

Review of Operations

Textainer

Textainer is primarily engaged in owning, leasing, managing and trading standard and specialised dry freight and refrigerated marine cargo containers to global transportation companies. Textainer Group Holdings Limited listed on the New York Stock Exchange (NYSE: TGH) on 10 October 2007. At 31 December 2010, Trencor had a 61,6% (2009: 62,3%) beneficiary interest in the company. In 2010 Textainer reported the best net profit attributable to shareholders in its 31-year history of US\$128,0 million (2009: US\$76,6 million excluding gains on repurchase of debt). Textainer paid dividends totalling US\$1,05 per share in respect of 2010 earnings compared to US\$0,92 for 2009.

During 2010, Textainer sourced a total of 214 000 TEU (twenty-foot equivalent unit) of new containers representing a total of US\$503,7 million in capital expenditure, the highest in the company's history, of which approximately 90% was purchased for the company's owned fleet. Textainer had borrowing facilities amounting to US\$955 million at 31 December 2010 of which almost US\$300 million was undrawn. Furthermore, at that date US\$227 million was outstanding under the Series 2005-1 bonds, all of which may be prepaid at par on any payment date.

Average fleet utilisation for the year was 95,4% (2009: 87,2%). Spot utilisation was 99,0% at the end of March 2011 compared to 91,6% at the same time last year.

Textainer remains the world's largest lessor of intermodal containers based on fleet size, with a total fleet in excess of 1,5 million containers, representing more than 2,3 million TEU. Textainer leases containers to more than 400 shipping lines and other lessees, including each of the world's top 20 container lines, as measured by the total TEU capacity of their container vessels. Textainer has provided an average of more than 107 000 TEU of new containers each year for the past 10 years and has been one of the largest purchasers of new containers among container lessors over the same period. Textainer is also one of the largest sellers of used containers among container lessors, having sold more than 77 000 containers during 2010, to more than 1 100 customers. The volume of sales of used containers declined in 2010 largely due to the high utilisation mentioned above.

Textainer provides its services worldwide via a network of regional and area offices and over 330 independent depots in more than 160 locations. Textainer's carefully designed specifications, in-house production quality control, depot selection and audit programme are all part of a system built to manage own and customers' costs and provide a high-quality container service.

In addition to its own fleet, Textainer manages containers on behalf of 16 affiliated and unaffiliated owners, including TAC, a container-owning company in which Trencor has a

44,3% interest. Management fees and sales commissions arising from these arrangements continue to make significant contributions to the company's operating results and also reduce volatility, even in cyclical downturns. Including finance leases, the total fleet under Textainer's management at 31 December 2010 numbered 2 314 000 TEU of which Textainer itself owned 1 177 000 TEU. 72,8% of the on-hire fleet was on long-term lease; of the containers in the on-hire fleet that are owned by Textainer, 78,5% were on long-term lease. The average age of Textainer's owned fleet was 6,5 years and of the whole fleet 7,1 years.

The refrigerated container market remained strong in 2010, and this trend is expected to continue in 2011. Textainer has invested almost US\$50 million per year in new refrigerated containers since re-entering that market in 2008.

The ratio of interest-bearing debt to total equity was 133% (2009: 122%), which is conservative by industry standards.

Textainer's 2010 annual report can be accessed on its website <http://www.textainer.com>.

Textainer: Salient information

	2010	2009	Change
Financial (US\$ million)			
Total revenue	337,9	283,9	+19,0%
Profit before tax	135,1	90,6*	+49,1%
Profit attributable to shareholders	128,0	76,6*	+67,1%
Profit attributable to Trencor	79,2	47,8*	+65,7%
Operational			
Average fleet utilisation	95,4%	87,2%	+8,2%
Fleet under management (TEU '000s) (excluding finance leases)	2 247	2 156	+91
Owned	1 120	958	+162
Managed	1 127	1 198	-71
Long-term lease fleet	1 684	1 536	+148
Short-term lease fleet	563	619	-56
Finance leases	67	84	-17

* Excludes gains on repurchase of debt in 2009.

Net investment in long-term receivables

The aggregate amount of outstanding long-term receivables denominated in United States dollars at 31 December 2010 was US\$209 million (2009: US\$231 million). The discount rate applied in the valuation of the long-term receivables is unchanged from 2009 at 8,5% per annum and the net present value of these receivables, before fair value adjustments, totalled R1,3 billion (2009: R1,6 billion). An exchange rate of US\$1 = R6,61 was used to translate dollar amounts into rand

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at 31 December 2010 (2009: US\$1 = R7,35). In compliance with the requirements of International Financial Reporting Standards, the resulting translation loss, amounting to R149 million at net present value (2009: loss of R442 million) has been included in profit before tax.

A fair value adjustment is made to take account of the estimated timing of receipt and the possible non-collectibility of the receivables, and the related effect on the portion attributable to third parties. The net fair value adjustment was reduced by R189 million (2009: increased by R14 million) following the significantly improved outlook for collections as a result of the prevailing strong container leasing market. This increased earnings by 72 cents per share (2009: decrease of 5 cents per share). The net fair value adjustment at 31 December 2010 was R272 million (2009: R528 million). Approximately 98% (2009: 85%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income and 2% (2009: 15%) relates to the possible non-collectability of receivables.

The increase in the value of the rand resulted in a gain of R61 million (2009: gain of R144 million) on translation of the dollar-denominated fair value adjustment against the receivables. At 31 December 2010, the net present value of long-term receivables after fair value adjustments amounted to R977 million (2009: R956 million).

The discount rate applied to reduce the rand amounts attributable to third parties to their net present values is unchanged from 2009 at 10% per annum.

TAC

3 074 719 shares representing 44,3% of the issued share capital of TAC are owned by Halco Holdings Inc ('Halco'), a company incorporated in British Virgin Islands and wholly-owned by the Halco Trust, a trust resident in Liechtenstein. These shares were originally issued by way of a rights issue at zero cost. Tencor and certain of its wholly-owned South African subsidiaries are the nominated beneficiaries of the Halco Trust. The protectors of the Halco Trust are C Jowell, N I Jowell, J E McQueen, D M Nurek and E Oblowitz. Halco has an option to acquire the 56% of the issued shares of TAC that it does not presently own for US\$4 million, which option will become exercisable by no later than 31 December 2013.

TAC and its wholly-owned subsidiary, Leased Assets Pool Company Limited, owned 160 053 TEU (2009: 178 311 TEU) of dry freight containers of various types and 2 327 (2009: 2 373) stainless steel tank containers at 31 December 2010, which are managed by a number of equipment managers who lease these containers to shipping lines. Textainer continues to manage the largest portion of the dry freight container fleet and Exsif Worldwide Inc. manages most of the stainless steel tank containers. 53,7% of the fleet is on long-term lease.

Amounts owing by TAC for containers delivered to it on extended credit terms in past years accounts for a major portion of the long-term receivables (see note 8 on page 40) and cash originating from TAC is applied in reduction thereof. Tencor closely monitors the performance of TAC and its cash flow forecasts and uses these projections to assist in valuing long-term receivables.

The strong performance in the container leasing industry which began in the fourth quarter of 2009 continued throughout 2010 and average utilisation for the year across the whole TAC fleet rose appreciably. Spot utilisation at 31 December 2010 for the portion of the fleet managed by Textainer was 98% compared to 89% in 2009. Fewer of TAC's older containers (23 104 TEU) were sold during the year (26 641 TEU in 2009) largely as a result of the higher fleet utilisation.

TAC is presently utilising more of its cash flow to pay down its bank loan and less to invest in new containers. During the year, TAC purchased 4 811 TEU (2009: 1 734 TEU) of new equipment at a cost of US\$9,1 million (2009: US\$9,4 million) from manufacturers in China; these purchases were financed out of the company's own resources. TAC has entered into discussions with a view to refinancing its loan facilities if it is able to secure reasonable terms from its banks.

TAC presently has negative equity, so that the value of the group's investment is carried at no value. The following table summarises the residual assets of TAC at 31 December which ultimately support the major part of the long-term receivables:

	2010 US\$m	2009 US\$m
Net interest	117	111
Comprising:		
Net book value of container fleet	188	204
Cash balances	4	4
Receivables	14	18
Total assets	206	226
Deduct:		
Bank loans	(87)	(109)
Payables	(2)	(6)
	117	111

Property interest

Tencor has a 15% interest in the company that owns and operates Grand Central Airport in Midrand, Gauteng, which continues to provide satisfactory returns. Our exposure to this investment is R3 million. This investment is regarded as non-core and will be disposed of when a suitable opportunity arises.

Finance

The principal financial ratios at 31 December 2010 and the comparative figures for 2009 are reflected in the table below:

	2010	2009
Ratio to total equity:		
Total liabilities	125%	108%
Interest-bearing liabilities	98%	88%
Current ratio (times)	1,5	1,7

On 29 June 2010, Textainer increased the aggregate availability under its secured debt facility from US\$475 million to US\$750 million and, on 15 March 2011, it exercised an option to increase the aggregate availability under this facility from US\$750 million to US\$850 million. The secured debt facility provides for payments of interest only during an initial two-year revolving period, with a provision for the secured debt facility to then convert to a 10-year, but not to exceed 15-year, amortising note payable. Interest on the outstanding amount due under the secured debt facility is payable monthly in arrears and equals LIBOR plus a margin during an initial two-year revolving period. The rate at 31 December 2010 was 3,01% per annum.

Textainer had borrowing facilities amounting to US\$955 million at 31 December 2010 of which US\$293 million was undrawn. At 31 December 2010, available cash resources at Tencor corporate level, including the currency note held by Halco, amounted to R887 million.

There is no interest-bearing debt in the group other than in Textainer.

During 2010, Textainer procured a total of 214 000 TEU of new containers representing a total of US\$503,7 million in capital expenditure, of which approximately 90% was purchased for the company's owned fleet.

On 18 October 2010, it was announced that Tencor had entered into discussions in terms of which, subject to the unbundling by Mobile of its 46,25% shareholding in Tencor becoming unconditional and being implemented, Tencor would acquire approximately 50% of the Tencor shares that would be held post the unbundling by certain trusts, in respect of which N I Jowell and C Jowell, directors of Tencor, are amongst the beneficiaries, at a price of R38,61 per Tencor share.

All of the conditions precedent having been fulfilled, Tencor repurchased 10 800 881 Tencor shares from these trusts at a price of R38,61 per share on 14 March 2011. The consideration for the specific share repurchase, which was R417 022 015, was discharged by Tencor from existing cash resources. The repurchased shares have been cancelled as issued shares and have reverted to authorised but unissued share capital.