

Audit committee report

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

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Trencor Limited, comprising the statements of financial position at 31 December 2009, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

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

Approval of group annual financial statements and annual financial statements

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

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18	Statements of financial position
19	Statements of comprehensive income
20	Statements of changes in equity
22	Statements of cash flows
23	Notes to the financial statements

Signed on behalf of the board

N I Jowell Chairman

E Oblowitz Director and chairman of the audit committee

Cape Town
16 April 2010

Independent Auditor's Report

To the members of Trencor Limited

We have audited the group annual financial statements and the annual financial statements of Trencor Limited, which comprise the statements of financial position at 31 December 2009, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 16 to 67.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Trencor Limited at 31 December 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc

Registered Auditor

Per L P Smith
Chartered Accountant (SA)
Registered Auditor
Director
Cape Town
16 April 2010

Declaration by the Company Secretary

It is hereby certified that for the year ended 31 December 2009, the company has lodged with the Registrar of Companies all returns as are required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

Trencor Services (Pty) Ltd
Secretaries
Per G W Norval
Cape Town
16 April 2010

General review

The nature of the company's business is described on page 1. The financial results are reflected in the financial statements on pages 18 to 67.

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

	2009 Rm	2008 Rm
Container operations		
Container finance	19	53
Textainer	486	362
Exchange translation (losses)/gains	(215)	312
Net long-term receivable adjustment	(11)	–
Interest and other corporate items	(27)	(16)
Discontinued operations	7	(48)
	259	663

Directors and secretary

The names of the directors appear on page 2 and that of the secretary on page 68. Mr H A Gorvy resigned as a director on 31 March 2009 and Mr R J A Sparks was appointed as a director on 27 July 2009.

In terms of the articles of association Messrs C Jowell, D M Nurek and E Oblowitz retire by rotation at the forthcoming annual general meeting and Mr R J A Sparks, who was appointed as a director after the preceding annual general meeting, also retires. These retiring directors are eligible and offer themselves for re-election.

Brief résumés of the directors are presented on page 69.

Directors' interests

The aggregate of the direct and indirect beneficial interests of the directors in the issued shares of the company at 31 December 2009 was 11,8% (2008: 11,8%).

The direct and indirect beneficial interests of each director who held in excess of 1% of the issued shares at 31 December 2009 and 2008 were as follows:

	2009 %	2008 %
C Jowell	5,8	5,8
N I Jowell	5,9	5,9

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

Cash dividends

	Payment number	Record date	Payment date	Cents per share	Total Rm
2008					
Interim	85	05/09/08	08/09/08	35,0	66
Final	86	03/04/09	06/04/09	75,0	140
2009					
Interim	87	04/09/09	07/09/09	35,0	66
Final	88	26/03/10	29/03/10	85,0	159

The Trecor Share Option Plan

In terms of The Trecor Share Option Plan, options have been granted to certain executive directors and employees amounting in aggregate to 6 740 000 ordinary shares in the unissued share capital of the company.

The maximum number of shares available for utilisation under the Plan was 8 884 209 (2008: 8 884 209).

During 2009 options in respect of 70 000 ordinary shares of 0,5 cent each (2008: 103 000 shares) were exercised at the offer price of R5,25 per share and, accordingly, the issued share capital increased by the issue of an additional 70 000 shares.

Corporate governance

The report on corporate governance is presented on pages 9 to 14.

Interest in significant subsidiaries

	Share capital and premium million	Effective interest		Shares at cost		Amount owing to company	
		2009 %	2008 %	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Indirect:							
Textainer Group Holdings Ltd ¹ (Incorporated in Bermuda) Owning, leasing, managing and reselling of marine cargo containers	US\$162	62,3 ²	62,6 ³	-	-	-	-
Direct:							
Trencor Container Holdings (Pty) Ltd (Incorporated in the Republic of South Africa) Holding company of Trencor Containers (Pty) Ltd	R4	100	100	51	51	-	-
Trencor Services (Pty) Ltd (Incorporated in the Republic of South Africa) Corporate administration and financing	R1 012	100	100	1 017	1 017	(286)	(301)
				1 068	1 068	(286)	(301)
Aggregate of all other subsidiaries				384	384	-	-
				1 452	1 452	(286)	(301)
Less impairment loss				(352)	(355)	-	-
				1 100	1 097	(286)	(301)

¹ 62,3% of the issued shares of Textainer at 31 December 2009 are owned by Halco Holdings Inc ('Halco'). Halco is incorporated in the British Virgin Islands and is wholly-owned by the Halco Trust, a trust resident in Liechtenstein. Trencor and certain of its wholly-owned South African subsidiaries are the nominated beneficiaries of the Halco Trust. The protectors of the Halco Trust are Messrs C Jowell, N I Jowell, J E McQueen, D M Nurek and E Oblowitz.

² Reduced to 62,1% on 2 January 2010 following the issue of restricted share units.

³ Reduced to 62,3% on 3 January 2009 following the issue of restricted share units.

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

	2009 Rm	2008 Rm
Profits	500	755
Losses	(228)	(76)
	272	679

Special resolution

At the annual general meeting held on 11 June 2009, shareholders passed a special resolution, which was registered on 25 June 2009, to grant the company a general authority for the acquisition by the company or any of its subsidiaries of shares issued by the company. This authority is valid until the earlier of the next annual general meeting or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that it shall not extend beyond fifteen months from the date of passing of the resolution.

Special resolutions of subsidiaries

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

Analysis of shareholders

An analysis of shareholders and of holders who held 3% or more of the issued shares at 31 December 2009 is presented on page 68.

Statements of Financial Position

at 31 December 2009

	Notes	Group		Company	
		2009 Rm	2008 Rm	2009 Rm	2008 Rm
Assets					
Property, plant and equipment	4	7 858	9 198	–	–
Intangible assets	5	493	591	–	–
Investments	6	272	33	–	15
Investment in subsidiaries	7	–	–	1 100	1 097
Amount due by subsidiary	7	–	–	82	67
Long-term receivables	8	838	1 339	2	2
Net investment in finance leases	9	447	698	–	–
Derivative financial instruments	10	5	–	–	–
Deferred tax assets	11	101	6	–	–
Restricted cash	12	48	149	–	–
Total non-current assets		10 062	12 014	1 184	1 181
Inventories	13	9	15	–	–
Trade and other receivables	14	767	849	–	–
Current tax assets	15	2	2	–	–
Assets classified as held for sale	25	11	139	–	–
Cash and cash equivalents	16	1 104	1 445	–	–
Total current assets		1 893	2 450	–	–
Total assets		11 955	14 464	1 184	1 181
Equity					
Issued capital	17	1	1	1	1
Share premium		456	455	456	455
Reserves	17	3 384	4 046	357	353
Total equity attributable to equity holders of the company		3 841	4 502	814	809
Non-controlling interest		1 905	2 117	–	–
Total equity		5 746	6 619	814	809
Liabilities					
Interest-bearing borrowings	18	4 538	6 151	–	–
Amounts attributable to third parties in respect of long-term receivables	8	204	243	–	–
Amount due to subsidiary	7	–	–	368	368
Derivative financial instruments	10	66	180	–	–
Deferred revenue	19	83	–	–	–
Deferred tax liabilities	11	230	271	1	1
Total non-current liabilities		5 121	6 845	369	369
Trade and other payables	20	389	274	1	2
Current tax liabilities	15	138	164	–	1
Current portion of interest-bearing borrowings	18	500	538	–	–
Deferred revenue	19	58	–	–	–
Liabilities classified as held for sale	25	3	24	–	–
Total current liabilities		1 088	1 000	1	3
Total liabilities		6 209	7 845	370	372
Total equity and liabilities		11 955	14 464	1 184	1 181

Statements of Comprehensive Income

for the year ended 31 December 2009

	Notes	Group		Company	
		2009 Rm	2008 Re-presented Rm	2009 Rm	2008 Rm
Continuing operations					
Revenue	3, 31	1 958	3 299	229	189
Other operating income		8	–	10	–
Changes in inventories		(452)	(585)	–	–
Direct leasing expenses		(325)	(208)	–	–
Staff costs		(191)	(210)	–	–
Depreciation		(378)	(376)	–	–
Other operating expenses		(186)	(286)	(4)	(351)
Net long-term receivable fair value adjustment		130	(179)	–	–
Operating profit/(loss) before net finance income/ (expenses)	21	564	1 455	235	(162)
Net finance income/(expenses)	22	71	(333)	6	7
Finance expenses					
Interest expense		(95)	(211)	–	–
Realised and unrealised losses on derivative financial instruments		(29)	(171)	–	–
Finance income					
Interest income		20	49	6	7
Gain on early extinguishment of debt		175	–	–	–
Profit/(Loss) before tax		635	1 122	241	(155)
Income tax credit/(expense)	23	32	(125)	(22)	(19)
Profit/(Loss) for the year from continuing operations		667	997	219	(174)
Discontinued operations					
Profit/(Loss) for the year from discontinued operations after tax	24	24	(81)	–	–
Profit/(Loss) for the year		691	916	219	(174)
Other comprehensive (loss)/income		(1 205)	1 345	(9)	–
Foreign currency translation differences		(1 196)	1 344	–	–
Net change in fair value of available-for-sale financial asset		(2)	1	(2)	–
Net change in fair value of available-for-sale financial asset transferred to profit or loss		(7)	–	(7)	–
Total comprehensive (loss)/income for the year		(514)	2 261	210	(174)
Total comprehensive (loss)/income for the year attributable to:					
Equity holders of the company		(471)	1 459	210	(174)
Non-controlling interest		(43)	802	–	–
		(514)	2 261	210	(174)
Profit/(Loss) for the year attributable to:					
Equity holders of the company		259	663	219	(174)
Non-controlling interest		432	253	–	–
		691	916	219	(174)
Basic earnings per share (cents)	26				
Entity as a whole		138,1	353,8		
Continuing operations		134,7	379,2		
Discontinued operations		3,4	(25,4)		
Diluted earnings per share (cents)	26				
Entity as a whole		138,0	353,2		
Continuing operations		134,6	378,6		
Discontinued operations		3,4	(25,4)		

Statements of Changes in Equity

for the year ended 31 December 2009

Attributable

Group	Attributable		
	Share capital Rm	Share premium Rm	Fair value reserve Rm
Balance at 31 December 2007	1	455	18
Total comprehensive income for the year			
Profit for the year	-	-	-
Other comprehensive income for the year			
Foreign currency translation differences	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	1
Total other comprehensive income for the year	-	-	1
Total comprehensive income for the year	-	-	1
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	-	-	-
Dividends paid to equity holders	-	-	-
Total contributions by/(distributions to) owners	-	-	-
Balance at 31 December 2008	1	455	19
Total comprehensive loss for the year			
Profit for the year	-	-	-
Other comprehensive loss for the year			
Foreign currency translation differences	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	(2)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	(7)
Total other comprehensive loss for the year	-	-	(9)
Total comprehensive (loss)/income for the year	-	-	(9)
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	-	-	-
Share options exercised	-	1	-
Dividends paid to equity holders	-	-	-
Liquidation dividend paid by subsidiary	-	-	-
Total contributions by/(distributions to) owners	-	1	-
Total changes in ownership interests in subsidiaries	-	-	-
Total transactions with owners	-	1	-
Balance at 31 December 2009	1	456	10

Company	Attributable		
	Share capital Rm	Share premium Rm	Fair value reserve Rm
Balance at 31 December 2007	1	455	9
Total comprehensive loss for the year			
Loss for the year	-	-	-
Total comprehensive loss for the year	-	-	-
Transactions with owners, recorded directly in equity			
Distributions to owners			
Dividends paid to equity holders	-	-	-
Total distributions to owners	-	-	-
Balance at 31 December 2008	1	455	9
Total comprehensive income for the year			
Profit for the year	-	-	-
Change in fair value of available-for-sale financial asset	-	-	(2)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	(7)
Total other comprehensive loss for the year	-	-	(9)
Total comprehensive (loss)/income for the year	-	-	(9)
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share options exercised	-	1	-
Dividends paid to equity holders	-	-	-
Total contributions by/(distributions to) owners	-	1	-
Balance at 31 December 2009	1	456	-

to equity holders of the company							
Foreign currency translation reserve	Equity compen- sation reserve	Gain on dilution of investment in subsidiaries	Retained income	Total	Non- controlling interest	Total equity	
Rm	Rm	Rm	Rm	Rm	Rm	Rm	
48	67	282	2 315	3 186	1 429	4 615	
-	-	-	663	663	253	916	
795	-	-	-	795	549	1 344	
-	-	-	-	1	-	1	
795	-	-	-	796	549	1 345	
795	-	-	663	1 459	802	2 261	
-	31	-	-	31	18	49	
-	-	-	(174)	(174)	(132)	(306)	
-	31	-	(174)	(143)	(114)	(257)	
843	98	282	2 804	4 502	2 117	6 619	
-	-	-	259	259	432	691	
(721)	-	-	-	(721)	(475)	(1 196)	
-	-	-	-	(2)	-	(2)	
-	-	-	-	(7)	-	(7)	
(721)	-	-	-	(730)	(475)	(1 205)	
(721)	-	-	259	(471)	(43)	(514)	
-	25	-	-	25	15	40	
-	-	-	-	1	-	1	
-	-	-	(206)	(206)	(139)	(345)	
-	-	-	-	-	(55)	(55)	
-	25	-	(206)	(180)	(179)	(359)	
-	-	(10)	-	(10)	10	-	
-	25	(10)	(206)	(190)	(169)	(359)	
122	123	272	2 857	3 841	1 905	5 746	
Preference share amortisation adjustment	Equity compen- sation reserve	Retained income	Total				
Rm	Rm	Rm	Rm				
600	2	90	1 157				
-	-	(174)	(174)				
-	-	(174)	(174)				
-	-	(174)	(174)				
-	-	(174)	(174)				
600	2	(258)	809				
-	-	219	219				
-	-	-	(2)				
-	-	-	(7)				
-	-	-	(9)				
-	-	219	210				
-	-	-	1				
-	-	(206)	(206)				
-	-	(206)	(205)				
600	2	(245)	814				

Statements of Cash Flows

for the year ended 31 December 2009

	Notes	Group		Company	
		2009 Rm	2008 Re-presented Rm	2009 Rm	2008 Rm
Cash flows from operating activities					
Cash generated from operations	27	1 483	1 837	224	185
Acquisition of container leasing equipment		(1 162)	(2 550)	–	–
Finance income received		20	51	6	7
Finance expenses paid		(201)	(248)	–	–
Dividends paid to shareholders of the company		(206)	(174)	(206)	(174)
Dividends paid to non-controlling interest		(139)	(132)	–	–
Income taxes paid	15	(82)	(69)	(23)	(18)
Net cash (outflow)/inflow from operating activities		(287)	(1 285)	1	–
Cash flows from investing activities					
Acquisition of property, plant and equipment		(17)	(9)	–	–
Acquisition of intangible assets		(115)	(1)	–	–
Increase in unlisted investments		(289)	–	–	–
Loan repaid by subsidiary		–	–	–	6
Shares acquired in subsidiary		–	–	–	(375)
Proceeds on disposal of investment		13	89	13	–
Amounts advanced to subsidiary		–	–	(15)	–
Decrease in finance leases		322	117	–	–
Repayment of long-term loans		–	4	–	–
Decrease in restricted cash		79	5	–	–
Proceeds on disposal of discontinued operations		62	163	–	–
Net cash inflow/(outflow) from investing activities		55	368	(2)	(369)
Cash flows from financing activities					
Interest-bearing borrowings repaid		(3 155)	(1 814)	–	–
Interest-bearing borrowings raised		3 186	2 972	–	–
Debt issuance costs incurred		(1)	(25)	–	–
Loan advanced by subsidiary		–	–	–	375
Loan repaid to subsidiary		–	–	–	(6)
Proceeds on issue of shares		1	–	1	–
Receipts from long-term receivables		297	230	–	–
Payments to third parties in respect of long-term receivables		(18)	(24)	–	–
Bonds payable repurchased		(181)	–	–	–
Liquidation dividend paid to non-controlling interest		(55)	–	–	–
Net cash inflow from financing activities		74	1 339	1	369
Net (decrease)/increase in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		1 526	808	–	–
Effect of exchange rate changes on cash and cash equivalents		(253)	296	–	–
Cash and cash equivalents at the end of the year	16, 25	1 115	1 526	–	–

1 Reporting entity

Trencor Limited (the 'company') is a company incorporated in the Republic of South Africa. The address of the company's registered office is 1313 Main Tower, Standard Bank Centre, Heerengracht, Cape Town, 8001. The consolidated financial statements of the company as at and for the year ended 31 December 2009 comprise the company and its subsidiaries (together referred to as the 'group' and individually as 'group entities') and the group's interest in associates. The group is primarily involved in owning, leasing, managing and reselling marine cargo containers worldwide, and related financing activities.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act of South Africa.

The financial statements were approved by the board of directors on 16 April 2010.

2.2 Basis of measurement

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

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- non-current assets and disposal groups held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

In particular, 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 35.

2.5 Changes in accounting policies

Effective 1 January 2009, the group has changed its accounting policies in the following areas:

- accounting for business combinations;
- accounting for acquisition of non-controlling interests;
- determination and presentation of segments;
- accounting for gains and losses on disposal of container leasing equipment; and
- presentation of financial statements.

2.5.1 Accounting for business combinations and acquisition of non-controlling interests

The group has chosen to early adopt the requirements of the amendments to IAS 27 *Consolidated and Separate Financial Statements* effective 1 January 2009. As a result, changes in any group entity's ownership interest in a subsidiary after control is obtained are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Accordingly, gains or losses which arise from acquisitions or disposals of additional non-controlling interests are accounted for as equity transactions provided control is retained after the conclusion of such transactions. As a result of early adopting IAS 27, the group has early adopted the requirements of IFRS 3 *Business Combinations*. The application of these amendments did not impact the group's financial results.

2.5.2 Determination and presentation of operating segments

As of 1 January 2009 the group determines and presents operating segments based on the information that internally is provided to the board, which is considered to be the group's chief operating decision-maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

2.5.3 Accounting for gains and losses on disposal of container leasing equipment

The group adopted the amendment to IAS 16 *Property, Plant and Equipment*, which formed part of the IASB's Annual Improvement Project for 2009, which has resulted in containers in the leasing fleet being transferred to inventory at their carrying amounts when they cease to be rented or become held for sale. Proceeds on the sale of these assets are recognised in revenue in accordance with IAS 18 *Revenue*. Profits or losses arising from the sale of these assets are included in headline earnings for the first time during the current year. Due to the change in accounting policy, in accordance with the consequential amendment to IAS 7 *Statement of Cash Flows*, cash flows resulting from the purchase and sale of containers are disclosed as cash flows from operating activities instead of cash flows from investing activities. Comparative amounts have been re-presented to account for these changes.

2.5.4 Presentation of financial statements

The group applied the revised IAS 1 *Presentation of Financial Statements* which became effective for the first time on 1 January 2009. As a result, the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

3 Significant accounting policies

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

3.1 Basis of consolidation

3.1.1 Subsidiaries

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

when necessary to align them with the policies adopted by the group.

Changes in any group entity's ownership interest in a subsidiary after control is obtained are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Accordingly, gains or losses which arise from acquisitions or disposals of additional non-controlling interests are accounted for as equity transactions provided control is retained after the conclusion of such transactions.

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

3.1.2 Associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 per cent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of the income, expenses and equity movements of equity accounted investees, after adjustment to align the accounting policies with those of the group, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and recognition of further losses is discontinued except to the extent that the group has an obligation or made payments on behalf of the investee.

Gains or losses arising on the dilution of investments in associates are recognised in profit or loss and the net gain or loss attributable to the group is transferred to a separate reserve in equity.

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

3.1.3 Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. 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.

3.2.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to SA rand at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to SA rand at rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

3.3 Financial instruments

3.3.1 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities and currency notes, long-term receivables, trade and other receivables, cash and cash equivalents, loans and borrowings, amounts attributable to third parties in respect of long-term receivables, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised on the trade date at which the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of ownership of the asset. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

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

Available-for-sale financial assets

The group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets, unless they meet the requirements of another IAS 39 financial instrument classification. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy note 3.9), are recognised in other comprehensive income and presented within equity in the fair value reserve. The fair value of listed investments classified as available-for-sale is their quoted bid price at the reporting date. The fair value of unlisted investments is based on valuations received from independent valuers during the period. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Assets and liabilities at fair value through profit or loss

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

instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

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

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.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Other

Other financial assets are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

Non-derivative financial liabilities

All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument. Debt issuance costs are capitalised and amortised over the term of the debt as required by application of the effective interest method. The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

3.3.2 Derivative financial instruments

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

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

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using an appropriate interest rate.

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

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

3.3.3 Cash and cash equivalents

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

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.

Repurchase of capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Dividends

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

3.3.5 Offsetting

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

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation (refer note 3.4.3) and accumulated impairment losses (refer note 3.9).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the

cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Leased assets

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments are accounted for as described in note 3.13.1.

3.4.2 Subsequent costs

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

3.4.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the

future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

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

	Years
Owner occupied buildings	50
Leasing equipment	12
Plant and machinery	9
Motor vehicles	4 – 5
Other equipment	3 – 10

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

3.5 Goodwill

Goodwill/Negative goodwill arises on the acquisition of subsidiaries and associates.

In respect of acquisitions prior to 1 January 2004, goodwill is included at its carrying amount, which represents the amount recorded under the group's previous accounting framework (South African Statements of Generally Accepted Accounting Practice), at the date of transition to IFRS.

For acquisitions on or after 1 January 2004, goodwill represents the excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When negative goodwill arises, it is recognised immediately in profit or loss.

3.5.1 Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions.

3.5.2 Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

3.6 Intangible assets

Intangible assets consist of exclusive rights to manage various fleets of containers and are measured at

cost less accumulated amortisation (refer note 3.6.2) and accumulated impairment losses (refer note 3.9). Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

3.6.1 Subsequent expenditure

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

3.6.2 Amortisation

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

	Years
Container management contracts	11 – 13

3.7 Net investment in finance leases

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

3.8 Inventories

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

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

3.9 Impairment

3.9.1 Financial assets

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor,

restructuring of an amount due to the group on terms that the group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

An impairment loss in respect of an available-for-sale financial asset is calculated with reference to its current fair value. Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can

be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3.9.2 Non-financial assets

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies. Thereafter, generally, the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.11 Provisions

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

3.12 Revenue**3.12.1 Goods sold**

Revenue from the sale of goods 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 buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably. Revenue includes realised and unrealised exchange differences arising from the translation of long-term receivables.

3.12.2 Leasing income*Marine cargo containers*

Leasing income arises principally from operating and finance leases.

Under operating leases, container equipment owned by group companies is rented to

various shipping lines and revenue is earned and recognised evenly over the period that the equipment is on lease, according to the terms of the contracts. These contracts are typically for terms of five years or less. Considerations received in advance for future operating lease payments are discounted to their present values and deferred over the lease term.

Under finance leases, containers are leased for the remainder of the container's useful life with a purchase option at the end of the lease term. Revenue is earned and recognised over the lease term so as to produce a constant periodic rate of return on the net investment in the lease.

The group's leases generally require the lessee to pay for any damage to the container beyond normal wear and tear at the end of the lease term. The group offers a damage protection plan (DPP) to certain of its lessees. In terms of the DPP, the group charges an amount, in addition to lease rentals, primarily on a daily basis and the lessees are no longer obligated for certain future repair costs for containers subject to the DPP. It is the group's policy to recognise these revenues as earned on a daily basis over the related term of the lease.

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

3.12.3 Management fees

Management fees consist of fees earned by group companies for services related to the management of container equipment, reimbursements of administrative services necessary for the operation and management of equipment and net acquisition fees and sales commissions earned on the acquisition and sale of equipment.

3.12.4 Dividend income

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

3.13 Expenses**3.13.1 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.

3.13.2 Net finance expenses

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

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

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

3.14 Employee benefits

3.14.1 Short-term employee benefits

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

3.14.2 Retirement benefits

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

3.14.3 Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.14.4 Share-based payments

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

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using the Actuarial Binomial Model or Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted for service and non-market performance conditions, so as to reflect the actual number of share options that vest.

3.15 Income tax

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

Current tax is the expected tax payable on the estimated taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are off-set if there is a legally enforceable right to off-set current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Notes to the Financial Statements

for the year ended 31 December 2009

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

3.16 Discontinued operations

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify as a discontinued operation. Where an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

3.17 Earnings per share

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

3.18 Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

3.19 Financial guarantee contracts

Financial guarantee contracts are contracts that require the group or the company to make specified payments to reimburse the holder for a loss it incurs because a

specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

4 Property, plant and equipment

	Group					Total Rm
	Land and buildings Rm	Container leasing equipment Rm	Plant and machinery Rm	Other equipment and motor vehicles Rm		
Cost						
2008						
Balance at the beginning of the year	8	7 851	14	57		7 930
Additions	–	2 337	–	8		2 345
Effect of movements in exchange rates	2	3 191	5	18		3 216
Transfer to container inventory	–	(740)	–	–		(740)
Transfer to finance leases	–	(400)	–	–		(400)
Disposals	–	–	–	(1)		(1)
Balance at the end of the year	10	12 239	19	82		12 350
2009						
Additions	5	1 479	5	7		1 496
Effect of movements in exchange rates	(3)	(2 618)	(4)	(16)		(2 641)
Transfer to container inventory	–	(644)	–	–		(644)
Transfer to finance leases	–	(141)	–	–		(141)
Disposals	–	–	(1)	(1)		(2)
Balance at the end of the year	12	10 315	19	72		10 418
Depreciation and impairment losses						
2008						
Balance at the beginning of the year	5	2 143	7	49		2 204
Depreciation	–	369	1	6		376
Effect of movements in exchange rates	2	924	3	16		945
Impairment losses	–	4	–	–		4
Transfer to container inventory	–	(372)	–	–		(372)
Transfer to finance leases	–	(4)	–	–		(4)
Disposals	–	–	–	(1)		(1)
Balance at the end of the year	7	3 064	11	70		3 152
2009						
Depreciation	1	370	1	6		378
Effect of movements in exchange rates	(2)	(642)	(1)	(14)		(659)
Impairment losses	–	16	–	–		16
Transfer to finance leases	–	(12)	–	–		(12)
Transfer to container inventory	–	(313)	–	–		(313)
Disposals	–	–	(1)	(1)		(2)
Balance at the end of the year	6	2 483	10	61		2 560
Carrying amounts						
At 1 January 2008	3	5 708	7	8		5 726
At 31 December 2008	3	9 175	8	12		9 198
At 31 December 2009	6	7 832	9	11		7 858
Net book value of assets encumbered as security for interest-bearing borrowings (refer note 18)						
At 31 December 2008	–	9 175	–	–		9 175
At 31 December 2009	–	7 832	–	–		7 832

4.1 The net book value of buildings situated on leased premises amounts to R6 million (2008: R3 million).

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

4.3 The impairment losses represent the write-down of the carrying amounts to fair value, less costs to sell, in respect of containers identified for sale. Evaluations are carried out at the time containers come off-hire from leases to determine whether such containers should be repaired and returned to service or sold.

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5 Intangible assets

	Group
	Container management contracts acquired Rm
Cost	
2008	
Balance at the beginning of the year	508
Additions	1
Effect of movements in exchange rates	187
Balance at the end of the year	696
2009	
Additions	115
Effect of movements in exchange rates	(154)
Disposals	(31)
Balance at the end of the year	626
Amortisation	
2008	
Balance at the beginning of the year	32
Amortisation for the year	54
Effect of movements in exchange rates	19
Balance at the end of the year	105
2009	
Amortisation for the year	59
Effect of movements in exchange rates	(28)
Disposals	(3)
Balance at the end of the year	133
Carrying amounts	
At 1 January 2008	476
At 31 December 2008	591
At 31 December 2009	493

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.

6 Investments

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Equity instruments available-for-sale				
Listed company	–	15	–	15
Unlisted companies	14	18	–	–
	14	33	–	15
Financial assets designated at fair value through profit or loss				
Protected currency basket note	258	–	–	–
	258	–	–	–
The protected basket currency note consists of Australian and emerging market currencies, namely the Brazilian Real, the Indian Rupee and the Korean Won. The protected currency basket note matures on 12 October 2011. The terms of the note guarantee a minimum capital return of 100% if held to maturity.				
Total investments	272	33	–	15

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

7 Interest in subsidiaries

Ordinary shares at cost	439	439
Preference shares including amortisation adjustment	1 013	1 013
Investment in subsidiaries before impairment loss	1 452	1 452
Less impairment loss	(352)	(355)
Investment in subsidiaries	1 100	1 097
Amount due by subsidiary – long term	82	67
	1 182	1 164
Amount due to subsidiary – long term	(368)	(368)
	814	796

7.1 Amount due by subsidiary is unsecured and bears interest at 6,0% p.a. (2008: 10,5% p.a.) and is not repayable within the next twelve months.

7.2 Amount due to subsidiary is unsecured and interest free and is not repayable within the next twelve months.

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

Dividend income (refer note 21)	229	189
Interest income (refer note 22)	6	7
	235	196

Notes to the Financial Statements

for the year ended 31 December 2009

8 Net investment in long-term receivables

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Net investment in long-term receivables comprises:				
Long-term receivables	838	1 339	2	2
Amounts attributable to third parties in respect of long-term receivables	(204)	(243)	–	–
	634	1 096	2	2
Represented by:				
Total receivables	1 697	2 466	2	2
Less deferred income	84	165	–	–
Net present value of long-term receivables	1 613	2 301	2	2
Less amounts attributable to third parties in respect of long-term receivables	354	364	–	–
Total amount	392	417	–	–
Less deferred expenditure	38	53	–	–
Net present value of net investment in long-term receivables	1 259	1 937	2	2
Less fair value adjustment to net investment, relating to:	528	654	–	–
Long-term receivables	657	765	–	–
Amounts attributable to third parties in respect of long-term receivables	(129)	(111)	–	–
	731	1 283	2	2
Less current portion of net investment included in:	97	187	–	–
Trade and other receivables	118	197	–	–
Trade and other payables	(21)	(10)	–	–
	634	1 096	2	2

8.1 Total receivables in base currency amounted to US\$231 million (2008: US\$266 million).

8.2 Long-term receivables are valued by discounting future cash flows. The discount rate applied to the receivables (denominated in US\$) is 8,5% p.a. (2008: 8,5% p.a.). An appropriate fair value adjustment is made to the net investment for the estimated timing of receipt and the possible non-collectibility of these receivables, and the related effect on the payment to third parties. The net present value of the long-term receivables and the related fair value adjustment were translated into SA rand at US\$1 = R7,35 (2008: US\$1 = R9,27). Approximately 85% (2008: 90%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income and approximately 15% (2008: 10%) relates to the possible non-collectibility of receivables. There has been a R14 million base currency increase in the fair value adjustment (2008: no increase or release).

8.3 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. (2008: 10% p.a.). These are payable as and when the proceeds from the related long-term receivables are received.

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

	Group	
	2009 Rm	2008 Rm
Total amounts attributable to third parties	392	417
Less deferred expenditure	38	53
Net present value of amounts attributable to third parties (as above)	354	364
Fair value adjustment (as above)	(129)	(111)
Fair value of amounts attributable to third parties	225	253
Current portion included in trade and other payables (as above)	(21)	(10)
	204	243

9 Net investment in finance leases

	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
	2009			2008		
	Rm	Rm	Rm	Rm	Rm	Rm
Amounts receivable under finance leases:						
Within one year	166	41	125	229	69	160
Between one and five years	422	72	350	662	140	522
After five years	108	11	97	201	25	176
	696	124	572	1 092	234	858

	Group	
	2009 Rm	2008 Rm
Analysed as:		
Non-current finance lease receivables	447	698
Current finance lease receivables included in trade and other receivables	125	160
	572	858

- 9.1 Investment in finance leases represents amounts receivable in respect of containers leased to shipping lines. The containers are usually leased for their useful lives with a purchase option at the end of the lease term. There are no contingent rentals.
- 9.2 The interest rate inherent in the leases is fixed at the contract date for the full term of the lease. The average effective interest rate contracted approximates 11,37% p.a. (2008: 12,38% p.a.).
- 9.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R0,4 million (2008: R0,1 million).
- 9.4 The investment in finance leases has been pledged as security for a loan (refer note 18).
- 9.5 The fair value of the investment in finance leases is R549 million (2008: R858 million) (refer note 33). No impairment loss has been recognised as the difference between carrying value and fair value resulted from changes in current market interest rates without any changes to future contractual cash flows.

10 Derivative financial instruments

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

Type of contract	Final maturity	Underlying	Notional amount of contracts outstanding Rm	Fair value	
				Assets Rm	Liabilities Rm
2009					
Interest rate cap contracts	November 2015	Interest rates	1 191	–	–
Interest rate swap contracts	December 2014	Interest rates	2 644	5	66
				5	66
2008					
Interest rate cap contracts	November 2015	Interest rates	1 020	–	–
Interest rate swap contracts	November 2013	Interest rates	4 019	–	180
				–	180

- 10.1 The interest rate cap and swap contracts have been recorded at fair value and the related fair value adjustments recorded in profit or loss.
- 10.2 The variable interest rate debt principal outstanding amounted to R5 038 million at 31 December 2009 (2008: R6 689 million) of which R3 835 million (2008: R5 039 million) in notional value was covered by interest rate cap and swap contracts.

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for the year ended 31 December 2009

11 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Property, plant and equipment	–	–	94	110	94	110
Net investment in long-term receivables	(5)	–	–	104	(5)	104
Investments	–	–	2	2	2	2
Export partnerships	–	–	1	1	1	1
Trade and other receivables	–	–	9	11	9	11
Trade and other payables	(36)	(42)	–	–	(36)	(42)
Tax loss carry-forwards	(41)	(41)	–	–	(41)	(41)
Deferred income	–	–	105	120	105	120
Tax (assets)/liabilities	(82)	(83)	211	348	129	265
Set-off of tax	(19)	77	19	(77)	–	–
Net tax (assets)/liabilities	(101)	(6)	230	271	129	265

Movement in temporary differences for the group during the year:

	Balance at the beginning of the year Rm	Recognised in profit or loss Rm	Exchange adjustment in equity Rm	Long-term receivable Rm	Balance at the end of the year Rm
2008					
Property, plant and equipment	76	5	29	–	110
Net investment in long-term receivables	(7)	108	–	3	104
Investments	2	–	–	–	2
Export partnerships	1	–	–	–	1
Trade and other receivables	8	–	3	–	11
Trade and other payables	(13)	(22)	(7)	–	(42)
Tax loss carry-forwards	–	(36)	(5)	–	(41)
Deferred income	119	(17)	18	–	120
	186	38	38	3	265
2009					
Property, plant and equipment	110	8	(24)	–	94
Net investment in long-term receivables	104	(110)	–	1	(5)
Investments	2	–	–	–	2
Export partnerships	1	–	–	–	1
Trade and other receivables	11	–	(2)	–	9
Trade and other payables	(42)	(2)	8	–	(36)
Tax loss carry-forwards	(41)	(10)	10	–	(41)
Deferred income	120	(3)	(12)	–	105
	265	(117)	(20)	1	129

	Group	
	2009 Rm	2008 Rm
Deferred tax recognised in profit or loss		
Timing differences (refer above)	(117)	38
Timing differences released from assets held for sale (refer note 24)	–	80
	(117)	118
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	–	463

11 Deferred tax assets and liabilities (continued)

- 11.1 The group has deferred tax assets of R41 million relating to tax loss carry-forwards (2008: R41 million) which will expire between 2017 and 2029 if not utilised.
- 11.2 In certain of the countries in which group companies operate, local tax laws provide that earnings only be taxed in those jurisdictions when the earnings are transferred out of such jurisdictions. It is intended that these earnings be permanently reinvested in those countries. At 31 December 2009, cumulative earnings of approximately R250 million (2008: R270 million) would be subject to income taxes of approximately R71 million (2008: R78 million) if such earnings of foreign companies were transferred out of such jurisdictions in the form of dividends.
- 11.3 In the case of the company, the deferred tax liability of R1 million (2008: R1 million) arises as a result of its participation in export partnerships.
- 11.4 There were no temporary differences associated with investments in subsidiaries and associate companies for which deferred tax liabilities have not been recognised (2008: nil).

12 Restricted cash

	Group	
	2009 Rm	2008 Rm
The restricted cash is held by lenders as additional collateral for Textainer's secured debt facility and bond payable (refer note 18).	48	149
	48	149

The terms of the bond payable and the secured debt facility require that a minimum of five 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.

13 Inventories

Container equipment held for resale	9	15
	9	15

14 Trade and other receivables

Trade receivables	508	464
Prepayments	5	14
Current portion of long-term receivables and investment in finance leases	243	357
Other	11	14
	767	849

15 Current tax

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Amounts payable at the beginning of the year	164	100	1	-
Amounts receivable at the beginning of the year	(2)	-	-	-
Effect of movements in exchange rates	(35)	36	-	-
Recognised in profit or loss				
South African normal	37	35	1	2
Foreign normal	33	43	-	-
Secondary tax on companies	21	17	21	17
Amounts payable at the end of the year	(138)	(164)	-	(1)
Amounts receivable at the end of the year	2	2	-	-
Amounts paid during the year	82	69	23	18

16 Cash and cash equivalents

Bank balances	549	673	-	-
Call and term deposits	555	772	-	-
	1 104	1 445	-	-

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17 Capital and reserves

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Share capital				
Authorised				
Ordinary shares of 0,5 cent each 200 000 000 (2008: 200 000 000)	1	1	1	1
Issued				
Ordinary shares of 0,5 cent each 187 468 892 (2008: 187 398 892)	1	1	1	1
	Number of shares (million)			
In issue at the beginning of the year	187,4	187,3	187,4	187,3
Issued for cash	0,1	0,1	0,1	0,1
In issue at the end of the year, fully paid	187,5	187,4	187,5	187,4

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

17.2 The shares, issued for cash, were issued by the company during the year pursuant to the exercise of certain options under The Tencor Share Option Plan (refer note 30).

17.3 Dividends

	Rm	Rm	Rm	Rm
Dividends declared and paid during the year are as follows:				
Final dividend in respect of financial year 2008 – 75 cents per share (2007: 58 cents)	140	108	140	108
Interim dividend in respect of financial year 2009 – 35 cents per share (2008: 35 cents)	66	66	66	66
	206	174	206	174

A final dividend of 85 cents per share in respect of financial year 2009 (2008: 75 cents per share) was declared by the board on 18 February 2010. This dividend will be subject to STC of R16 million (2008: R14 million).

17.4 The company has no distributable reserves which could be distributed by way of dividends and subject to STC (2008: nil).

17.5 Reserves

Fair value reserve

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

Foreign currency translation reserve

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

Equity compensation reserve

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

Gain on dilution of investment in subsidiaries

This reserve represents the cumulative net gain on the dilution of the group's investment in subsidiaries.

Preference share amortisation adjustment

This reserve in the company comprises the difference between the present value of the subscription price of the preference shares paid at acquisition and the amount written up to the subscription price through profit or loss using the amortised cost method (refer note 7).

18 Interest-bearing borrowings

	Group								
	Current interest rate p.a.	Interest indexed to	Repayment terms	Annual instalment Rm	Final maturity	Foreign amount			
						2009 US\$m	2008 US\$m	2009 Rm	2008 Rm
Secured (refer note 18.1)									
Bond payable	0,76%	LIBOR	Monthly	378	May 2015	279	372	2 050	3 450
Debt facility	1,48%	LIBOR	Monthly, commences July 2010	243	June 2020	330	301	2 426	2 791
Revolving debt facility	1,25%	US Prime or LIBOR	Full amount repayable 2013	581	April 2013	79	53	581	491
Total								5 057	6 732
Less unamortised debt issuance costs								(19)	(43)
								5 038	6 689
Less current portion included in current liabilities								(500)	(538)
								4 538	6 151

18.1 The secured loans are secured by way of a pledge against certain of the group's property, plant, equipment and investments in finance leases as well as requirements by lenders that a group company hold restricted cash as additional collateral for borrowings (refer notes 4, 9 and 12 respectively).

18.2 Debt issuance costs of R1 million (2008: R25 million) were capitalised during the year.

18.3 In terms of the articles of association, the company's borrowing powers are unlimited. The company's borrowings are disclosed note 7.

18.4 Details of the group's borrowings are as follows:

	Group	
	2009 Rm	2008 Rm
Total borrowing facilities	7 048	9 754
Actual borrowings at the end of the year	5 057	6 732
Unutilised facilities	1 991	3 022

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

18.6 During the year, Textainer repurchased a portion of its issued bonds with an aggregate original face value of R583 million (R358 million in aggregate outstanding principal amount) for R181 million. As a result of these repurchases, the group recognised a gain of R175 million on the early extinguishment of debt during the year (refer note 22), after the write-off of unamortised debt issuance costs of R2 million.

Notes to the Financial Statements

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19 Deferred revenue

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

	Group	
	2009 Rm	2008 Rm
Balance at the beginning of the year	–	–
Transactions entered into during the year	225	–
Recognised in profit or loss	(37)	–
Terminations	(28)	–
Effect of movements in exchange rates	(19)	–
Balance at the end of the year	141	–
Analysed as:		
Non-current deferred revenue	83	–
Current deferred revenue	58	–
	141	–

20 Trade and other payables

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Trade payables	67	46	–	–
Accrued expenses	87	100	1	2
Current portion of amounts due to third parties in respect of long-term receivables	21	10	–	–
Amounts due to container owners	100	97	–	–
Amounts due in respect of container acquisitions	97	19	–	–
Amount due to associate	11	–	–	–
Other	6	2	–	–
	389	274	1	2

21 Operating profit/(loss) before net finance income/expenses

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Operating profit/(loss) before net finance income/expenses is arrived at after taking into account:				
Income				
Dividend income (included in revenue)				
Subsidiaries	–	–	229	189
Net profit on disposal of property, plant and equipment	93	127	–	–
Fair value adjustment – embedded derivative	–	(2)	–	–
Charges				
Amortisation of intangible assets	59	54	–	–
Auditors' remuneration	12	15	1	1
Audit fee – current year	10	11	1	1
– under provision prior year	2	4	–	–
Directors' emoluments	10	12	1	2
Executive directors				
Short-term employee benefits	7	8	–	–
Non-executive directors				
Remuneration	3	4	1	2
Impairment losses/(reversal of losses)	37	161	(3)	346
Property, plant and equipment	16	4	–	–
Investment in subsidiary	–	–	(3)	346
Goodwill	–	135	–	–
Trade and other receivables – losses	28	30	–	–
Trade and other receivables – reversals	(7)	(8)	–	–
Operating leases – premises	15	14	–	–
Share-based payments included in staff costs – equity-settled	38	47	–	–
Retirement benefit contributions included in staff costs	3	3	–	–

22 Net finance (income)/expenses

Finance expenses	124	382	–	–
Interest expense	95	211	–	–
Realised and unrealised losses on derivative financial instruments	29	171	–	–
Finance income	(195)	(49)	(6)	(7)
Interest income	(20)	(49)	(6)	(7)
Received from subsidiary	–	–	(6)	(7)
Received on cash and cash equivalents	(20)	(49)	–	–
Gain on early extinguishment of debt	(175)	–	–	–
	(71)	333	(6)	(7)

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23 Income tax (credit)/expense

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
South African normal	37	35	1	2
Current	37	36	1	2
Adjustment in respect of prior year	–	(1)	–	–
Foreign normal	33	38	–	–
Current	42	43	–	–
Adjustment in respect of prior year	(9)	(5)	–	–
Secondary tax on companies	21	17	21	17
Associated tax credit – current year	(5)	(2)	–	–
– prior year	(1)	(1)	–	–
South African deferred	(112)	102	–	–
South African deferred – origination and reversal of temporary differences	(112)	105	–	–
Adjustment in respect of prior year	–	1	–	–
Adjustment due to change in tax rate	–	(4)	–	–
Foreign deferred	(5)	(64)	–	–
Foreign deferred – origination and reversal of temporary differences	(4)	(27)	–	–
Adjustment in respect of prior year	(1)	(33)	–	–
Adjustment due to change in tax rate	–	(4)	–	–
	(32)	125	22	19
Total income tax (credit)/charge				
Continuing operations	(32)	125	22	19
Discontinued operations (refer note 24)	–	86	–	–
	(32)	211	22	19
	%	%	%	%
The effective tax rate is reconciled as follows:				
Statutory tax rate	28,0	28,0	28,0	(28,0)
Non-taxable income	(1,3)	–	(27,8)	(34,3)
Non-deductible expenses	0,7	3,4	0,5	63,6
Foreign differential	(33,9)	(17,4)	–	–
Adjustment in respect of prior year	(1,4)	(3,5)	–	–
Current year losses for which no deferred tax asset was recognised	–	7,4	–	–
Secondary tax on companies	3,1	1,5	8,6	11,3
Change in tax rate	–	(0,7)	–	–
Effective tax rate	(4,8)	18,7	9,3	12,6

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

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

24 Discontinued operations

The discontinued operations relate to the mobile asset ownership and management businesses exited by the group during 2007 and the sale of the plant and equipment of the tank manufacturing business which was discontinued during 2003.

During the year an investment held by TrenStar Inc was disposed of for R43 million resulting in a loss of R3 million and cash of R29 million, held in escrow in respect of the disposal of the mobile asset ownership and management businesses in the prior year, was released.

The results of the discontinued operations are set out below.

	Group	
	2009 Rm	2008 Rm
Results of operations:		
Revenue	–	20
Expenses	(4)	(30)
Profit on disposal of discontinued operations	26	21
Profit from operations	22	11
Finance income	2	2
Finance expenses	–	(8)
Profit before tax	24	5
Income tax expense (refer note 23)	–	86
Foreign normal	–	5
South African deferred – reversal of temporary differences	–	1
Foreign deferred – reversal of temporary differences (refer note 11)	–	80
Profit/(Loss) for the year	24	(81)
Total assets	11	139
Total liabilities	3	24
Cash flow information		
Cash flows from operating activities	(12)	(2)
Cash flows from investing activities	71	500
Cash flows from financing activities	(55)	(362)

25 Assets classified as held for sale

The remaining assets and liabilities of the mobile asset ownership and management businesses are presented as a disposal group held for sale. The disposal group comprised assets of R11 million (2008: R139 million) less liabilities of R3 million (2008: R24 million).

Investments	–	47
Restricted cash	–	2
Trade and other receivables	–	9
Cash and cash equivalents	11	81
	11	139
Liabilities classified as held for sale:		
Derivative financial instruments	3	4
Trade and other payables	–	9
Provisions	–	11
	3	24

Notes to the Financial Statements

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26 Earnings per share

	Group	
	2009 Rm	2008 Rm
Basic earnings per share		
Profit/(Loss) for the year attributable to equity holders of the company		
From continuing operations	253	710
From discontinued operations	6	(47)
	259	663
Weighted average number of shares in issue (million)	187,4	187,3
Issued ordinary shares at 1 January (million)	187,3	187,2
Effect of shares issued during the year (million)	0,1	0,1
Basic earnings/(loss) per share (cents)		
Entity as a whole	138,1	353,8
Continuing operations	134,7	379,2
Discontinued operations	3,4	(25,4)
Diluted earnings per share		
Profit/(Loss) for the year attributable to equity holders of the company		
From continuing operations	253	710
From discontinued operations	6	(47)
Profit for the year attributable to equity holders of the company	259	663
Weighted average number of ordinary shares (diluted) (million)	187,6	187,6
Weighted average number of shares in issue (million)	187,4	187,3
Effect of exercise of share options (million)	0,2	0,3
Diluted earnings/(loss) per share (cents)		
Entity as a whole	138,0	353,2
Continuing operations	134,6	378,6
Discontinued operations	3,4	(25,4)

The dilution arises as a result of the potential exercise of the outstanding share options.

26 Earnings per share (continued)

	Group			
	2009		2008	
	Gross Rm	Net Rm	Gross Rm	Net Rm
Headline earnings per share				
Undiluted				
Profit for the year attributable to equity holders of the company		259		663
Adjustments relating to continuing activities				
Impairment of plant and equipment	16	9	4	2
Impairment of goodwill	-	-	135	84
Net gain on disposal of available-for-sale financial asset transferred from equity	(7)	(7)	-	-
Adjustments relating to discontinued operations				
Net (gain)/loss on disposal of discontinued operations	(26)	(8)	(21)	39
Headline earnings attributable to equity holders of the company		253		788
Weighted average number of shares in issue (million)		187,4		187,3
Headline earnings per share (cents)		134,8		420,8
Diluted				
Headline earnings attributable to equity holders of the company		253		788
Weighted average number of ordinary shares (million) (diluted)		187,6		187,6
Diluted headline earnings per share (cents)		134,7		420,1
Adjusted headline earnings per share				
Adjusted headline earnings per share is the more appropriate measure of Trenchor's financial performance in that it excludes net unrealised foreign exchange losses and gains.				
Adjusted headline earnings may also include such other adjustments that, in the opinion of the board, are necessary to properly represent adjusted headline earnings.				
Headline earnings attributable to equity holders of the company		253	-	788
Net loss/(gain) on translation of long-term receivables	298	214	(439)	(316)
Gain on early extinguishment of debt	(175)	(86)	-	-
Adjusted headline earnings attributable to equity holders of the company		381		472
Adjusted headline earnings per share (cents)		203,5		251,9
Diluted adjusted headline earnings per share (cents)		203,3		251,5

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27 Cash generated from operations

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Reconciliation of profit/(loss) for the year to cash generated from operations:				
Profit/(Loss) for the year	691	916	219	(174)
Adjusted for:				
Finance expense	124	390	–	–
Finance income	(20)	(51)	(6)	(7)
Fair value adjustment – embedded derivative	–	2	–	–
Net change in fair value of available-for-sale financial asset transferred to profit or loss	(7)	–	(7)	–
Unrealised foreign exchange losses/(gains)	442	(640)	–	–
Net (decrease)/increase in fair value adjustment in respect of net investment in long-term receivables	(126)	191	–	–
Other non-cash flow adjustments to the net investment in long-term receivables	(37)	(54)	–	–
Depreciation	378	376	–	–
Cost of containers disposed of transferred to profit or loss	331	368	–	–
Net impairment losses/(reversals)	37	163	(3)	346
Continuing operations	37	161	(3)	346
Discontinued operations	–	2	–	–
Gain on early extinguishment of debt	(175)	–	–	–
Share-based payments	40	47	–	–
Amortisation of intangible assets	59	54	–	–
Finance lease income	(70)	–	–	–
Deferred revenue released to profit or loss	(37)	–	–	–
Net profit on disposal of disposal group	(26)	(23)	–	–
Income tax (credit)/expense	(32)	211	22	19
Operating profit before working capital changes	1 572	1 950	225	184
Working capital changes	(89)	(113)	(1)	1
Decrease in inventories	3	18	–	–
Increase in trade and other receivables	(171)	(61)	–	–
Increase/(Decrease) in trade and other payables	79	(70)	(1)	1
Cash generated from operations	1 483	1 837	224	185

28 Operating lease commitments

Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	11	15
Between one and five years	40	49
After five years	20	35
	71	99

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

29 Capital commitments

For container leasing equipment authorised by the board:		
Contracted	62	–
	62	–

30 Employee benefits

30.1 Share-based payments

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

	Trencor	Textainer
Total number of shares authorised under share option plans in prior years	15 284 209	3 100 000
Share options granted prior to 31 December 2006, net of forfeitures	(6 400 000)	(3 100 000)
Number of shares available for utilisation under the plans at 31 December 2006	8 884 209	–
Additional shares authorised during 2007	–	3 808 371
Share options and restricted share units granted in 2007, net of forfeitures	–	(2 087 696)
Previously authorised shares cancelled during 2007	–	(191 168)
Number of shares available for utilisation under the plans at 31 December 2007	8 884 209	1 529 507
Share options and restricted share units granted in 2008, net of forfeitures	–	(470 681)
Previously authorised shares cancelled during 2008	–	(6 250)
Number of shares available for utilisation under the plans at 31 December 2008	8 884 209	1 052 576
Share options and restricted share units granted in 2009, net of forfeitures	–	(439 301)
Number of shares available for utilisation under the plans at 31 December 2009	8 884 209	613 275

Summary of activity in share option plans:

Trencor

Options granted to employees effective 30 June 2001 who were in employment for less than five years at grant date, vested over a total period of six years from the option grant date. Those issued to employees in employment for more than five years at grant date vested over a total period of three years. In terms of the transitional provisions of IFRS 2 *Share-based Payments* the company has elected not to apply this standard to these share-based payments, since they were granted before 7 November 2002.

	% of grant	
	Employment less than 5 years	Employment more than 5 years
Options granted vesting after one year		25
after two years		25
after three years	25	50
after four years	25	
after five years	25	
after six years	25	
	100	100

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

	Number of options			Weighted average	
	Unvested	Vested	Total	Exercise price R	Expiration year
Outstanding at 31 December 2007	350 000	223 000	573 000	10,03	2011
Exercised	–	(103 000)	(103 000)	5,25	2009
Vested	(50 000)	50 000	–	12,10	2012
Outstanding at 31 December 2008	300 000	170 000	470 000	11,08	2012
Exercised	–	(70 000)	(70 000)	5,25	2009
Vested	(50 000)	50 000	–	12,10	2012
Outstanding at 31 December 2009	250 000	150 000	400 000	12,10	2012

The weighted average share price at date of exercise was R20,81 per share (2008: R28,24 per share).

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30 Employee benefits (continued)

30.1 Share-based payments (continued)

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

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

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

Textainer

Textainer granted share options through five share options plans, the 1994 Plan, the 1996 Plan, the 1997 Plan, the 1998 Plan and the 2001 Plan, to certain employees to purchase shares of its common stock. The options under these plans have all vested and have been exercised in prior periods.

Textainer has one active share option and restricted share unit plan, the 2007 Plan. The 2007 Plan provides for the grant of share options, restricted share units, restricted shares, share appreciation rights and dividend equivalent rights. The 2007 Plan provides for grants of incentive share options only to its employees or employees of any parent or subsidiary of Textainer. Awards other than incentive share options may be granted to its employees, directors and consultants or the employees, directors and consultants of any parent or subsidiary of Textainer. There are no performance criteria attached to the option plan. The options vest over a total period of four years in increments of 25% per annum beginning approximately one year from grant date. All options lapse after a period of ten years from date of grant. Beginning approximately one year after a restricted share unit's grant date, each employee's restricted share units vest in increments of 15% per year for the first two years, 20% for the third year and 25% for the fourth and fifth years.

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

Share options	Number of options			Weighted average	
	Unvested	Vested	Total	Exercise price US\$	Expiration year
Outstanding at 31 December 2007	1 044 734	–	1 044 734	16,50	2017
Granted	251 418	–	251 418	7,19	2018
Vested	(100)	100	–	16,50	2017
Forfeited	(12 140)	–	(12 140)	16,50	2017
Outstanding at 31 December 2008	1 283 912	100	1 284 012	14,68	2017
Granted	218 904	–	218 904	16,97	2019
Outstanding at 31 December 2009	1 502 816	100	1 502 916	15,01	2017
Restricted share units	Restricted share units			Weighted average grant date fair value	
	Unvested	Vested	Total		
Outstanding at 31 December 2007	1 042 962	–	1 042 962		14,29
Granted	251 418	–	251 418		4,52
Vested	(100)	100	–		14,29
Forfeited	(12 140)	–	(12 140)		14,29
Outstanding at 31 December 2008	1 282 140	100	1 282 240		12,34
Granted	220 397	–	220 397		15,05
Vested	(156 031)	156 031	–		12,34
Outstanding at 31 December 2009	1 346 506	156 131	1 502 637		12,59

30 Employee benefits (continued)

30.1 Share-based payments (continued)

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

	Options granted		
	18 November 2009	19 November 2008	9 October 2007
Number of options granted under the 2007 Plan	218 904	251 418	1 052 618
Fair value at measurement date (US\$)	4,69	0,60	3,62
Share price at grant date (US\$)	16,97	7,19	16,50
Expected life option time (years)	6,3	6,3	6,4
Volatility %	46,0	35,3	31,3
Dividend yield %	5,4	13,0	4,9
Risk free % rate (based on US treasury bonds)	5,0	2,5	4,5

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

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

	Group	
	2009 Rm	2008 Rm
Equity-settled	38	47

30.3 Retirement benefit funds

Membership of the Trecor Pension Fund, a defined contribution fund governed by the Pension Funds Act, is compulsory for all permanent employees in South Africa who are not members of industry funds.

At 31 December 2009 the fund had 17 members (2008: 142 members) whose aggregate share of the fund amounted to R48 million (2008: R56 million). The fund has no liability in respect of pensions as all pensioners were transferred to an insurer and all new retirees purchase annuities from insurers.

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

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31 Segment reporting

Business segments

- 31.1 The group has two operating segments as described below, which are the group's strategic business units. The strategic business units are managed separately as they offer entirely different services. For each of the strategic business units, the board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the group's reportable segments: container finance, and container owning, leasing, management and reselling.
- 31.2 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 income/expenses and income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. There is no inter-segment activity.

	Container finance		Container owning, leasing, management and reselling		Consolidated	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Revenue from external customers	(410)	672	2 365	2 625	1 955	3 297
Goods sold and services rendered	–	–	562	773	562	773
Leasing income	–	–	1 593	1 620	1 593	1 620
Management fees	–	–	210	232	210	232
Finance income	32	42	–	–	32	42
Realised and unrealised exchange gains/(losses)	(442)	630	–	–	(442)	630
Reportable segment profit before impairment of goodwill, interest and income tax	(286)	489	878	1 134	592	1 623
Impairment of goodwill	–	–	–	(135)	–	(135)
(Loss)/Profit before net finance income/expense and income tax	(286)	489	878	999	592	1 488
Finance income	–	–	175	12	175	12
Finance expenses	–	–	(124)	(382)	(124)	(382)
Depreciation and amortisation	–	–	435	429	435	429
Income tax (credit)/expense	(79)	125	29	(20)	(50)	105
Other material non-cash items:						
Net long-term receivable valuation adjustment	126	(191)	–	–	126	(191)
Impairment losses:						
Plant and equipment	–	–	(16)	(4)	(16)	(4)
Receivables	–	–	(28)	(30)	(28)	(30)
Goodwill	–	–	–	(135)	–	(135)
Receivables reversed	–	–	7	8	7	8
Net profit on disposal of property, plant and equipment	–	–	93	127	93	127
Share-based payments	–	–	(38)	(47)	(38)	(47)
Reportable segment assets	955	1 536	9 910	11 939	10 865	13 475
Capital expenditure	–	–	1 611	2 601	1 611	2 601
Reportable segment liabilities	226	253	5 580	7 118	5 806	7 371

31 Segment reporting (continued)

Business segments (continued)

31.3 Reconciliations of reportable segment revenue, profit before net finance income and income tax, income tax, interest income, assets and liabilities

	Reportable segment total	Unallocated	Consolidated totals	Reportable segment total	Unallocated	Consolidated totals
	2009			2008		
	Rm	Rm	Rm	Rm	Rm	Rm
Revenue	1 955	3	1 958	3 297	2	3 299
Profit/(Loss) before net finance income and income tax*	592	(28)	564	1 488	(33)	1 455
Finance income	175	20	195	12	37	49
Depreciation and amortisation	435	1	436	429	1	430
Income tax (credit)/expenses	(50)	18	(32)	105	20	125
Assets	10 865	1 090	11 955	13 475	989	14 464
Liabilities	5 806	403	6 209	7 371	474	7 845

* Unallocated amount includes corporate expenses of R30 million (2008: R31 million).

31.4 Major customer

Leasing revenue from a single customer in the container owning, leasing, management and reselling operating segment amounted to 12% (2008: 10%) of the group's leasing revenue. The group had no other customer that individually accounted for more than 10% of revenue.

Notes to the Financial Statements

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32 Related parties

32.1 Identity of related parties

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

32.2 Intra-group transactions and balances

Amounts due by and to subsidiaries (refer note 7).

Interest income from subsidiary (refer notes 7 and 22).

Dividend income from subsidiaries (refer notes 7 and 21).

32.3 Transactions with key management personnel

Mr D M Nurek is a non-executive director of certain South African listed companies, some of whose subsidiaries are partners in export partnerships with the group. No new export partnerships have been concluded with these companies since March 1999.

Prior to the appointment of Mr H R van der Merwe as a director, a company in a family trust structure established by him issued 11% redeemable preference shares to a bank, which shares were subsequently acquired by a subsidiary company at a cost of R2,6 million. R1,3 million has been received by way of a partial redemption. The balance of R1,3 million is included in trade and other receivables. Mr H R van der Merwe has provided a put option in favour of the subsidiary company should the redeemable preference shares not be redeemed. The shares are redeemable on 31 days' notice at the instance of the company.

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

The number of shares held by the directors in the issued share capital of the company, other than indirect interests through Mobile Industries Limited, at 31 December were as follows:

	Direct	Indirect	Total
2009			
C Jowell	41 210	20 904	62 114
N I Jowell	41 808	20 904	62 712
J E McQueen	49 649	102 133	151 782
D M Nurek	–	10 000	10 000
E Oblowitz	10 000	–	10 000
	142 667	153 941	296 608
2008			
C Jowell	41 210	20 904	62 114
N I Jowell	41 808	20 904	62 712
J E McQueen	49 649	102 133	151 782
D M Nurek	–	10 000	10 000
E Oblowitz	10 000	–	10 000
	142 667	153 941	296 608

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

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Short-term employee benefits	21	23	1	2
Equity compensation benefits	9	8	–	–
	30	31	1	2
Paid to:				
Directors	10	12	1	2
Executive officers	20	19	–	–
	30	31	1	2

33 Financial instruments and risk management (continued)

33.2 Overview

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

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

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

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

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

The group's risk management policies are established to identify and analyse the risks faced by the group to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

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

33.3 Credit risk

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

33.3.1 Credit risk exposure

The carrying amount of financial assets and the total amounts guaranteed (refer note 34) represent the maximum credit exposure. The maximum exposure to credit risk from financial assets at 31 December was:

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Available-for-sale financial assets	14	33	–	15
Financial assets designated at fair value through profit or loss	1 214	1 536	–	–
Net investment in finance leases	572	858	–	–
Financial assets held for trading	5	–	–	–
Loans and receivables excluding cash and cash equivalents	567	627	84	69
Cash and cash equivalents	1 104	1 445	–	–
	3 476	4 499	84	84

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

Available-for-sale financial assets

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

Financial assets designated at fair value through profit or loss

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

The most significant long-term receivable at 31 December 2009 related to TAC Limited totalling R780 million (2008: R1 198 million). Approximately 80% (2008: 78%) of the TAC containers measured on a twenty foot equivalent unit basis are managed by Textainer.

33 Financial instruments and risk management (continued)

33.3 Credit risk (continued)

33.3.1 Credit risk exposure (continued)

Credit risk with respect to the investment in the protected currency basket note is not considered significant as the investment is guaranteed by the issuing bank which has an acceptable credit rating.

Net investment in finance receivables

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

Financial assets held-for-trading

With respect to the interest rate swap and cap contracts, the group's exposure to credit risk is determined with reference to the counterparties with which they contract and the markets and countries in which those counterparties conduct their business. Limits are established in advance for all credit exposures within strict company guidelines. Individual limits and the utilisation of those limits are continually reassessed. The group minimises such credit risk by limiting the counterparties to a group of major financial institutions, regulated by the relevant regulatory bodies, and does not anticipate incurring any losses as a result of non-performance by these counterparties.

Loans and receivables

Credit risk with respect to trade and other receivables is mitigated by the diverse customer base. The risk arising on short-term trade and other receivables is also managed through a group policy on the granting of credit limits and continual review and monitoring of these limits. At 31 December 2009 two customers accounted for 35% of the group's trade receivables (2008: one customer 17%).

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

	Group	
	2009 Rm	2008 Rm
Container leasing customers	507	457
Other	1	7
	508	464

Cash and cash equivalents

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

33.3.2 Impairment losses

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

	Group							
	Gross ¹		Total Net trade		Gross ¹		Total Net trade	
	Gross ²		impairment receivables		Gross ²		impairment receivables	
	2009		2008		2009		2008	
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
The ageing of trade receivables at the reporting date was:								
Not past due	1	–	–	1	7	–	–	7
Past due 0 – 30 days	254	–	(6)	248	205	–	(2)	203
Past due 31 – 120 days	218	5	(8)	215	246	8	(10)	244
Past due 121 – 365 days	36	4	(5)	35	11	9	(11)	9
More than one year	10	41	(42)	9	2	30	(31)	1
	519	50	(61)	508	471	47	(54)	464

¹ Gross receivables not subject to specific impairment.

² Gross receivables subject to specific impairment.

33 Financial instruments and risk management (continued)

33.3 Credit risk (continued)

33.3.2 Impairment losses (continued)

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

	Group	
	2009 Rm	2008 Rm
Balance at the beginning of the year	54	21
Impairment loss recognised	28	30
Impairment loss reversed	(7)	(8)
Effect of movements in exchange rates	(14)	11
Balance at the end of the year	61	54

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

33.4 Liquidity risk

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

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

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

	Group					Total Rm
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	
2009						
Non-derivative financial liabilities						
Bond payable	2 050	2 093	393	1 542	158	2 093
Debt facility	2 426	2 626	157	1 080	1 389	2 626
Revolving debt facility	581	604	7	597	–	604
Trade and other payables	368	368	368	–	–	368
Guarantee (refer 34.3)	–	165	165	–	–	165
	5 425	5 856	1 090	3 219	1 547	5 856
Derivative financial liabilities						
Derivative financial instruments	66	208	66	142	–	208
	66	208	66	142	–	208
2008						
Non-derivative financial liabilities						
Bond payable	3 450	3 559	569	2 223	767	3 559
Debt facility	2 791	3 101	48	1 138	1 915	3 101
Revolving debt facility	491	522	7	515	–	522
Trade and other payables	264	264	264	–	–	264
	6 996	7 446	888	3 876	2 682	7 446
Derivative financial liabilities						
Derivative financial instruments	180	296	130	166	–	296
	180	296	130	166	–	296

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

33 Financial instruments and risk management (continued)

33.4 Liquidity risk (continued)

	Company					Total Rm
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	
Non-derivative financial liabilities						
2009						
Amount due to subsidiary	368	368	–	–	368	368
Trade and other payables	1	1	1	–	–	1
	369	369	1	–	368	369
2008						
Amount due to subsidiary	368	368	–	368	–	368
Trade and other payables	2	2	2	–	–	2
	370	370	2	368	–	370

33.5 Market risk

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

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

33.5.1 Currency risk

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

The group enters into forward exchange contracts from time to time and as required to buy and sell specified amounts of various foreign currencies in the future at predetermined exchange rates. The contracts are entered into in order to manage the group's exposure to fluctuations in foreign currency exchange rates. The contracts are generally matched with anticipated future cash flows in foreign currencies primarily from sales and purchases. As at 31 December 2009 the group had no exposure to forward exchange contracts (2008: nil).

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33 Financial instruments and risk management (continued)

33.5 Market risk (continued)

33.5.1 Currency risk (continued)

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

Denominated in	2009			2008		
	SA rand Rm	US\$ Rm	Total Rm	SA rand Rm	US\$ Rm	Total Rm
Assets						
Investments	14	258	272	14	19	33
Long-term receivables	–	838	838	–	1 339	1 339
Net investment in finance leases	–	447	447	–	698	698
Derivative financial instruments	–	5	5	–	–	–
Restricted cash	–	48	48	–	149	149
Trade and other receivables	7	755	762	8	827	835
Cash and cash equivalents	230	874	1 104	205	1 240	1 445
	251	3 225	3 476	227	4 272	4 499
Liabilities						
Interest-bearing borrowings	–	4 557	4 557	–	6 194	6 194
Amounts attributable to third parties in respect of long-term receivables	204	–	204	243	–	243
Derivative financial instruments	–	66	66	–	180	180
Trade and other payables	41	348	389	24	250	274
Current portion of interest-bearing borrowings	–	500	500	–	538	538
	245	5 471	5 716	267	7 162	7 429

The following exchange rates applied during the year (one foreign unit equals SA rand):

	US\$	US\$
Year-end rate	7,35	9,27
Average rate	8,33	8,12

33 Financial instruments and risk management (continued)

33.5 Market risk (continued)

33.5.1 Currency risk (continued)

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

Sensitivity analysis

The group is exposed to currency risk only on those financial instruments that are denominated in a currency other than the respective functional currencies of group entities, namely the group's long-term receivables. A one percent weakening of the rand against the US dollar would have increased the group's profit by approximately R7 million for the year ended 31 December 2009 (2008: R11 million). This analysis assumes that all other variables, in particular interest rates, remain constant. A one percent strengthening of the SA rand against the US dollar would have had the equal and opposite effect to the amounts shown above, on the basis that all other variables remain constant.

33.5.2 Interest rate risk

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

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

The group is exposed to interest rate risk as it places funds on the money market. This risk is managed by maintaining an appropriate mix of term and daily call placements with registered financial institutions which are subject to compliance with the relevant regulatory bodies.

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

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Variable rate instruments				
Financial assets	1 152	1 594	82	67
Financial liabilities	(5 057)	(6 732)	–	–
	(3 905)	(5 138)	82	67

Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. An increase/decrease of 100 basis points in interest rates on interest rate swap contracts would have increased/decreased profit by R34 million (2008: R34 million).

Cash flow sensitivity analysis for variable rate instruments

An increase/decrease of 100 basis points in interest rates at the reporting date would have decreased/increased profit or loss by R43 million (2008: R38 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

33 Financial instruments and risk management (continued)**33.6 Fair value sensitivity for net investment in long-term receivables**

The discount rate that is applied to reduce the future long-term dollar receivable stream to its net present value reflects the applicable risk free rate (being the United States Daily Treasury Yield Curve rate for the appropriate term) plus an industry specific risk premium (refer note 35). An increase/decrease in the discount rate of 100 basis points would decrease/increase profit by R5 million (2008: R11 million).

The discount rate that is applied to reduce the future stream of rand amounts attributable to the company's export partners in respect of the long-term receivables to its net present value reflects the applicable risk free rate (being the Bond Exchange of South Africa yield curve for the appropriate term) adjusted for an appropriate risk premium (refer note 35). An increase/decrease in the discount rate of 100 basis points would increase/decrease profit by R2 million (2008: R3 million).

33.7 Capital management

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

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

The group monitors capital on the basis of the ratio of interest-bearing borrowings to total equity. This ratio is calculated as interest-bearing borrowings divided by total equity as follows:

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Interest-bearing borrowings	5 057	6 689	–	–
Total equity	5 746	6 619	814	809
Ratio of interest-bearing borrowings to total equity	88,0%	101,1%	–	–

The decrease in the ratio during 2009 resulted primarily from Textainer repurchasing its issued bonds during the year (refer note 18.6), as well as the strengthening of the SA rand from US\$1 = 9,27 to US\$1 = 7,35.

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

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

33.8 Guarantees

The group has provided guarantees in respect of obligations of certain group entities (refer note 34). At 31 December 2009 the fair value of these guarantees was nil (2008: nil). These guarantees expose the group to credit and liquidity risk.

33 Financial instruments and risk management (continued)

33.9 Fair values

The fair values of financial instruments have been arrived at after taking into account current market conditions (refer note 33.1).

33.9.1 Fair value hierarchy

The group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted in an active market for an identical instrument).

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

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

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

	Group			Total Rm
	Level 1 Rm	Level 2 Rm	Level 3 Rm	
2009				
Assets				
Long-term receivables	–	–	956	956
Interest rate swap contracts	–	5	–	5
Investment securities	258	14	–	272
	258	19	956	1 233
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	225	225
Interest rate swap contracts	–	66	–	66
	–	66	225	291

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

	Long-term receivables Rm	Interest rate swap contracts Rm	Amounts due to third parties in respect of long-term receivables Rm	Total Rm
2009				
Balance at the beginning of the year	1 536	(180)	(253)	1 103
Total (losses)/gains in profit or loss	(283)	33	10	(240)
Settlements	(297)	–	18	(279)
Transfers out of level 3	–	129	–	129
Effect of movements in exchange rates in equity	–	18	–	18
Balance at the end of the year	956	–	(225)	731

The group changed from measuring the fair value of its interest rate swap contracts under a level 3 input to a level 2 input during the year because it began determining the fair value estimate using observable market inputs.

33 Financial instruments and risk management (continued)

33.9 Fair values (continued)

33.9.1 Fair value hierarchy (continued)

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

	Long-term receivables Rm	Interest rate swap contracts Rm	Amounts due to third parties in respect of long-term receivables Rm	Total Rm
2009				
Total gains or losses included in profit or loss for the year				
Operating profit	(283)	–	4	(279)
Net unrealised gain on financial instruments	–	33	–	33
Associate tax charge	–	–	6	6
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year				
Operating profit	(331)	–	8	(323)
Net unrealised gain on financial instruments	–	–	–	–
Associate tax charge	–	–	–	–

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

	Effects on profit or loss		Effects on other comprehensive income	
	Favourable Rm	Unfavourable Rm	Favourable Rm	Unfavourable Rm
Long-term receivables	12	(12)	–	–
Amounts due to third parties in respect of long-term receivables	2	(2)	–	–
	14	(14)	–	–

Long-term receivables and amounts due to third parties in respect of long-term receivables are valued by discounting future cash flows. These cash flows are determined according to the estimates and judgements discussed in note 35. The discount rate applied to the long-term receivables (denominated in US\$) is 8,5% p.a. (2008: 8,5% p.a.), and amounts attributable to third parties in respect of long-term receivables is 10% p.a. (2008: 10% p.a.). An appropriate fair value adjustment is made to the net investment for the estimated timing of receipt and the possible non-collectibility of these receivables, and the related effect on the payment to third parties. The net present value of the long-term receivables and the related fair value adjustment were translated into SA rand at US\$1 = R7,35 (2008: US\$1 = R9,27). The effects noted in the above table are as a result of a 100 basis point change in discount rates and a one percent change in exchange rates.

34 Contingent liabilities, guarantees and other commitments

- 34.1 On 18 April 2005, the Public Limited Partnerships in the USA of which Textainer was one of the general partners, sold substantially all of their assets. As part of this sale, the purchaser engaged Textainer to continue to manage the containers acquired by it. Five lawsuits were filed between March 2005 and June 2007 in state and federal court, initiated by certain limited partners. The state cases were consolidated into one action. The limited partners in the state action alleged that the general partners breached their fiduciary duties by selling the assets for less than their fair value, retaining management rights over the assets following the sale, and making materially false or misleading statements in proxy statements issued in connection with the sale of assets. In the federal case, the plaintiffs alleged a breach of fiduciary duty claim similar to that in the state action and also alleged that the general partners violated federal securities laws. The lawsuits sought to recover damages for the limited partners based on the allegedly inadequate purchase price paid for the assets. On 5 February 2009, the plaintiffs in the state case, the plaintiff in the federal case and the Textainer defendants reached a settlement agreement under which Textainer's insurer would pay a total of US\$10 million to the plaintiffs on defendants' behalf. On 5 May 2009 the Court granted final approval of the global settlement agreement. On 7 July 2009 the time for class members to appeal the class action settlement agreement expired. On 24 November 2008 the Ninth Circuit granted the federal parties joint motion for a stay in proceedings and deferral of decision in order to finalise settlement proceedings. The motion to stay was continued on 8 May 2009 and the parties stipulated to a voluntary dismissal of the appeal on 9 July 2009. That dismissal was approved on 12 August 2009 upon which date the settlement agreement became effective and final.
- 34.2 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 2008, 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 R392 million (2008: R417 million) (refer note 8).
- 34.3 A company in which the group has a 100% beneficial interest has guaranteed a portion of certain loan facilities of an associate company. The amount guaranteed at 31 December 2009 was R165 million (2008: R209 million).
- 34.4 Textainer has entered into an agreement with a third party for the purchase of containers for resale which expires at the end of August 2010 amounting to R58 million (2008: nil). The amount outstanding under the agreement at 31 December 2009 was R23 million (2008: nil).
- 34.5 At 31 December 2009 the fair value of the above guarantees was nil (2008: nil).

35 Accounting estimates and judgements

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

35.1 Long-term receivables

35.1.1 *Discount rate*

US dollar cash streams

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

Rand cash streams

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

35.1.2 *Fair value adjustment*

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

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

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

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

35.2 Residual values

35.2.1 *Marine cargo containers*

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

36 Accounting standards and interpretations in issue but not yet effective

The following new standards, amendments to standards and interpretations are relevant to the group and are not yet effective for the year ended 31 December 2009, and have not been early adopted in preparing these financial statements:

- 36.1 IFRS 9 *Financial Instruments* (effective for years commencing on or after 1 January 2013) – this standard addresses the initial measurement and classification of financial assets as either measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows. All other financial assets are measured at fair value with changes recognised in profit or loss. For an investment in an equity instrument that is not held for trading, an entity may on initial recognition elect to present all fair value changes from the investment in other comprehensive income. IFRS 9 will be adopted for the first time for the year ending 31 December 2013 and will be applied retrospectively, subject to certain transitional provisions. The impact on the financial statements has not yet been estimated.
- 36.2 Revised IAS 24 *Related Party Disclosures* (effective for years commencing on or after 1 January 2011) – this standard addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party where new related party relationships have been identified. This standard will be adopted retrospectively for the first time for the year ending 31 December 2011, although it is not expected to have a significant impact on the disclosure in the financial statements.