recovery of the receivable, the relevant amounts are written off. When a subsequent event causes the amount of impairment loss to decrease, and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

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

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

3.8.2 Non-financial assets

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

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

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

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

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

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

3.9 Revenue

3.9.1 Goods sold

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

3.9.2 Leasing income

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 Realised and unrealised exchange gains

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

3.9.5 Dividend income and distributions from trust

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

3.10 Expenses

3.10.1 Operating lease payments

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

3.10.2 Net finance expenses

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

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

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

3. Significant accounting policies (continued)

3.11 Employee benefits

3.11.1 Short-term employee benefits

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

3.11.2 Retirement benefits

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

3.11.3 Share-based payments transactions

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

3.12 Income tax

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

Current tax is the expected tax payable or receivable on the estimated taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects

neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future.

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

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

3.13 Earnings per share

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

3.14 Accounting standards and interpretations in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. The standards and interpretations which may be relevant to the company and group entities are set out below, although early adoption is not anticipated. These will be adopted in the period that they become mandatory unless otherwise indicated.

Effective for the financial year commencing 1 January 2017

Disclosure Initiative (Amendments to IAS 7)

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

The group will provide a reconciliation between the opening and closing balances for liabilities arising from financing activities in the financial statements from the year ending 31 December 2017.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017.

Effective for the financial year commencing 1 January 2018

IFRS 15 Revenue from Contracts with Customers

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

This new standard will have limited impact on the group due to the nature of the revenue earned by group entities. The impact is currently being assessed and more information will be provided in financial statements for the year ending 31 December 2017.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 Financial Instruments

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

This standard will result in changes in the measurement bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an 'incurred loss' model from IAS 39 to an 'expected credit loss' model, which could increase the provision for bad debts recognised in the group.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The impact of the standard is currently being assessed.

Effective for the financial year commencing 1 January 2019

IFRS 16 Leases

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

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

Group				
Leasehold improvements Rm	Container leasing equipment Rm	Plant and machinery Rm	Other equipment and motor vehicles Rm	Total Rm

4. Property, plant and equipment

Cost

2015

Balance at the beginning of the year	21	52 599	20	105	52 745
Additions	–	6 080	–	15	6 095
Effect of movements in exchange rates	8	18 782	7	37	18 834
Transfer to container inventory and finance leases	–	(3 338)	–	–	(3 338)
Disposals	–	–	(2)	–	(2)
Balance at the end of the year	29	74 123	25	157	74 334

2016

Additions	8	7 188	–	14	7 210
Effect of movements in exchange rates	(6)	(9 523)	(2)	(21)	(9 552)
Transfer to container inventory and finance leases	–	(4 377)	–	–	(4 377)
Disposals	(3)	–	(8)	(4)	(15)
Balance at the end of the year	28	67 411	15	146	67 600

Accumulated depreciation and impairment losses

2015

Balance at the beginning of the year	18	7 709	16	91	7 834
Depreciation for the year	1	2 590	–	10	2 601
Effect of movements in exchange rates	7	3 090	5	31	3 133
Impairment loss for the year	–	1 912	–	–	1 912
Transfer to container inventory and finance leases	–	(780)	–	–	(780)
Disposals	–	–	(2)	–	(2)
Balance at the end of the year	26	14 521	19	132	14 698

2016

Depreciation for the year	1	4 848	–	12	4 861
Effect of movements in exchange rates	(4)	(2 127)	(2)	(18)	(2 151)
Impairment loss for the year	–	2 460	–	–	2 460
Transfer to container inventory and finance leases	–	(1 315)	–	–	(1 315)
Disposals	(3)	–	(6)	(4)	(13)
Balance at the end of the year	20	18 387	11	122	18 540

Carrying amounts:

At 1 January 2015	3	44 890	4	14	44 911
At 31 December 2015	3	59 602	6	25	59 636
At 31 December 2016	8	49 024	4	24	49 060

Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 19):

At 31 December 2015	–	59 602	–	–	59 602
At 31 December 2016	–	49 024	–	–	49 024

4.1 Container fleet impairment

Impairment losses of R2 460 million (2015: R1 912 million) have been recognised in respect of the container fleets of Textainer and TAC. These entities are included in the container owning, leasing, management and trading segment (refer to note 30).

4.1.1 R2 107 million (2015: R1 770 million) of the impairment loss was incurred at 31 December 2016 as a result of testing the container fleets for impairment in accordance with the accounting policy (refer to note 3.8.2). Observable evidence that indicated an impairment existed was a further decline in market conditions in 2016. New container prices and lease rates reached historic lows over the course of the year. Used container prices also declined due to lower new container prices and demand.

4.1.2 A further impairment loss of R353 million (2015: R142 million) was incurred in respect of containers on operating leases not recovered from defaulting customers, the most significant being Hanjin (refer to note 22.2).

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

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

Container type	2016		2015	
	Recoverable amount Rm	Impairment Rm	Recoverable amount Rm	Impairment Rm
Non-refrigerated containers other than open top and flatrack containers				
20' Dry freight	15 462	503	19 332	102
40' Hi cube	18 974	1 363	23 139	1 507
40' Dry freight	2 563	(9)	3 242	111
45' Hi cube	12	3	–	–
Refrigerated containers				
20' Refrigerated	261	2	242	9
40' Refrigerated	11 166	234	10 778	40
Open top and flatrack containers				
20' Flatrack containers	205	11	10	1
	48 643	2 107	56 743	1 770

The recoverable amount of the CGUs have been calculated based on their respective value in use. The pre-tax discount rates used to discount the future estimated cash flows were 4,3% (2015: 4,8%) and 5,1% (2015: 5,7%) for Textainer and TAC, respectively. Projected future cash flows were estimated using the assumptions that are part of the long-term planning forecasts of the entities concerned. Some of the significant estimates and assumptions used to determine future expected cash flows were: expected future lease rates, expected utilisation, remaining useful lives, remaining on-hire periods for expired fixed term leases, expected future lease rates, direct container expenses and expected disposal prices of containers. In performing the impairment analysis, assumptions used reflected the contractually stipulated *per diem* rates, with renewal based on current market rates.

4.2 Residual values and change in estimate

Residual values of the container fleets were reassessed at 30 June 2016 and at 31 December 2016. The useful lives of certain container types have also been extended with effect from 30 June 2016 (refer to note 34). The consequence of the reassessment of residual values and the useful lives at 30 June 2016 was a net increase of R663 million in the depreciation charge for the year. The reassessment of residual values at 31 December 2016 will result in an estimated reduction in depreciation in 2017 of R355 million for the year. This estimate presumes no material changes to the composition of the container fleets and no significant changes for the next year to market factors prevailing at 31 December 2016. Changes in these factors will influence the depreciation that may be charged in future periods.

4.3 For commitments in respect of property, plant and equipment refer to note 28.

	Group		Total Rm
	Goodwill Rm	Container management contracts Rm	

5. Intangible assets and goodwill

Cost

2015

Balance at the beginning of the year	128	622	750
Effect of movements in exchange rates	44	214	258
Balance at the end of the year	172	836	1 008

2016

Effect of movements in exchange rates	(22)	(105)	(127)
Balance at the end of the year	150	731	881

Accumulated amortisation

2015

Balance at the beginning of the year	–	334	334
Amortisation for the year	–	60	60
Effect of movements in exchange rates	–	128	128
Balance at the end of the year	–	522	522

2016

Amortisation for the year	–	63	63
Effect of movements in exchange rates	–	(71)	(71)
Balance at the end of the year	–	514	514

Carrying amounts:

At 1 January 2015	128	288	416
At 31 December 2015	172	314	486
At 31 December 2016	150	217	367

- 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 goodwill arose on the step-up to control for TAC as at 1 July 2013 and, for the purposes of impairment testing, has been allocated to the container owning, leasing, management and trading segment in line with synergies expected to be obtained from this business combination. Goodwill was tested for impairment by comparing the carrying values of the CGUs within this segment to the respective recoverable amounts (i.e. value-in-use), using the future cash flow and discount rate assumptions described in note 4. There was no indication that the goodwill was impaired based on the analyses performed at 31 December 2016 and 2015.
- 5.3 The change in amortisation method (refer to note 2.5) applied to intangible assets adopted during the current period resulted in a reduction of amortisation of R11 million for the year.

Group	
2016 Rm	2015 Rm

6. Investment in equity accounted investees

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

Carrying value of associate	121	145
Share of (loss)/profit	(6)	9
Extract from associate's statement of cash flow		
Cash inflow/(outflow) from operating activities	382	(241)
Cash (outflow)/inflow from financing activities	(474)	301

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

Company	
2016 Rm	2015 Rm

7. Other investments

Equity instruments available-for-sale

Unlisted shares – 45

On 17 June 2016, Trencor disposed of the 15% interest held in the companies that own and operate Grand Central Airport in Midrand, Gauteng, which resulted in a net profit after tax of R28 million.

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	(916)	(842)
	154	228

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:

Capital distribution from trust (refer to note 22) 525 419

8.3 The impairment loss arose on impairment of the company's investment in certain subsidiaries to their respective net asset values.

8.4 List of material subsidiaries

	2016 %	2015 %	Place of registration
Indirect beneficiary interests (under the Halco Trust):			
Halco Holdings Inc ('Halco')	100	100	British Virgin Islands
Textainer Group Holdings Limited	48,0	48,3	Bermuda
TAC Limited	100	100	Bermuda
Indirect interests:			
Leasecon International Inc	100	100	British Virgin Islands
Trencor Containers Proprietary Limited	100	100	Republic of South Africa
Direct interests:			
Trencor Services Proprietary Limited	100	100	Republic of South Africa

Textainer

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

Ownership interests held by non-controlling interests (%)	
2016	2015

8. Interest in subsidiaries (continued)

8.1 Non-controlling interest

Non-controlling interest in Textainer	52,0	51,7
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The following is summarised financial information for Textainer, prepared in accordance with IFRS, modified for differences in the accounting policies reflected in note 3. The information is before inter-company eliminations with other group entities.

	Textainer	
	2016 Rm	2015 Rm
Revenue	8 843	8 379
(Loss)/Profit	(3 766)	71
<i>(Loss)/Profit attributable to non-controlling interest*</i>	(2 003)	43
Other comprehensive (loss)/income	(1 986)	4 773
Total comprehensive (loss)/income	(5 752)	4 844
<i>Total comprehensive (loss)/income attributable to non-controlling interest*</i>	(3 097)	2 674
Non-current assets	48 184	58 522
Current assets	3 907	4 957
Non-current liabilities	(4 976)	(43 046)
Current liabilities	(35 495)	(2 619)
Indirect non-controlling interest	(383)	(540)
Net assets	11 237	17 274
<i>Net assets attributable to non-controlling interest</i>	5 834	8 939
Cash outflow from operating activities	(836)	(154)
Cash (outflow)/inflow from investing activities	(390)	322
Cash inflow/(outflow) from financing activities	857	(116)
Net (decrease)/increase in cash and cash equivalents	(369)	52
Dividends paid to non-controlling interest during the year included in cash flow from operating activities	231	626

* Including indirect non-controlling interest.

9. Net investment in long-term receivables

Net investment in long-term receivables comprises:

	Group	
	2016 Rm	2015 Rm
Long-term receivables	–	506
Amounts attributable to third parties in respect of long-term receivables	–	(71)
	–	435
Represented by:		
Total receivables	–	1 022
Less deferred income	–	1
Net present value of long-term receivables	–	1 021
Less amounts attributable to third parties in respect of long-term receivables	65	121
Total amount	66	126
Less deferred expenditure	1	5
Net present value of net investment in long-term receivables	(65)	900
Less fair value adjustment to net investment relating to:		
Long-term receivables	–	381
Amounts attributable to third parties in respect of long-term receivables	–	(36)
	(65)	555
Less current portion of net investment included in:	(65)	120
Current assets	–	134
Current liabilities	(65)	(14)
	–	435

9.1 Total gross receivables in base currency amounted to nil (2015: US\$66 million), as during the year the group received amounts which settled the long-term receivables outstanding in respect of past exports on long-term credit of marine cargo containers.

9.2 Long-term receivables were valued by discounting future cash flows. The discount rate applied to the receivables (denominated in US\$) was 8,5% p.a. (2015: 8,5% p.a.).

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. (2015: 10% p.a.). These will be settled within the next 12 months.

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

Total amounts attributable to third parties	66	126
Less deferred expenditure	1	5
Net present value of amounts attributable to third parties	65	121
Fair value adjustment	–	(36)
Fair value of amounts attributable to third parties	65	85
Current portion	(65)	(14)
	–	71

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
2016			2015		
Rm	Rm	Rm	Rm	Rm	Rm

10. Net investment in finance leases

Amounts receivable under finance leases:

Within one year	561	94	467	931	173	758
Between one and five years	968	89	879	1 605	162	1 443
After five years	109	5	104	23	1	22
	1 638	188	1 450	2 559	336	2 223

Group	
2016	2015
Rm	Rm

Present value of minimum lease payments analysed as:

Non-current finance lease receivables	983	1 465
Current finance lease receivables included in current assets	467	758
	1 450	2 223

- 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 6,72% p.a. (2015: 8,57% p.a.).
- 10.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R69 million (2015: R33 million).
- 10.4 The net investment in finance leases has been pledged as security for a loan (refer to note 19).
- 10.5 The fair value of the net investment in finance leases is R1 451 million (2015: R2 203 million) (refer to note 31).
- 10.6 An impairment loss of R390 million (2015: R37 million) was incurred in respect of containers on finance leases with defaulting customers, the most significant being Hanjin (refer to note 22.2).

Group				
Final maturity	Underlying	Notional amount of contracts outstanding Rm	Fair value	
			Assets Rm	Liabilities Rm

11. Derivative financial instruments

Derivative financial instruments at 31 December comprise:

2016

Type of contract

Interest rate cap contracts	December 2017	Interest rates	7 347	-	-
Interest rate swap contracts	July 2023	Interest rates	18 931	63	17
				63	17

2015

Type of contract

Interest rate cap contracts	December 2016	Interest rates	6 864	-	-
Interest rate swap contracts	July 2023	Interest rates	21 336	10	40
				10	40

- 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 R35 972 million (2015: R39 346 million) of which R26 278 million (2015: R28 200 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.

Group					
Assets		Liabilities		Net	
2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Property, plant and equipment	-	-	354	448	354	448
Net investment in long-term receivables	-	-	47	121	47	121
Investments	-	-	-	8	-	8
Inventories	-	-	5	11	5	11
Trade and other receivables	-	-	5	3	5	3
Trade and other payables	(12)	(13)	-	-	(12)	(13)
Share-based payments	(18)	(29)	-	-	(18)	(29)
Tax loss carry-forwards	(333)	(303)	-	-	(333)	(303)
Deferred income	-	-	-	6	-	6
Tax (assets)/liabilities	(363)	(345)	411	597	48	252
Set-off of tax	345	326	(345)	326	-	-
Net tax (assets)/liabilities	(18)	(19)	66	271	48	252

Movement in temporary differences during the year:

	Group					
	Balance at the beginning of the year Rm	Recognised in profit or loss Rm	Recognised in equity Rm	Exchange adjustment in equity Rm	Long-term receivables Rm	Balance at the end of the year Rm
2016						
Property, plant and equipment	448	(41)	-	(53)	-	354
Net investment in long-term receivables	121	(84)	-	-	10	47
Investments	8	-	(8)	-	-	-
Inventories	11	(5)	-	(1)	-	5
Trade and other receivables	3	3	-	(1)	-	5
Trade and other payables	(13)	1	-	-	-	(12)
Share-based payments	(29)	8	-	3	-	(18)
Tax loss carry-forwards	(303)	(74)	-	44	-	(333)
Deferred income	6	(5)	-	(1)	-	-
	252	(197)	(8)	(9)	10	48
2015						
Property, plant and equipment	259	77	-	112	-	448
Net investment in long-term receivables	100	20	-	-	1	121
Investments	12	-	(4)	-	-	8
Export partnerships	1	(1)	-	-	-	-
Inventories	5	4	-	2	-	11
Trade and other receivables	14	(13)	-	2	-	3
Trade and other payables	(22)	12	-	(3)	-	(13)
Share-based payments	(45)	9	17	(10)	-	(29)
Tax loss carry-forwards	(180)	(50)	-	(73)	-	(303)
Deferred income	67	(65)	-	4	-	6
	211	(7)	13	34	1	252

- 12.1 Deferred tax assets of R333 million relate to tax loss carry-forwards (2015: R303 million) which will expire between 2018 and 2036 if not utilised.
- 12.2 A deferred tax asset of R135 million (2015: R153 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 2016 cumulative earnings of approximately R484 million (2015: R537 million) would be subject to income taxes of approximately R145 million (2015: R161 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 for which deferred tax liabilities have not been recognised (2015: nil).

Group	
2016 Rm	2015 Rm

13. Restricted cash

The restricted cash is held by lenders as additional collateral for Textainer's secured debt facilities and bonds payable (refer to note 19)

737 450

The terms of the bonds payable and the secured debt facility require that a minimum of nine (2015: 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.

14. Inventories

Container equipment held for resale

375 691

Trading containers

59 75

434 766

Group		Company	
2016 Rm	2015 Rm	2016 Rm	2015 Rm

15. Trade and other receivables

Trade receivables*

1 062 1 456 - -

Prepayments

194 137 - 1

Insurance receivables*

559 200 - -

Other

202 137 - -

* Refer to note 22.2.

2 017 1 930 - 1

16. Current tax

Amounts payable at the beginning of the year

144 92 - -

Effect of movements in exchange rates

(18) 36 - -

Recognised in profit or loss

South African normal

162 40 **4** 3

Foreign normal

27 30 - -

Reduced tax benefit on equity-settled share-based payments

8 3 - -

Amounts receivable at the end of the year

18 - - -

Amounts payable at the end of the year

(136) (144) - -

Amounts paid during the year

205 57 **4** 3

Group	
2016 Rm	2015 Rm

17. Cash and cash equivalents

Bank balances

1 330 1 811

Call and term deposits

1 507 2 430

2 837 4 241

Group		Company	
2016 Rm	2015 Rm	2016 Rm	2015 Rm

18. Capital and reserves

Share capital

Authorised

Ordinary shares of 0,5 cent each

200 000 000 (2015: 200 000 000)

1	1	1	1
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Issued

Ordinary shares of 0,5 cent each

177 068 011 (2015: 177 068 011)

1	1	1	1
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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

Dividends declared and paid during the year are as follows:

Final dividend in respect of the financial year 2015 –
220 cents per share (2014: 195 cents per share)

389	345	389	345
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Interim dividend in respect of the financial year 2016 –
80 cents per share (2015: 80 cents per share)

142	142	142	142
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531	487	531	487
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A final dividend of R89 million (50 cents per share) in respect of the financial year ended 31 December 2016 (2015: R389 million – 220 cents per share) was declared by the board on 28 April 2017. Dividend withholding tax at the rate of 20% is applicable to shareholders who are not exempt from this tax, which results in a net dividend of 40 cents per share to these shareholders.

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.

	Group								
	Interest rate as at 31 Dec 2016 % p.a.	Interest rate post-amendments resulting from events after the reporting period % p.a.	Interest fixed or indexed to	Foreign amount		2016 Rm	2015 Rm	Repayment terms	Covenants
				2016 US\$m	2015 US\$m				

19. Interest-bearing borrowings

Secured

(refer to note 19.1)

Bonds:

2013 – 1 Bonds	3.90	3.90	Fixed	202	232	2 748	3 607	Repayable in monthly instalments over a 10-year term with a final payment in September 2023	The bonds contain restrictive covenants on Textainer's leverage and debt service coverage, Textainer's container management subsidiary's net income, debt levels and overall asset base minimum, certain earnings ratios and the average age of container fleets. Covenants also extend to the borrower's ability to incur other obligations and distribute earnings. The total outstanding principal may not exceed an amount which is calculated by a formula based on the borrowers' book value of equipment and the restricted cash and finance leases as specified in the bond indenture. The bonds are secured by a pledge of the borrower's assets. Textainer and its respective subsidiaries were in compliance with these covenants at 31 December 2016.
2014 – 1 Bonds	3.27	3.27	Fixed	236	266	3 205	4 133	Repayable in monthly instalments over a 10-year term with a final payment in September 2024	On 20 April 2017, the bonds were prepaid at par plus accrued interest and the repayment was funded with the proceeds from a new debt facility arranged with several financial institutions (refer to note 36).

Term loan:

Textainer Term Loan	1.93	3.00	US Prime or LIBOR	396	436	5 382	6 773	Repayable in 19 quarterly instalments over a five-year term with a final payment in April 2019	The term loan contains restrictive covenants on Textainer's consolidated net worth, leverage, debt service coverage, debt levels and overall asset base minimum. The total outstanding principal may not exceed the lesser of the commitment amount and an amount which is calculated by a formula based on the borrower's net book value of containers and finance leases designated to the term loan. Textainer acts as an unconditional guarantor of the term loan. The term loan is secured by segregated pools of the borrower's containers. Textainer and the borrower were in compliance with these covenants at 31 December 2016. (refer to note 19.3 for more detail)
									On 27 February 2017, an amendment was entered into in respect of the term loan, implementing a minimum fixed charge coverage ratio for Textainer as the guarantor and a new schedule of periodical minimum interest coverage ratios for the borrower. The interest margin was increased, which varies based on Textainer's leverage. The advance rate will be gradually lowered beginning in July 2017. The borrower is required to maintain a minimum liquidity level and has restricted ability to fund or invest in its subsidiaries (refer to note 36).

Debt facilities:

Textainer debt facility	2.13	3.02	LIBOR	955	892	12 970	13 854	Repayment commencing September 2017 over a four-year term with a final repayment in September 2021.	The secured debt facilities contain restrictive covenants on Textainer's leverage, debt service coverage, Textainer's container management subsidiary's net income, debt levels and overall asset base minimum, certain earnings ratios, the average age of container fleets and in respect of certain containers and covenants on the sales proceeds ratio. Covenants also extend to the borrower's ability to incur other obligations and distribute earnings. The total outstanding principal may not exceed the lesser of the commitment amount and an amount which is calculated by a formula based on the borrowers' book value of equipment, restricted cash and finance leases as specified in the secured debt facility indentures. The total obligations under the debt facilities are secured by a pledge of the borrowers' assets. Textainer and its respective subsidiaries were in compliance with these covenants at 31 December 2016. (refer to note 19.3 for more detail)
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		Group					
Interest rate as at 31 Dec 2016 % p.a.	Interest rate post-amendments resulting from events after the reporting period % p.a.	Interest fixed or indexed to	Foreign amount		2016 Rm	Repayment terms	Covenants
			2016 US\$m	2015 US\$m			
Debt facilities (continued)							
Textainer debt facility							
2,38	3,28	LIBOR	141	177	2 755	Repayment commencing February 2018 over a two-year term with a final repayment in February 2020.	On 27 February 2017, an amendment was entered into which replaced the interest coverage ratio with a debt service coverage ratio. If the debt service coverage ratio is less than 1.20 times, a sweep event is triggered which effectively restricts the borrowers' ability to request new advances and requires it to make principal payments to the extent of all available funds. If the debt service coverage ratio is less than 1.05 times, it triggers an early amortisation event in which the subsidiary is required to make principal payments to the extent of all available funds. The amendment also increased the interest margin. Additional warehouse fees during the sweep event is also required to be paid (refer to note 36).
Revolving credit facilities:							
Textainer revolving credit facility							
1,68	2,78	US Prime or LIBOR	676	574	8 914	Repayable in full in June 2020.	The revolving credit facilities contain restrictive financial covenants on Textainer's consolidated net worth and leverage coverage. The total outstanding principal may not exceed the lesser of the commitment amount and an amount, which is calculated by a formula based on the borrowers' net book value of containers and finance leases designated. Textainer acts as an unconditional guarantor of the revolving credit facility. There are no outstanding letters of credit under the revolving credit facility as of 31 December 2016. The revolving credit facilities are secured by segregated pools of the borrower's containers. Textainer and the borrowers were in compliance with these covenants at 31 December 2016. (refer to note 19.3 for more detail).
Textainer revolving credit facility							
1,73	2,44	LIBOR	175	160	2 485	Repayable in full in July 2020.	On 27 February 2017, an amendment was entered into which implemented a minimum fixed charge coverage ratio for Textainer as the guarantor and a new schedule of periodical minimum interest coverage ratios for the borrower. The interest margin and commitment fee was increased, which varies based on Textainer's leverage. The advance rate will be gradually lowered beginning in July 2017. The borrower is required to maintain a minimum liquidity level and has restricted ability to fund or invest in its subsidiaries (refer to note 36).
Textainer revolving credit facility							
2,18	3,02	LIBOR	150	130	2 011	Repayable in full in December 2018.	The revolving credit facilities contain restrictive covenants on Textainer's consolidated net worth, leverage, debt service coverage, Textainer's container management subsidiary's net income, debt levels and overall asset base minimum, certain earnings ratios, the average age of container fleets and in respect of certain containers and covenants on the sales proceeds ratio. The total outstanding principal may not exceed the lesser of the commitment amount and an amount which is calculated by a formula based on the borrowers' net book value of containers and finance leases. The revolving credit facility is secured by a pledge of the borrower's assets. Textainer and its respective subsidiaries were in compliance with these covenants at 31 December 2016. On 27 February 2017, an amendment was entered into which replaced the interest coverage ratio with a debt service coverage ratio. An early amortisation event, in which the borrower is required to make principal payment to the extent of all available funds, will be triggered if the debt service coverage ratio is less than 1.10 for calendar quarters ending on or before 31 March 2018, or 1.2 times for calendar quarters ending on or after 30 June 2018 (refer to note 36).

		Group						
Interest rate as at 31 Dec 2016 % p.a.	Interest rate post-amendments resulting from events after the reporting period % p.a.	Interest fixed or indexed to	Foreign amount		2015 Rm	2016 Rm	Repayment terms	Covenants
			2016 US\$m	2015 US\$m				

19. Interest-bearing borrowings (continued)

TAC revolving credit facility	2,85	2,85	LIBOR	155	165	2 110	2 554	No repayment within revolving period with final repayment estimated in November 2023.	Under the terms of the facility, payment of dividends and the redemption of shares subject to mandatory redemption can only be made from surplus cash flows after any payments due under the facility. The facility also contains covenants regarding senior funded indebtedness, interest coverage and tangible net worth. On 28 March 2017, an amendment was entered into, which amended the definition of an early amortisation event, which will be triggered if the borrower's earnings before interest and taxes ratio for the calendar quarters ended December 2016 and March 2017 is equal to or less than 1 to 1. In addition, the amounts distributable from the collection account during the period 28 March 2017 to and including 20 November 2017 shall be utilised to (i) make distributions to TAC and pay overhead expenses of the borrower and (ii) to purchase additional containers and to repay amounts owing under the credit agreement. Principal payments on amounts outstanding are required to be made commencing in November 2017 (refer to note 36).
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Unsecured									
TAC obligation under instalment sale agreements				-	19	-	287	Repaid in October 2016.	
TAC obligation under instalment sale agreements				-	36	-	562	Repaid in October 2016.	
Total						41 926	47 935		
Less unamortised debt issuance costs						(258)	(358)		
						41 668	47 577		
Less current portion included in current liabilities						(36 755)	(1 571)		
						4 913	46 006		

- 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 Debt issuance costs of R88 million (2015: R89 million) were capitalised during the year.
- 19.3 On 21 December 2016, Textainer entered into amendments for certain of its secured debt, credit and term loan facilities, whereby the testing of certain covenants was delayed until 28 February 2017. At 31 December 2016, Textainer did not have the unconditional right to defer settlement of R33 767 million of interest-bearing borrowings beyond 31 December 2017, which resulted in these borrowings being recorded as current liabilities in accordance with IFRS. Under US GAAP these amounts due after 31 December 2017 under the facilities are not recorded as current liabilities, as is the case under IFRS.
- 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	
	2016 Rm	2015 Rm
Total borrowing facilities	42 975	57 452
Actual borrowings at the end of the year	41 926	47 935
Unutilised facilities	1 049	9 517

Group		Company	
2016 Rm	2015 Rm	2016 Rm	2015 Rm

20. Trade and other payables

Trade payables	163	173	-	-
Accrued expenses	210	180	13	4
Amounts due to container owners	176	154	-	-
Amounts due in respect of container acquisitions	163	660	-	-
Other	7	3	6	3
	719	1 170	19	7

21. Deferred revenue

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

	Group	
	2016 Rm	2015 Rm
Balance at the beginning of the year	45	37
Recognised in profit or loss	(4)	(4)
Effect of movements in exchange rates	(7)	12
Balance at the end of the year	34	45
Analysed as:		
Non-current deferred revenue	30	40
Current deferred revenue	4	5
	34	45

Group		Company	
2016 Rm	2015 Rm	2016 Rm	2015 Rm

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

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

Income

Capital distribution from trust	-	-	525	419
Compensation receivable from third parties in respect of impairment of property, plant and equipment	289	98	-	-
Realised exchange gains not included in revenue	12	12	11	12

Expenses

Amortisation of intangible assets	63	60	-	-
Auditors' remuneration	42	37	16	4
Audit fee – current year	26	25	9	4
– under provision prior year	16	12	7	-
Directors' remuneration and benefits	19	20	3	2
Executive directors				
Short-term employee benefits	12	13	-	-
Share-based payments – equity-settled	2	2	-	-
Non-executive directors				
Remuneration	4	4	3	2
Share-based payments – equity-settled	1	1	-	-
Impairment losses incurred/(reversals) – financial assets	628	60	-	-
Finance leases – defaulting customers	390	37	-	-
Trade and other receivables – loss incurred	282	64	-	-
Trade and other receivables – loss reversed	(44)	(41)	-	-
Write-down of inventories	527	430	-	-
Operating leases – premises	21	23	-	-
Share-based payments included in employee benefits expense – equity-settled	65	91	-	-
Share-based payments to suppliers – equity-settled	11	9	-	-
Retirement benefit contributions included in employee benefits expense	8	8	-	-

22.2 Hanjin bankruptcy and impairment

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

Based on the current recovery of these containers it has been estimated that the recovery will be 90% of the containers on lease to Hanjin. Accordingly, an impairment has been recorded on the estimated unrecoverable containers of 10%. Insurance is maintained that covers a portion of the exposure related to the value of containers that are unlikely to be recovered from Hanjin, the cost to recover containers, up to 183 days of lost lease rental income and defaulted accounts receivable.

The financial impact of the Hanjin bankruptcy recorded in net loss from operations for the year ended 31 December 2016 is as follows:

	Group		
	Gross loss incurred Rm	Insurance recovery Rm	Net loss incurred Rm
Impairment of net investment in finance leases	325	-	325
Impairment of 10% containers unlikely to be recovered	339	(289)	50
Costs incurred in respect of recovery of containers	282	(282)	-
Impairment of trade receivables	258	(38)	220
Loss/(Recovery)	1 204	(609)	595
Foreign exchange fluctuation included in foreign currency translation reserve	-	50	-
	1 204	(559)	595

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
23. Net finance expenses				
Finance expenses – incurred by Textainer and TAC	1 451	1 199	-	-
Interest expense	1 406	1 025	-	-
Realised and unrealised losses on derivative financial instruments	45	174	-	-
Finance income				
Interest income received on cash and cash equivalents	(57)	(23)	-	-
	1 394	1 176	-	-
24. Income tax (credit)/expense				
South African normal				
Current	162	40	4	3
Foreign normal	28	30	-	-
Current	49	30	-	-
Adjustment for prior years	(21)	-	-	-
Associated tax credit	(4)	(2)	-	-
Current year	(3)	(2)	-	-
Prior year	(1)	-	-	-
South African deferred				
Origination and reversal of temporary differences	(74)	15	-	-
Foreign deferred	(123)	(22)	-	-
Origination and reversal of temporary differences	(132)	28	-	-
Adjustment for prior years	9	(49)	-	-
Reduction in tax rate	-	(1)	-	-
	(11)	61	4	3
The tax expense is reconciled as follows:				
(Loss)/Profit before tax	(3 757)	4	448	415
Tax (credit)/expense at applicable rate of 28% (2015: 28%)	(1 052)	1	126	116
Operating losses not recognised	32	90	-	-
Over-provided in prior years	(14)	(49)	-	-
Foreign loss/(profit) inclusion differential	958	(16)	-	-
Foreign tax rate differential	6	3	-	-
Provision for tax exposures	36	32	-	-
Non-taxable income – capital distribution from trust	-	-	(147)	(117)
Non-deductible expenses in relation to capital distribution from trust	25	4	25	4
Capital gain	(4)	-	-	-
Loss/(Profit) from equity accounted investee	2	(3)	-	-
Effect of reduction in tax rate on recognised temporary differences	-	(1)	-	-
Tax (credit)/expense	(11)	61	4	3

- 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 and include a provision for uncertain tax exposures. Deferred income taxes reflect temporary differences attributable to various jurisdictions at the appropriate statutory tax rates.
- 24.2 Certain group entities participated in export partnerships. As these entities were liable to the partnerships for the tax effect in the first year of their participation, the amount thereof was disclosed as an associated tax charge. In subsequent years the partnerships become liable to the entities for the tax arising as the underlying receivables are collected. The amount thereof is disclosed as an associated tax credit.
- 24.3 Foreign loss/(profit) inclusion differential: A portion of Textainer's profit/loss is treated as effectively connected with its conduct of a trade or business within the United States of America ('U.S.'), and is accordingly subject to U.S. federal income tax. Since only a portion of the profit/loss is taxed at the U.S. federal income tax rate, the portion not included is either not taxable or not deductible.

Group	
2016	2015
Rm	Rm

25. Loss per share

Basic loss per share

Loss for the year attributable to equity holders of the company (R million)	(1 743)	(146)
Weighted average number of shares in issue (million)	177,1	177,1
Basic loss per share (cents)	(984,4)	(82,7)

Diluted loss per share is equal to basic loss per share.

Group			
Gross	Net	Gross	Net
2016		2015	
Rm	Rm	Rm	Rm

Headline (loss)/earnings per share

Loss for the year attributable to equity holders of the company		(1 743)		(146)
Impairment of property, plant and equipment	2 460	1 142	1 912	1 100
Compensation receivable from third party in respect of impairment of property, plant and equipment	(289)	(142)	(98)	(46)
Available-for-sale financial asset – reclassified from other comprehensive income	(33)	(28)	–	–
Headline (loss)/earnings attributable to equity holders of the company		(771)		908
Weighted average number of shares in issue (million)		177,1		177,1
Headline (loss)/earnings per share (cents)		(435,1)		512,6

Diluted headline (loss)/earnings per share is equal to headline (loss)/earnings per share.

Adjusted headline (loss)/earnings per share

Adjusted headline (loss)/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 the 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 (loss)/earnings attributable to equity holders of the company		(771)		908
Net unrealised foreign exchange gains on translation of long-term receivables	–	–	(171)	(123)
Adjusted headline (loss)/earnings attributable to equity holders of the company		(771)		785
Adjusted headline (loss)/earnings per share (cents)		(435,1)		443,3

Diluted adjusted headline (loss)/earnings per share is equal to adjusted headline (loss)/earnings per share.

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
26. Cash generated from operations				
Reconciliation of (loss)/profit for the year to cash generated from operations:				
(Loss)/Profit for the year	(3 746)	(57)	444	412
Adjusted for:				
Finance expenses	1 451	1 199	-	-
Finance income	(57)	(23)	-	-
Realised and unrealised foreign exchange losses/(gains)	94	(276)	-	-
Net decrease in adjustment to the net investment in long-term receivables	(345)	71	-	-
Other non-cash flow adjustments to the net investment in long-term receivables	6	(2)	-	-
Depreciation	4 861	2 601	-	-
Carrying value of container leasing equipment disposed	2 137	1 694	-	-
Write-down of container leasing equipment held for sale	527	430	-	-
Net impairment losses incurred	3 088	1 972	-	-
Share-based payments	79	103	-	-
Amortisation of intangible assets	63	60	-	-
Finance lease income	(167)	(184)	-	-
Deferred revenue recognised in profit or loss	(4)	(4)	-	-
Gain on disposal of available-for-sale financial asset	(33)	-	-	-
Share of loss/(profit) from equity accounted investee	6	(9)	-	-
Income tax (credit)/expense	(11)	61	4	3
Operating profit before working capital changes	7 949	7 636	448	415
Working capital changes	(470)	(75)	13	1
Decrease in inventories	10	22	-	-
Increase in trade and other receivables	(591)	(106)	1	(1)
Increase in trade and other payables	111	9	12	2
Cash generated from operations	7 479	7 561	461	416
			Group	
			2016 Rm	2015 Rm

27. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

Within one year	13	26
Between one and five years	120	122
After five years	152	203
	285	351

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

28. Capital commitments

For container leasing equipment

Contracted	-	166
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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 were exercised in prior periods and consequently there are no share options outstanding. In terms of the Plan, options were previously granted to certain executive directors and employees amounting in aggregate to 6 740 000 shares (2015: 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 (2015: 8 884 209).

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

Textainer

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

	Number of shares
Shares available for utilisation under the plans at 31 December 2014	339 953
Additional shares authorised during 2015	2 000 000
Share options and restricted share units granted in 2015, net of forfeitures	(474 011)
Shares available for utilisation under the plans at 31 December 2015	1 865 942
Share options and restricted share units granted in 2016, net of forfeitures	(655 053)
Shares available for utilisation under the plans at 31 December 2016	1 210 889

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

Share options

	Number of options			Weighted average	
	Unvested	Vested	Total	Exercise price US\$	Expiration year
Outstanding at 31 December 2014	577 996	383 035	961 031	29,63	2022
Granted	257 428	–	257 428	14,20	2025
Vested	(211 196)	211 196	–	28,51	2021
Exercised	–	(32 495)	(32 495)	11,90	2018
Expired	(6 532)	–	(6 532)	30,99	2021
Forfeited	(20 086)	–	(20 086)	33,70	2023
Outstanding at 31 December 2015	597 610	561 736	1 159 346	26,62	2022
Granted	341 532	–	341 532	9,77	2026
Vested	(195 801)	195 801	–	27,72	2023
Expired	(38 317)	–	(38 317)	31,33	2024
Forfeited	(30 748)	–	(30 748)	29,97	2022
Outstanding at 31 December 2016	674 276	757 537	1 431 813	22,41	2023

	Restricted share units	Weighted average fair value at grant date US\$
29.1 Share-based payments (continued)		
Restricted share units		
Outstanding at 31 December 2014	633 218	27,99
Granted	277 336	13,01
Vested	(272 945)	26,00
Forfeited	(20 086)	30,31
Outstanding at 31 December 2015	617 523	21,70
Granted	361 152	9,81
Vested	(254 024)	24,26
Forfeited	(30 748)	25,93
Outstanding at 31 December 2016	693 903	14,72

The options outstanding at 31 December 2016 had an exercise price ranging from US\$7,10 to US\$38,36 (2015: US\$7,10 to US\$38,36) and a weighted average contractual life of 7,2 years (2015: 7,1 years).

No share options were exercised during the year. The weighted average share price at the date of exercise for share options exercised in 2015 was US\$21,91.

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

	Options granted				
	30 November 2016	12 November 2015	19 November 2014	14 November 2013	14 November 2012 and 20 January 2012
Number of options granted under the 2015 Plan	341 532	257 428	225 865	213 907	201 658
Fair value at measurement date (US\$)	4,01	3,16	10,67	13,19	9,42
Share price at grant date (US\$)	9,70	14,20	34,14	38,36	28,21
Expected life option time (years)	5,2	5,2	5,0	5,0	5,2 – 5,7
Volatility %	43,7	44,5	54,7	58,2	62,5 – 67,1
Dividend yield %	-	6,8	5,5	4,9	4,5 – 6,3
Risk free % rate (based on US Treasury bonds)	1,9	1,8	1,6	1,3	0,7 – 1,1

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

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

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

	Group	
	2016 Rm	2015 Rm
Equity-settled	79	103

29.3 Retirement benefit funds

Membership of the Alexander Forbes Retirement Fund, an umbrella fund arrangement which provides member investment choice from a range of portfolios, is compulsory for all eligible employees in South Africa.

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

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

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	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Revenue	(86)	288	9 459	8 989	9 373	9 277
Goods sold	–	–	2 202	1 930	2 202	1 930
Leasing income	2	2	7 099	6 903	7 101	6 905
Management fees	–	–	158	156	158	156
Finance income	1	8	–	–	1	8
Realised and unrealised exchange (losses)/gains	(89)	278	–	–	(89)	278
Reportable segment profit/(loss) before net finance expenses and income tax	240	200	(2 523)	1 004	(2 283)	1 204
Finance income	–	–	12	7	12	7
Finance expenses	–	–	(1 451)	(1 199)	(1 451)	(1 199)
Depreciation and amortisation	–	–	(4 924)	(2 661)	(4 924)	(2 661)
Share of (loss)/profit of equity accounted investee	–	–	(6)	9	(6)	9
Income tax (expense)/credit	(68)	7	92	(67)	24	(60)
Other material non-cash items: Net long-term receivables valuation adjustment	345	(71)	–	–	345	(71)
Impairment losses:						
Finance lease – defaulting customers	–	–	(390)	(37)	(390)	(37)
Property, plant and equipment	–	–	(2 460)	(1 912)	(2 460)	(1 912)
Trade receivables – loss incurred	–	–	(282)	(64)	(282)	(64)
Trade receivables – loss reversed	–	–	44	41	44	41
Write down of inventories	–	–	(527)	(430)	(527)	(430)
Carrying value of container leasing equipment identified for sale	–	–	(2 740)	(2 124)	(2 740)	(2 124)
Share-based payments	–	–	(79)	(103)	(79)	(103)
Reportable segment assets	12	652	55 455	67 325	55 467	67 977
Capital expenditure	–	–	7 210	6 095	7 210	6 095
Reportable segment liabilities	65	85	42 411	48 812	42 476	48 897

Group					
Reportable segment total	Unallocated	Consolidated total	Reportable segment total	Unallocated	Consolidated total
2016			2015		
Rm	Rm	Rm	Rm	Rm	Rm

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

(Loss)/Profit before net finance expenses and income tax*

(Loss)/Profit before net finance expenses and income tax*	(2 283)	(74)	(2 357)	1 204	(33)	1 171
Finance income	12	45	57	7	16	23
Income tax credit/(expense)	24	(13)	11	(60)	(1)	(61)
Assets	55 467	1 656	57 122	67 977	2 614	70 591
Liabilities	42 476	229	42 705	48 897	435	49 332

* Unallocated amount includes corporate expenses of R120 million (2015: R46 million).

Assets		Liabilities	
2016 Rm	2015 Rm	2016 Rm	2015 Rm

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

Investment in equity accounted investee	121	145	-	-
Other investments	-	45	-	-
Deferred tax assets/liabilities	18	19	66	271
Income tax assets/liabilities	18	-	136	144
Trade and other receivables/payables	9	6	27	20
Cash and cash equivalents	1 490	2 399	-	-
	1 656	2 614	229	435

30.4 Major customers

Leasing revenue from two customers in the container owning, leasing, management and trading operating segment amounted to 26% (2015: two customers 22%) of leasing revenue. No other customer individually accounted for more than 10% 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.

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	

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:

2016

Financial assets

Net investment in finance leases	-	-	-	-	-	1 450	1 450	1 451
Derivative financial instruments	-	63	-	-	-	-	63	63
Restricted cash	-	-	-	737	-	-	737	737
Trade and other receivables	-	-	-	1 731	-	-	1 731	1 731
Cash and cash equivalents	-	-	-	2 837	-	-	2 837	2 837
	-	63	-	5 305	-	1 450	6 818	6 819

Financial liabilities

Interest-bearing borrowings	-	-	-	-	41 926	-	41 926	41 300
Amounts attributable to third parties in respect of long-term receivables	65	-	-	-	-	-	65	65
Derivative financial instruments	-	17	-	-	-	-	17	17
Trade and other payables	-	-	-	-	719	-	719	719
	65	17	-	-	42 645	-	42 727	42 101

2015

Financial assets

Other investments	-	-	45	-	-	-	45	45
Long-term receivables	640	-	-	-	-	-	640	640
Net investment in finance leases	-	-	-	-	-	2 223	2 223	2 203
Derivative financial instruments	-	10	-	-	-	-	10	10
Restricted cash	-	-	-	450	-	-	450	450
Trade and other receivables	-	-	-	1 793	-	-	1 793	1 793
Cash and cash equivalents	-	-	-	4 241	-	-	4 241	4 241
	640	10	45	6 484	-	2 223	9 402	9 382

Financial liabilities

Interest-bearing borrowings	-	-	-	-	47 935	-	47 935	47 711
Amounts attributable to third parties in respect of long-term receivables	85	-	-	-	-	-	85	85
Derivative financial instruments	-	40	-	-	-	-	40	40
Trade and other payables	-	-	-	-	1 170	-	1 170	1 170
	85	40	-	-	49 105	-	49 230	49 006

	Company		
	Liabilities at amortised cost Rm	Total carrying amount Rm	Fair value Rm
2016			
Financial liabilities			
Amounts due to subsidiary	916	916	916
Trade and other payables	19	19	19
	935	935	935
2015			
Financial liabilities			
Amount due to subsidiary	842	842	842
Trade and other payables	7	7	7
	849	849	849

31.2 Overview

The risks arising from the use of financial instruments include:

- credit risk;
- liquidity risk; and
- market risk (including currency 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. Financial instruments and risk management (continued)

31.3 Credit risk (continued)

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 as follows:

	Group	
	2016	2015
	Rm	Rm
Financial assets designated at fair value through profit or loss		
Long-term receivables	-	640
Financial assets held for trading		
Derivative financial instruments	63	10
Other financial instruments		
Net investment in finance leases	1 450	2 223
Loans and receivables excluding cash and cash equivalents		
Trade receivables	1 062	1 456
Restricted cash	737	450
Insurance receivables	559	200
Other	202	137
Cash and cash equivalents	2 837	4 241
	6 910	9 357

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

Derivative financial instruments

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

Net investment in finance leases

The credit policy relating to the net investment in finance leases sets different maximum exposure limits for container lessees. Various credit criteria are used to set maximum exposure limits rather than a standardised internal credit rating. Credit criteria to set maximum exposure limits may include, but is not limited to, container lessee trade route, country, social and political climate, assessments of net worth, asset ownership, bank and trade credit references, credit bureau reports, (i.e. from common credit reporting agencies used in the maritime sector), operational history and financial strength. The container lessees' performance and the group's exposures to the lessee are monitored on an ongoing basis, and the credit management processes are aided by the long payment experienced with most of the container lessees and the broad network of long-standing relationships in the shipping industry that provide current information about container lessees. At 31 December 2016, two customers accounted for 50% (2015: 48,8%) of the net minimum lease payments of the net investment in finance leases.

Trade receivables

Credit risk with respect to trade and other receivables is mitigated by the diverse customer base. The risk arising on short-term trade receivables is also managed through a policy on the granting of credit limits and continual review and monitoring of these limits as described above in respect of net investment in finance leases. At 31 December 2016, two customers accounted for 16% of trade receivables (2015: two customers 19%).

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

	Group	
	2016	2015
	Rm	Rm
Container leasing customers	1 061	1 455
Other	1	1
	1 062	1 456

Insurance receivables

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

Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash 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 impairment	Net trade receivables	Gross ¹	Gross ²	Total impairment	Net trade receivables
2016				2015			
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	672	-	(8)	664	830	-	(11)	819
Past due 31 – 120 days	388	-	(7)	381	633	-	(11)	622
Past due 121 – 180 days	12	56	(58)	10	16	10	(13)	13
More than 180 days	19	323	(336)	6	1	185	(185)	1
	1 092	379	(409)	1 062	1 481	195	(220)	1 456

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	
	2016 Rm	2015 Rm
Balance at the beginning of the year	220	142
Impairment loss recognised	282	64
Impairment loss reversed	(44)	(41)
Effect of movements in exchange rates	(49)	55
Balance at the end of the year	(409)	220

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. Financial instruments and risk management (continued)

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.

Textainer entered into amendments for certain of its non-derivative financial liabilities whereby the testing of certain covenants was delayed until 28 February 2017. At 31 December 2016, Textainer did not have the unconditional right to defer settlement of the non-derivative financial liabilities beyond 31 December 2017, which resulted in these non-derivative financial liabilities being recorded as current liabilities. As at 31 December 2016, the contractual maturities of debt facilities, revolving debt facilities and the term loan, including estimated interest payments and excluding the impact of netting agreements, were due or payable in one year or less.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, taking the amendments of the non-derivative financial liabilities identified in events after the reporting period (refer to note 36) into consideration:

	Group					Total Rm
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	
2016						
Non-derivative financial liabilities						
Bonds payable	5 953	6 748	1 018	3 775	1 955	6 748
Debt facilities	14 890	17 208	1 738	15 470	–	17 208
Revolving debt facilities	15 701	17 034	450	15 918	666	17 034
Term loan	5 382	5 642	549	5 093	–	5 642
Trade and other payables	719	719	719	–	–	719
Derivative financial liabilities						
Derivative financial instruments*	17	150	69	81	–	150
	42 662	47 501	4 543	40 337	2 621	47 501
2015						
Non-derivative financial liabilities						
Bonds payable	7 740	8 914	1 198	4 452	3 264	8 914
Debt facility	16 609	18 234	366	8 373	9 495	18 234
Revolving debt facility	15 964	17 218	305	15 649	1 264	17 218
Term loan	6 773	7 116	619	6 497	–	7 116
Obligations under instalment sale agreements	849	978	137	189	652	978
Trade and other payables	1 170	1 170	1 170	–	–	1 170
Derivative financial liabilities						
Derivative financial instruments*	40	387	132	255	–	387
	49 145	54 017	3 927	35 415	14 675	54 017

* 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.

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 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 2016 there was no exposure to forward exchange contracts (2015: 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:

Denominated in	Group					
	2016			2015		
	SA rand Rm	US\$ Rm	Total Rm	SA rand Rm	US\$ Rm	Total Rm
Assets						
Investments	-	-	-	45	-	45
Long-term receivables	-	-	-	-	640	640
Net investment in finance leases	-	1 450	1 450	-	2 223	2 223
Derivative financial instrument	-	63	63	-	10	10
Restricted cash	-	737	737	-	450	450
Trade and other receivables	5	1 818	1 823	3	1 790	1 793
Cash and cash equivalents	853	1 984	2 837	238	4 003	4 241
	858	6 052	6 910	286	9 116	9 402
Liabilities						
Interest-bearing borrowings	-	41 926	41 926	-	47 935	47 935
Amounts attributable to third parties in respect of long-term receivables	65	-	65	85	-	85
Derivative financial instruments	-	17	17	-	40	40
Trade and other payables	26	693	719	17	1 153	1 170
	91	42 636	42 727	102	49 128	49 230

The following exchange rates applied during the year:

Year-end rate: US\$1=	R13,58	R15,53
Average rate: US\$1=	R14,72	R12,75

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

31. Financial instruments and risk management (continued)

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	
	2016 Rm	2015 Rm
Fixed rate		
Financial liabilities	(5 953)	(8 589)
Variable rate instruments		
Financial assets	3 574	4 691
Financial liabilities	(35 973)	(39 346)
	(32 399)	(34 655)

Based on the derivative and non-derivative financial asset and liability balances as at 31 December 2016, 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 R304 million (2015: R296 million), an increase/decrease in net interest expense on non-derivative financial assets and liabilities of R334 million (2015: R286 million) and a decrease/increase in interest expense on interest rate swap derivative liabilities of R194 million (2015: R170 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	
	2016 Rm	2015 Rm
Interest-bearing borrowings (net of unamortised debt issuance costs)	41 668	47 577
Total equity	14 417	21 259
Ratio of interest-bearing borrowings to total equity (%)	289,0	223,8

The ratio has been affected by the increase in Textainer's interest-bearing borrowings, and the strengthening of the SA rand against the US dollar from US\$1=R15,53 to US\$1=R13,58 as at December 2015 and 2016 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 are measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

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

	Group			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2016				
Assets				
Interest rate swap contracts	–	63	–	63
	–	63	–	63
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	65	65
Interest rate swap contracts	–	17	–	17
	–	17	65	82
2015				
Assets				
Long-term receivables	–	–	640	640
Other investments	–	45	–	45
Interest rate swap contracts	–	10	–	10
	–	55	640	695
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	85	85
Interest rate swap contracts	–	40	–	40
	–	40	85	125

Valuation techniques for interest rate swap contracts are referred to in note 11.

31. Financial instruments and risk management (continued)

31.7 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
2015			
Balance at the beginning of the year	679	(115)	564
Total gains/(losses) in profit or loss	218	(9)	209
Settlements	(257)	39	(218)
Balance at the end of the year	640	(85)	555
2016			
Total gains/(losses) in profit or loss	288	(29)	259
Settlements	(928)	49	(879)
Balance at the end of the year	-	(65)	(65)

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

2016

Total gains/(losses) gains or losses included in profit or loss for the year

Operating profit	288	(42)	246
Associate tax credit	-	13	13

Total unrealised gains/(losses) for the year included in profit or loss for assets and liabilities held at the end of the year

Operating profit	-	(22)	(22)
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2015

Total gains/(losses) included in profit or loss for the year

Operating profit	218	(11)	207
Associate tax credit	-	2	2

Total unrealised gains/(losses) for the year included in profit or loss for assets and liabilities held at the end of the year

Operating profit	150	(2)	148
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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).

Capital distribution from trust (refer to notes 8 and 22).

Administration fee paid to subsidiary R6 million (2015: R6 million).

32.3 Transactions with key management personnel

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

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

The number of shares held by the directors and their associates in the issued share capital of the company at 31 December 2016 and 2015 was as follows:

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

Cecil Jowell and Neil Jowell retired on 5 August 2016. At that date, the total number of shares they held was 5 422 760 and 5 713 050 respectively.

2015

Cecil Jowell	159 831	5 262 929	5 422 760
Neil Jowell	47 832	5 665 218	5 713 050
Jimmy McQueen	49 649	102 133	151 782
David Nurek	–	10 000	10 000
Eddy Oblowitz	10 000	–	10 000
Roddy Sparks	–	4 000	4 000
Herman Wessels	–	27 859	27 859
	267 312	11 072 139	11 339 451

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

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

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Short-term employee benefits	36	43	3	2
Share-based payments	29	34	–	–
	65	77	3	2
Paid to:				
Directors	19	20	3	2
Executive officers (Textainer)	46	57	–	–
	65	77	3	2

The number of executive officers for 2016 was 2 (2015: 2).

32. Related parties (continued)

The remuneration paid to the directors during the years ended 31 December 2016 and 2015 was as follows:

	Guaranteed remuneration R'000	Contributions to		Incentive bonuses R'000	Share-based payments* R'000	Total remuneration R'000
		Medical aid R'000	Retirement funds R'000			
2016						
Non-executive directors						
Jim Hoelter	1 275	-	-	-	345	1 620
David Nurek	1 544	-	-	-	690	2 234
Eddy Oblowitz	382	-	-	-	-	382
Roddy Sparks	379	-	-	-	-	379
Herman Wessels	357	-	-	-	-	357
	3 937	-	-	-	1 035	4 972
Executive directors						
Cecil Jowell	1 299	14	-	-	345	1 658
Neil Jowell	3 018	24	-	-	345	3 387
Jimmy McQueen	4 020	47	319	-	690	5 076
Ric Sieni	2 192	43	221	-	-	2 456
Hennie van der Merwe	965	47	101	-	-	1 113
	11 494	175	641	-	1 380	13 690
Aggregate remuneration 2016	15 431	175	641	-	2 415	18 662
2015						
Non-executive directors						
Jim Hoelter	1 654	-	-	-	659	2 313
David Nurek	1 245	-	-	-	659	1 904
Eddy Oblowitz	356	-	-	-	-	356
Roddy Sparks	354	-	-	-	-	354
Herman Wessels	323	-	-	-	-	323
	3 932	-	-	-	1 318	5 250
Executive directors						
Cecil Jowell	1 542	22	-	840	659	3 063
Neil Jowell	3 202	43	-	2 100	659	6 004
Jimmy McQueen	3 334	43	266	478	659	4 780
Hennie van der Merwe	902	43	95	100	-	1 140
	8 980	151	361	3 518	1 977	14 987
Aggregate remuneration 2015	12 912	151	361	3 518	3 295	20 237

* 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 2016, 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 R66 million (2015: R126 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 Marine cargo containers

34.1.1 *Residual values and useful lives of containers*

IFRS requires the reassessment of the residual values and useful lives of containers at each reporting period, which are then used to determine the amount by which containers are depreciated. In accordance with IFRS, residual values are determined using current market conditions and are therefore likely to fluctuate over time as market prices fluctuate (i.e. will reflect market volatility). IFRS defines the residual value of a container as the estimated amount that would currently be obtained from the disposal of a container, after deducting the estimated costs of disposal, as if the container were already of the age and in the condition expected at the end of its useful life. The resale values of containers can vary significantly depending on, among other factors, location at time of sale, the condition of the container, customer demand and overall market conditions. Recent average sales prices for containers were considered by major asset type and the residual values were adjusted accordingly at 30 June 2016 and again at 31 December 2016.

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

Useful lives are also reassessed at each reporting period with reference to the average age at disposal date according to historical internal sales data, by container type. At 30 June 2016 the useful lives of 40' dry freight containers, 20' folding flat rack containers, 20' open top containers and 40' flat rack containers were reassessed, as a result of leases with longer terms being entered into on these equipment types. Based on this extended period of useful lives and the expectation that new equipment lives on these equipment types would remain near those levels, the useful lives of these container types were extended with effect from 1 July 2016.

34.1.2 *Impairment*

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

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

34.2 Hanjin bankruptcy and impairment

On 31 August 2016, Hanjin filed for bankruptcy protection in South Korea. In the following months its services ceased operation. At the time of its insolvency Hanjin was the 7th largest shipping line in the world and its bankruptcy has substantially impacted Textainer.

Containers leased to Hanjin with ownership interests attributable to Textainer represented approximately 4.8% of the Textainer owned and managed fleet expressed in 20 foot equivalent units. Substantial losses from the Hanjin bankruptcy have been incurred, arising from container recovery expenses, unpaid current and future rental income from Hanjin, container repair expenses, container repositioning expenses, re-leasing expenses and the loss of unreturned containers (refer to note 22.2).

On 16 February 2017 Textainer disclosed that 80% of the containers formerly leased to Hanjin had been either turned in to Textainer or approved for return. It was also disclosed that a further 13% of the containers are under active recovery discussions. It may be uneconomic or impossible to recover certain containers under recovery discussions and Textainer may not recover a meaningful number of the containers not currently accounted for. The financial effects related to the Hanjin default will continue in 2017. It is estimated that 10% of the containers will not be recovered.

35. Going concern

The directors consider the company and its subsidiaries to have adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the group and company financial statements. At 31 December 2016 current liabilities exceeded current assets, however, subsequent to the year end, amendments to the secured debt, credit and term loan facilities resulted in R32 241 million being classified as non current (refer to note 36).

36. Events after the reporting period

Subsequent to 31 December 2016, on 27 February 2017, Textainer entered into amendments to the terms of certain of its interest-bearing borrowings, which resulted in various changes to the related covenants and an increase in the interest with effect from that date (refer to note 19 for details). As a result these amendments, R32 241 million of interest-bearing borrowings, which are reflected as current liabilities at 31 December 2016, will become due after 31 December 2017.

On 20 April 2017 Textainer prepaid certain debt facilities with a total aggregate principal balance of more than R5 758 million and funded the repayment with proceeds from a new debt facility arranged with several financial institutions.

On 22 May 2017, one of Textainer's subsidiaries, issued R5 552 million of secured bonds. The bonds comprise of R4 627 million in Class A and R925 million in Class B bonds. The bonds will be repayable over a weighted average life of 4,65 years. The proceeds from the issuance of the bonds were used to pay down certain short-term borrowings. The bonds are secured by a pledge of the subsidiary's intermodal shipping container assets.

The financial impact of these transactions is still to be assessed.