TRENCOR

2011

TRENCOR LIMITED | INTEGRATED REPORT 2011

Contents

Profile

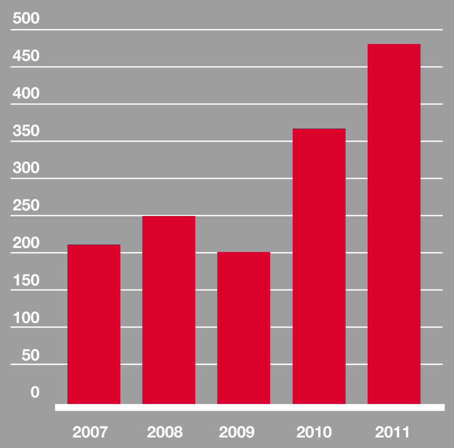
Trencor Limited is an investment holding company listed on the JSE. The group's core business focus is owning, leasing, managing and reselling marine cargo containers worldwide, and related financing activities.

Highlights

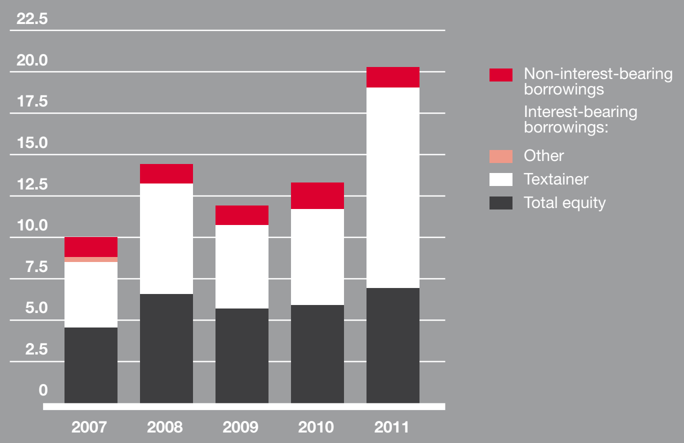
		2011	2010
Trading profit after net finance costs	Rm US$m	**1 529** **214**	1 002 137
Profit before tax	Rm US$m	**1 745** **222**	1 091 160
Headline earnings	Rm US$m	**1 001** **124**	629 94
Headline earnings per share	SA cents US cents	**559** **69**	336 50
Adjusted headline earnings per share*	SA cents US cents	**482** **67**	369 52
Dividends per share	SA cents	**175**	140
Net asset value per share	SA cents US cents	**2 707** **334**	2 078 314
Ratio of interest-bearing borrowings to total equity	%	**173**	98

* Refer to note 25 to the financial statements.

Adjusted headline earnings per share
(cents per share)



Funding of total assets
(R billion)



Directors

*	N I Jowell	Chairman
	J E Hoelter USA	
*	C Jowell	
*	J E McQueen	Financial
	D M Nurek	Independent/Lead
	E Oblowitz	Independent
	R J A Sparks	Independent
*	H R van der Merwe	
	H Wessels [1]	Independent
*	Executive	

Executive committee

N I Jowell	Chairman
C Jowell	
J E McQueen	
H R van der Merwe	

Audit committee

E Oblowitz	Chairman
D M Nurek	
R J A Sparks	
H Wessels	

Remuneration committee

D M Nurek	Chairman
R J A Sparks	

Nomination committee

D M Nurek	Chairman
R J A Sparks	

Risk committee

E Oblowitz	Chairman
J E Hoelter	
D M Nurek	
R J A Sparks	
H Wessels	

Governance committee

R J A Sparks	Chairman
D M Nurek	

Social and ethics committee [2]

D M Nurek	Chairman
C Jowell	
J E McQueen	

[1] Appointed 1 April 2011.

[2] Established 30 March 2012.

Brief résumés of the directors are presented on page 78.

Textainer Group Holdings Limited

P K Brewer USA	President and Chief Executive Officer

Textainer Equipment Management Limited

R D Pedersen DANISH	President and Chief Executive Officer

TRENCOR

60,8%* TEXTAINER	100% TRENCOR SERVICES	100% TRENCOR CONTAINERS	44,3% TAC
Listed on the New York Stock Exchange, the Textainer group owns, leases, manages and resells marine cargo containers worldwide	Corporate administration and financing	Collection of long-term receivables	Owning of marine cargo containers

* Reduced to 60,1% subsequent to the year-end following the issue by Textainer of restricted share units and share options exercised.

FIVE YEAR REVIEW

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Operating results					
Revenue	**4 649**	2 353	1 958	3 299	2 191
Profit before tax	**1 745**	1 091	635	1 122	901
Headline earnings attributable to shareholders	**1 001**	629	253	788	463
Statement of financial position summary					
Shareholders' equity	**4 794**	3 895	3 841	4 502	3 186
Non-controlling interest	**2 188**	2 056	1 905	2 117	1 429
Total equity	**6 982**	5 951	5 746	6 619	4 615
Interest-bearing borrowings	**12 107**	5 815	5 038	6 689	4 237
Funding of total net assets	**19 089**	11 766	10 784	13 308	8 852
Property, plant and equipment	**15 600**	9 604	7 858	9 198	5 726
Other non-current assets	**1 989**	1 752	2 204	2 816	2 274
Current assets	**2 729**	2 008	1 893	2 450	2 066
Total assets	**20 318**	13 364	11 955	14 464	10 066
Non-interest-bearing liabilities	**1 229**	1 598	1 171	1 156	1 214
Total net assets	**19 089**	11 766	10 784	13 308	8 852
Statistics					
Number of issued shares (million)	**177**	187	187	187	187
Equity book value per share (cents)	**2 707**	2 078	2 049	2 402	1 701
Headline earnings per share (cents)	**559**	336	135	421	247
Adjusted headline earnings per share (cents)	**482**	369	204	252	214
Dividends per share (cents)	**175**	140	120	110	80
Dividend cover based on adjusted headline earnings (times)	**2,8**	2,6	1,7	2,3	2,7
Liquidity (%)					
Ratio to total equity					
Total liabilities	**191**	125	108	119	118
Interest-bearing borrowings	**173**	98	88	101	92
Current ratio (times)	**1,5**	1,5	1,7	2,4	1,5
Profitability (%)					
Taxed profit to average total equity	**25**	19	11	18	16
Taxed profit before interest to average total assets	**12**	10	6	11	8
Headline earnings attributable to shareholders to average shareholders' equity	**23**	16	6	21	17
Number of employees	**190**	193	188	191	500

Trencor's outstanding results for 2011 reflect the record performance of Textainer, the container leasing business listed on the New York Stock Exchange, operating worldwide and headquartered in Bermuda, in which Trencor holds a beneficiary interest.

- **Trading profit** from continuing operations after net financing costs increased by 53% from R1 002 million in 2010 to R1 529 million. Profit for the period included a non-cash gain of R63,8 million arising on the sale of containers to the prior non-controlling interest in Textainer's primary asset-owning subsidiary, Textainer Marine Containers Limited ('TMCL').
- **Headline earnings per share** (including the effect of net realised and unrealised foreign exchange translation gains and losses) were 559,8 cents (2010: 335,5 cents).
- **Adjusted headline earnings per share** (which excludes the effect of net unrealised foreign exchange translation gains and losses but includes gains on the sale of containers referred to above), at 482,9 cents (2010: 369,4 cents), were up by 30,7%.
- Net unrealised foreign exchange gains/(losses) arising on translation of net dollar receivables and the related valuation adjustments, not included in adjusted headline earnings per share, were R191 million or 77 cents per share (2010: loss R89 million or 34 cents per share).
- These various earnings are better reflected in tabular form:

	2011 Cents per share	2010 Cents per share
Headline earnings including gains on containers sold pursuant to TMCL restructuring in the current year (35,7 cents per share)	**559,8**	335,5
Deduct/(Add): Unrealised foreign exchange translation gains/(losses)	**76,9**	(33,9)
Adjusted headline earnings	**482,9**	369,4

Textainer

This year I am including in my report the annual letter from the President and CEO of Textainer and myself to the shareholders of Textainer. I trust the additional details below will be of interest to you:

To Our Shareholders

2011: A Record Breaking Year

Overview

The favorable market conditions created by 2010's worldwide container shortage extended into 2011. Utilization levels averaged a record 98.3% for the year. Container manufacturers responded to the resulting demand for new containers by steadily increasing prices until they reached a high in June of $2,900 for a 20' standard dry freight container, a level not seen in the last 20 years. This high price combined with the financial impact of the downturn of 2009 led to a preference among many shipping lines to lease instead of buy new containers. The high prices also combined with the limited supply of containers available for sale also resulted in increases in the sale prices for our used containers, benefiting our container disposal and trading activities.

The first six months of 2011 saw an unprecedented level of capital expenditure dramatically exceeding the record set in 2010 for the full year. After June, however, the demand for new containers declined resulting in very few new dry freight containers being produced until December. Total industry production for 2011 was estimated to be 2.7 million Twenty-Foot Equivalent Units ("TEU"), approximately half of theoretical capacity, over 50% of which was purchased by leasing companies. The trend, started in 2010, of leasing companies purchasing more new containers than shipping lines continued in 2011. We expect this trend to continue for at least the next few years.

We are especially pleased with our continuing success in the refrigerated container market. Unlike dry freight containers, the production of refrigerated containers continued at full speed throughout the year. Although we reentered this segment only four years ago, we believe we were the second largest buyer of new refrigerated containers among leasing companies in 2011 with purchases of 18,000 TEU. With a young fleet of almost 44,000 TEU as of year-end, we remain committed to becoming one of the leaders in the reefer industry.

2011 Records

- *Record topline performance*: revenues of $422.8 million, an increase of 39% over 2010. Rental billings for both our owned and managed fleets totaled almost $600 million;
- *Record bottomline performance*: net income attributable to common shareholders of $189.6 million, or $3.80 per diluted common share, an increase of 56% over 2010;
- *Record fleet size*: a container fleet of almost 2.5 million TEU at year-end, an increase of 7% over 2010. If containers ordered as of March 1, 2012 are included, our fleet exceeds 2.5 million TEU;
- *Record long-term lease level*: 78% of our fleet under long-term and direct finance leases, resulting in reduced utilization volatility and greater revenue stability;
- *Increased asset ownership*: 59% of our fleet owned, compared to 51% in 2010. Owned assets generate considerably more income per TEU than managed containers;
- *Record utilization*: fleet utilization of 98.3% for the full-year, an increase of 2.9 percentage points over 2010. Utilization was 98% or higher for eleven months of the year. Due largely to this high level of utilization, we disposed of only 74,000 containers from our fleet in 2011, 17% less than the number disposed in 2010; and
- *Record capex*: capital expenditures for both our owned and managed fleets totaled $904 million, an increase of more than $350 million from 2010. We purchased 215,000 TEU of new standard dry freight containers and 18,000 TEU of new refrigerated containers. We also purchased 215,000 TEU of

older containers, the majority from our managed fleet. While purchases of managed containers do not increase our fleet size, they do contribute to earnings given the increased income generated by owned containers.

Liquidity

We issued $400 million of fixed-rate asset backed notes through our principal asset owning subsidiary, Textainer Marine Containers Limited ("TMCL"). This financing was the largest ever non-insured, container-backed note issuance to date. It not only further strengthened our capital structure, helping ensure that we have the liquidity necessary for future growth, but it also demonstrated the strong confidence of institutional investors in Textainer.

Additionally, we entered into a joint venture with a new $425 million facility specifically designed to fund direct finance leases, providing additional product options for our customers.

Return on Equity

Return on average equity was 30.1%, compared to 22.4% in 2010. During the year we took many steps to improve returns to our shareholders, including restructuring TMCL to remove an unrelated minority shareholder. After the removal of this shareholder, all income earned in TMCL flows to our shareholders.

Dividends

We consider dividends to be an important part of our shareholders' total return. Textainer has paid dividends for 23 consecutive years and, since our initial public offering in October 2007, we have maintained a stable or increasing dividend. We increased our quarterly payout 11 times, including each of the past eight quarters. Dividends have averaged 43% of net income since the IPO, rewarding our shareholders while enabling Textainer to retain capital for growth.

Outlook for 2012

Building on the trend of 2010-2011, in 2012 we expect leasing companies to perform well and to purchase the majority of the world's new container production for several reasons:

- Many shipping lines reported losses for 2011 and face a challenging freight rate environment. To the extent that they need containers, they are expected to lease instead of buy.
- Many of the banks which are among the primary lenders to the shipping industry are under pressure to meet capital ratios by restricting new lending. We understand that these banks are also finding it difficult and/or expensive to borrow US dollars. As a result, shipping lines may find it more difficult to obtain financing for container purchases.
- New container prices remain above $2,300 in 2012 and have been rising. Additional price hikes are expected as the year progresses. As prices increase, the preference of shipping lines to lease increases as well.
- World trade is projected to grow 6-8% in 2012 compared to 2011.

We cannot ignore areas of potential concern. The global economic environment is unsettled, negatively affecting trade. Freight rates are under pressure due, in part, to excess vessel capacity. New vessel deliveries equal to 9% of current capacity are projected in 2012, exceeding the projected 6-8% growth of trade. Additional trade growth and/or capacity constraints appear necessary for freight rates to improve. Bunker prices exceed $700/ton. Recognizing this, shipping lines have announced several steps aimed at improving their financial performance, including freight rate increases and bunker surcharges and the formation of new alliances intended to improve efficiency and reduce excess capacity.

Taking all of these factors into account, we expect container fleet utilization to remain near the historically high levels of the last two years. New container prices are expected to trend upwards. Sales prices for older containers are projected to be lower than 2011 but high relative to average prices achieved over the last five years. With this positive outlook in mind, we started the year with robust investments in new containers. As of March 1, we had ordered 62,000 TEU of new dry freight containers and 10,000 TEU of reefer containers for delivery through April 2012, representing $230 million of new capital expenditure.

We are very excited about Textainer's prospects in 2012.

Strategic Focus

We continue to pursue strategic and organic growth via purchases of new and managed containers, purchase and leasebacks of shipping line containers, investments in trading containers, acquisitions of container fleets, and similar transactions.

Many of our managed containers are owned in funds that are due for liquidation when they reach a specified age (generally 5-7 years). These liquidations provide us with an ongoing opportunity to purchase managed containers.

To the extent that shipping lines' access to financing is limited due to challenging bank and capital markets, we believe they will increasingly consider purchase leasebacks. Indeed, we already see customer interest in such transactions.

We intend to maintain the liquidity, financial strength, and commitment to act opportunistically. With a debt-to-equity ratio of 2.2 to 1 and proven access to the capital markets, we will explore any acquisition or expansion opportunity to further strengthen our industry leading position.

We would like to thank John Maccarone, who retired in October, for his 24 years of service to Textainer. He is justifiably viewed as one of the founders of container leasing, having spent 35 years in the industry, the last 13 as our President and CEO. John deserves much of the credit for building Textainer into the industry leader that it is today. John is continuing his service to Textainer by remaining on our Board of Directors.

We would also like to thank our shareholders, suppliers, customers, and employees for their support and dedication.

Cash flow and dividend

The outlook for the collection of the long-term receivables has continued to improve in the strong trading conditions of 2011 and we anticipate satisfactory conditions in 2012. Taking this into account, together with Textainer's excellent performance and a conservative (by industry standards) debt:equity ratio of 173%, the board declared a final dividend of R1,25 per share making a total dividend of R1,75 (2010: R1,40) for the year.

Strategy

Our strategy remains unchanged – to invest in businesses that are involved in the movement of goods. This policy is pursued by Textainer and TAC. Accordingly, our core business interest is owning, leasing, managing and reselling marine cargo containers worldwide as well as related financing activities.

Textainer continues to successfully pursue organic growth through investment in containers for long-term leases, leasebacks, used-container trading contracts, container management contracts and the purchase of containers already managed by it. These activities have offered good room for growth, whilst at the same time rendering better and quicker returns than acquisitions of competitors and/or similar companies might have done. Nevertheless, it remains part of Textainer's growth plan to opportunistically remain on the lookout for suitable and realistically priced deals to grow through the acquisition of existing businesses in its chosen industry. The expansion by Textainer into refrigerated containers is proving successful and the company plans to further build on this success.

Appreciation

It is with regret but also appreciation that I note John Maccarone's retirement as President and CEO of Textainer. His 19 years of service yielded great success and he was noted as a leader in the industry. A mark of his success is the excellent management team he built up in the company.

From this team, Phil Brewer became President and CEO of Textainer and Robert Pedersen became President and CEO of our container management subsidiary. Together they have 35 years of service and we have every confidence in their management of Textainer in the years ahead.

It is a pleasure to acknowledge all of Trencor's people for their dedication and outstanding contribution they have made to our businesses. I am also grateful to my co-directors for the independent and meaningful role they play in the affairs of the group.

N I Jowell

30 April 2012

Textainer

Textainer Group Holdings Limited ('Textainer') is, through its subsidiaries, primarily engaged in owning, leasing, managing and trading standard and special 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 2011, Trencor had a 60,8% (2010: 61,6%) beneficiary interest in the company. Textainer reported the best net profit attributable to its shareholders in its 32-year history in 2011 of US$194,0 million, (2010: US$128,0 million). The company paid dividends totalling US$1,36 per share in respect of 2011 earnings compared to US$1,05 in respect of 2010.

Total capital expenditure for both the owned and managed fleets was US$904 million for the year, used to purchase 215 000 twenty-foot equivalent units ('TEU') of new standard dry-freight containers, 18 000 TEU of new refrigerated containers and 215 000 TEU of used containers, all new records for the company.

Textainer completed a capital restructuring of its primary asset-owning subsidiary, Textainer Marine Containers Limited ('TMCL'), effective 30 June 2011, following which it now owns 100% of TMCL. The restructuring resulted in a US$20,4 million gross gain on sale of containers to the prior non-controlling interest. The gain was the result of recognising the fair value of containers and direct finance leases in excess of their book value exchanged for TMCL's common shares at the time of the transaction. This was a non-cash transaction.

Textainer issued US$400 million in asset-backed notes at a fixed interest rate of 4,7% per annum through its asset-owning subsidiary TMCL. This financing further strengthened the company's capital structure, helping ensure that it will have the liquidity necessary for future growth. Additionally, Textainer entered into a joint venture with a new US$425 million facility specifically designed to fund direct finance leases, providing additional product options for the company's customers. The company had borrowing facilities amounting to US$1 480 million at 31 December 2011 of which more than US$520 million was undrawn.

Average fleet utilisation for the year was 98,3% (2010: 95,4%), also a new record for the company.

Textainer remains the world's largest lessor of intermodal containers based on fleet size, with a total fleet of more than 1,6 million containers, representing almost 2,5 million TEU. The company leases containers to more than 400 shipping lines and other lessees, including 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 141 000 TEU of new containers each year for the previous five years and has also been one of the largest purchasers of new containers among container lessors over the same period. It is also one of the largest sellers of used containers among container lessors, having sold an average of more than 80 000 containers per year for the past five years. During 2011, only 74 000 containers were disposed of from the fleet, to more than 1 100 customers. The volume of sales of used containers declined in 2011 largely due to the high utilisation experienced by the company.

Textainer provides its services worldwide via a network of regional and area offices and over 440 independent depots in more than 220 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 customers' costs and provide a high-quality container service.

In addition to its own fleet, Textainer manages containers on behalf of 17 affiliated and unaffiliated owners, including TAC Limited, a container-owning company in which Trencor has a 44,3% beneficiary 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 2011 numbered 2,5 million TEU of which Textainer itself owned 59%, up 8% from 2010. 78% of the total operating lease fleet was on long-term lease compared to approximately 45% ten years ago. As at 31 December 2011, long-term leases had an average remaining duration of 3,6 years, assuming no leases are renewed. Of the containers in the fleet that are owned by Textainer, 79,3% were on long-term lease.

The refrigerated container market remained strong in 2011. Textainer re-entered this segment of the market only four years ago, but the company believes that it was the second-largest buyer of new refrigerated containers among leasing companies in 2011 with purchases of 18 000 TEU. The company has a young fleet of almost 44 000 TEU at the end of 2011 and remains committed to becoming one of the leaders in the industry.

The ratio of interest-bearing debt to total equity was 217% (2010: 133%) which is conservative by industry standards.

Textainer's 2011 annual report can be accessed on its website http://www.textainer.com.

Textainer: Salient information

	2011	2010	Change
Financial (US$ million)			
Total revenue	**612,7***	337,9	81,4%
Profit before tax	**211,2**	135,1	56,3%
Net profit	**194,0**	128,0	51,6%
Profit attributable to Trencor	**118,2**	79,2	49,4%
Operational			
Average fleet utilisation	**98,3%**	95,4%	2,9%
Fleet under management (TEU '000s) (excluding finance leases)	**2 469**	2 247	+222
Owned	**1 447**	1 120	+327
Managed	**1 022**	1 127	-105
Long-term lease fleet	**1 832**	1 684	+148
Short-term lease fleet	**549**	563	-14
Finance leases	**88**	67	+21

* Includes revenue of USS133,0 million in respect of containers sold to non-controlling interest, referred to above.

Net investment in long-term receivables

The aggregate amount of outstanding long-term receivables denominated in United States dollars at 31 December 2011 was US$179 million (2010: US$209 million). The discount rate applied in the valuation of the long-term receivables is unchanged from 2010 at 8,5% per annum and the net present value of these receivables, before fair value adjustments, totalled R1,4 billion (2010: R1,3 billion). An exchange rate of US$1 = R8,12 was used to translate dollar amounts into rand at 31 December 2011 (2010: US$1 = R6,61). In compliance with the requirements of International Financial Reporting Standards, the resulting unrealised translation gain, amounting to R263 million at net present value (2010: unrealised loss of R149 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 R33 million (2010: R189 million). This increased earnings by 13 cents per share (2010: 72 cents per share). The net fair value adjustment at 31 December 2011 was R303 million (2010: R272 million). Approximately 98% (2010: 98%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income and 2% (2010: 2%) relates to the possible non-collectibility of receivables.

The decrease in the value of the rand against the US dollar resulted in an unrealised loss of R71 million (2010: unrealised gain of R61 million) on translation of the US dollar fair value adjustment against the receivables. At 31 December 2011, the net present value of long-term receivables after fair value adjustments amounted to R1 041 million (2010: R977 million).

The discount rate applied to reduce the rand amounts attributable to third parties to their net present values is unchanged from 2010 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. 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. Halco has an option to acquire the remaining 55,7% of the issued shares of TAC that it does not presently own for US$4,1 million, which option will become exercisable by no later than 31 December 2013.

TAC and its wholly-owned subsidiary Leased Assets Pool Company Limited (‘LAPCO’) owned 145 726 TEU (2010: 160 053 TEU) of dry-freight containers of various types and 2 249 (2010: 2 327) stainless steel tank containers at 31 December 2011, 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. 54,7% of the fleet is on long-term lease.

Amounts owing by TAC for containers delivered to it on extended credit terms in past years account for a major portion of the remaining long-term receivables (see note 9 on page 44) and cash originating from TAC is applied in reduction thereof. Trencor closely monitors the performance of TAC and its cash flow forecasts and uses these projections to assist in valuing the long-term receivables.

The strong performance in the container leasing industry which began in the fourth quarter of 2009 continued throughout much of 2010 and 2011, although there was a slowdown in demand in the second half of the year. Average utilisation across the whole TAC fleet exceeded 98% in 2011. Fewer of TAC’s older containers (14 154 TEU) were disposed of during the year (23 104 TEU in 2010) largely as a result of the continuing high fleet utilisation.

In December 2011, LAPCO refinanced its term loan with a US$150 million, two-year revolving facility provided by its bankers. This facility provides LAPCO with approximately US$80 million of funding for investment in containers. By mid-March 2012, LAPCO had committed to the purchase of 11 740 TEU of new equipment costing US$40,8 million, to be managed by Textainer.

While TAC traded profitably in 2011, it presently has negative equity, so that the value of the group’s beneficiary interest continues to be 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 receivable:

	2011 US$m	2010 US$m
Net interest	**120**	117
Comprising:		
Net book value of container fleet	**168**	188
Cash balances	**7**	4
Receivables	**16**	14
Total assets	**191**	206
Deduct:		
Bank loans	**(69)**	(87)
Payables	**(2)**	(2)
	120	117

Property interest

Trencor 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.

Trencor endorses the principles underlying the Code of Corporate Practices and Conduct in the King Report on Corporate Governance. Ongoing enhancement of corporate governance principles is a global movement, supported by the board which, together with senior management, will continue to follow and adopt, as appropriate, existing and new principles which advance good practical corporate governance and add value to the group's business activities.

The board is not aware of any non-compliance with the Code during the year under review. The composition of the nomination committee was changed in the fourth quarter by the resignation of two executive directors as members of the committee so as to fully comply with the King Report.

The salient features of the group's corporate governance are set out below.

Board of directors

Composition

The names and brief résumés of the directors appear on page 78.

The board currently comprises nine directors, four of whom are executive and five non-executive of which four qualify as independent non-executive directors in terms of the King Report. The directors have considerable experience and an excellent understanding of the group's business.

Board effectiveness reviews were conducted in 2002, 2005, 2008, 2011 and early in 2012 and will in future be undertaken on an annual basis. The board is satisfied with the results of the process.

There is a procedure for appointments to the board. Nominations for appointment to the board are formal and transparent and submitted by the nomination committee of the board to the full board for consideration.

Chairman/CEO

The roles of chairman and chief executive officer are separate. The CEO of the group's operating entity reports to the chairman of that board, who in turn reports to the Trencor board.

The appointment of the chairman is reviewed on an annual basis. In view of the fact that the chairman is an executive, Mr D M Nurek is the appointed lead independent non-executive director.

The board is satisfied that no one individual director or block of directors has undue power on decision-making.

Professional advice

All directors have access to the company secretary and management and are entitled to obtain independent professional advice at the company's expense if required.

Meetings

The board meets regularly on a scheduled quarterly basis and at such other times as circumstances may require. During the year ended 31 December 2011, four meetings were held and these were attended by all members in person or by telephone/video link, save for Mr H Wessels who was appointed as a director on 1 April 2011 who attended two out of three meetings.

Board papers are timeously issued to all directors prior to each meeting and contain relevant detail to inform members of the financial and trading position of the company and each of its operating subsidiaries. When appropriate, strategic matters and developments are also addressed.

The chairman meets with non-executive directors, either individually or collectively, on an ad-hoc basis to apprise them of any significant matters that may require their input and guidance. In addition, the independent non-executive directors hold separate meetings as and when they deem it appropriate.

Directors' service contracts

None of the directors are bound by any service agreements. All executive directors have an engagement letter which provides for a notice period of between one and three months to be given by either party.

In terms of the memorandum of incorporation, not less than one-third of the directors are required to retire by rotation at each annual general meeting of the company and may offer themselves for re-election. New directors appointed during the year are required to retire at the next annual general meeting, but may offer themselves for re-election.

Directors' interests

The number of shares held by the directors and their associates in the issued share capital of the company at 31 December 2011 and 2010 were as follows:

	Beneficial		
	Direct	Indirect	Total
2011			
J E Hoelter	–	–	–
C Jowell*	**159 831**	**5 262 929**	**5 422 760**
N I Jowell*	**47 832**	**5 579 018**	**5 626 850**
J E McQueen	**49 649**	**102 133**	**151 782**
D M Nurek	–	**10 000**	**10 000**
E Oblowitz	**10 000**	–	**10 000**
R J A Sparks	–	**4 000**	**4 000**
H R van der Merwe	–	–	–
H Wessels	–	**2 859**	**2 859**
	267 312	**10 960 939**	**11 228 251**
2010			
J E Hoelter	–	–	–
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
R J A Sparks	–	4 000	4 000
H R van der Merwe	–	–	–
	142 667	157 941	300 608

* Following the unbundling by Mobile Industries Limited of its entire interest in Trencor to Mobile shareholders and the subsequent specific repurchase of 50% of the unbundled Trencor shares in March 2011 held by Messrs C Jowell and N I Jowell and trusts of which they are among the beneficiaries.

On 9 March 2012, Mr H Wessels acquired an indirect beneficial interest of 25 000 shares in the company.

The number of shares held by the directors and their associates in the issued common stock of Textainer Group Holdings at 31 December 2011 and 2010 were as follows:

	Beneficial		
	Direct	Indirect	Total
2011			
J E Hoelter	**–**	**1 003 340**	**1 003 340**
C Jowell	**694**	**–**	**694**
N I Jowell	**694**	**62 981**	**63 675**
J E McQueen	**694**	**–**	**694**
D M Nurek	**694**	**–**	**694**
E Oblowitz	**–**	**–**	**–**
R J A Sparks	**–**	**–**	**–**
H R van der Merwe	**694**	**–**	**694**
H Wessels	**–**	**–**	**–**
	3 470	**1 066 321**	**1 069 791**
2010			
J E Hoelter	–	1 115 146	1 115 146
C Jowell	–	–	–
N I Jowell	–	62 981	62 981
J E McQueen	–	–	–
D M Nurek	–	–	–
E Oblowitz	–	–	–
R J A Sparks	–	–	–
H R van der Merwe	–	–	–
	–	1 178 127	1 178 127

Audit committee

The audit committee, appointed by shareholders at each annual general meeting, consists of four independent non-executive directors. The committee normally meets at least twice a year, prior to the finalisation of the group's interim and annual results, and at such other times as may be required. The committee is primarily responsible for assisting the board in carrying out its duties in regard to accounting policies, internal controls and audit, financial reporting, identification and monitoring of risk, and the relationship with the external auditors.

In addition to the committee members, the other members of the board and certain other group executives are normally invited to attend meetings of the committee. The external auditors attend all meetings and have direct and unrestricted access to the audit committee at all times.

During the year, the committee met on two occasions. The meetings were attended by all members. In addition, the committee chairman meets separately with the external auditors on an ad-hoc basis.

The audit committee is satisfied as to the expertise and experience of the financial director, and of the finance function as a whole, and that the external auditors are independent in the discharge of their duties. The use of the services of the external auditors for non-audit services requires prior approval by the committee.

Textainer has its own audit committee comprising Textainer board members who are not executives of that entity. This committee submits copies of its minutes and reports to the Trencor audit committee after each meeting. The external auditors of Textainer have direct and unrestricted access to its audit committee.

Where appropriate, the internal audit functions are primarily outsourced to suitably qualified independent external parties which are contracted on an ad-hoc basis to perform certain internal audit functions in terms of specified terms of reference and to report thereon to the executive committee and, if required, the audit committee of the entity concerned.

Report by chairman of the audit committee

Membership

The audit committee, comprised of four independent non-executive directors, was appointed by shareholders at the previous annual general meeting and the board of directors appointed Mr E Oblowitz as chairman of the committee in respect of the 2011 financial year.

Shareholders will be requested to vote on and approve the reappointment of the members of the audit committee for the 2012 financial year at the forthcoming annual general meeting.

The committee's operation is guided by its detailed terms of reference that is informed by the Companies Act and King Report and approved by the board.

The committee met with the external auditors on two occasions. In addition, in my capacity as chairman, I met from time to time with the auditors with and without management being present.

Purpose

The primary purpose of the committee is:

- to assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- to meet with the external auditors at least on an annual basis;
- to review the company and group annual financial statements and reports as well as reports from subsidiary companies; and
- to conduct biannual reviews of the committee's work and terms of reference and make recommendations to the board to ensure that the committee operates at maximum effectiveness.

Execution of functions

The audit committee has executed its duties and responsibilities during the financial year in accordance with its terms of reference as they relate to the group's accounting, internal control and financial reporting practices.

During the year under review:

- In respect of the external auditor and the external audit, the committee amongst other matters:
  - nominated KPMG to the shareholders for appointment as external auditor for the financial year ended 31 December 2011, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor. The committee confirms that the auditor and the designated auditor are accredited by the JSE;
  - approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditor;
  - reviewed the audit, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures;
  - obtained an annual written statement from the auditor confirming that its independence was not impaired; and
  - determined the nature and extent of all non-audit services provided by the external auditor and preapproved all non-audit services undertaken.
- In respect of the financial statements, the committee amongst other matters:
  - confirmed the going concern as the basis of preparation of the interim and annual financial statements;
  - examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the board;
  - ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the group was determined to be a going concern;
  - considered accounting treatments, significant unusual transactions and accounting judgements;
  - considered the appropriateness of the accounting policies adopted and changes thereto;
  - reviewed the external auditor's audit report;
  - considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
  - met separately with management and the external auditor.
- In respect of internal control, the committee amongst other matters:
  - received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof; and
  - based on the above, the committee formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and maintaining effective material control systems.

Independence of external auditor

The audit committee is satisfied that KPMG is independent of the group.

Annual financial statements

Having achieved its objectives, the committee recommended the audited annual financial statements for the year ended 31 December 2011 for approval by the board. The board subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

Board and board committee terms of reference

The board is ultimately accountable and responsible for the performance and affairs of the group. In essence, it provides strategic direction to the group, monitors and evaluates operational performance and executive management of the company and its subsidiary and associate companies, determines policies and processes to ensure effective risk management and internal controls, determines policies regarding communication and is responsible for ensuring an effective composition of the board.

Committees of the board

Several committees of the board exist, each with specific terms of reference, to assist the board in discharging its responsibilities. The terms of reference are reviewed on an annual basis. The composition of these committees is reviewed on an ongoing basis. The names of the members of the committees appear on page 2.

Nomination committee

The nomination committee comprises two independent non-executive directors and identifies and recommends to the board, suitable competent candidates for appointment as directors.

The committee meets on an ad-hoc basis. During the year, the committee held three meetings which were attended by all members, save that Mr C Jowell attended two meetings.

In compliance with regulatory requirements, Messrs C Jowell and N I Jowell, being executive directors, withdrew as members of the committee in the fourth quarter.

Directors over age 75

The nomination committee is required, in terms of its terms of reference, to evaluate annually the performance of each director who has reached the age of 75 years. Messrs C Jowell and N I Jowell have reached that age and the committee has undertaken a review of their performance and has recommended to the board, which has agreed, that they remain as directors.

Directors' independence

The committee has conducted the necessary annual assessment and is satisfied regarding the independence of each of the independent non-executive directors of the company and, in particular, of those who have been in office for more than nine years, having regard to the requirements of the King Report and the provisions of the Companies Act.

Succession planning

The nomination committee of the board is satisfied that suitable succession plans are in place.

Executive committee

The executive committee, comprising the four executive directors, meets formally on a regular basis throughout the year and informally on a weekly basis. During the year, eleven formal monthly meetings were held which were attended by all members, save for Mr C Jowell who attended nine meetings. The minutes of these meetings are distributed to non-executive directors after each meeting.

This committee has the authority of the board, which is subject to annual review, to take decisions on matters involving financial risk management and matters requiring immediate action (subject to the approval of the committee chairman or his nominee) and passing of enabling resolutions, which:

- do not have major policy implications for the group, or
- have been discussed with and the support obtained from a majority of board members, save that any dissenting director has the right to call a board meeting, or
- if requiring significant capital expenditure, are in the normal course of business of the existing divisions and operations of the group.

Remuneration committee

The remuneration committee reports directly to the board and comprises two independent non-executive directors. The committee's task is to review the compensation of executive and non-executive directors and senior management and to grant options in terms of The Trencor Share Option Plan. The chairman of the board is usually invited to attend meetings of the committee. Members of the remuneration committee are not eligible for participation under The Trencor Share Option Plan.

During the year, two committee meetings were held, which were attended by both members.

The committee may, if required, seek the advice of external independent consultants.

Remuneration report

This report describes the remuneration practices and policies of the company with particular focus on the pay of executive directors, a subject that has received much attention in the media and business world.

Trencor seeks to employ persons of superior ability who will adequately meet the needs of our stakeholders. The company believes remuneration should be at least commensurate with that of similarly qualified people in comparable positions in like industries and in similar geographic locations.

Its policy is that the guaranteed pay together with a discretionary performance bonus paid in normal conditions and performance levels should be attractive compared to levels paid in equivalent positions. With regard to management, Trencor uses remuneration consultants to determine appropriate guaranteed income with due regard to appropriate benchmarking. In addition, it provides a short-term incentive bonus to more closely align the payment to the actual performance of the company.

The current formula for pay of executive directors was set some years ago and varies according to change in the scope of responsibility. Their compensation includes an annual bonus that is directly related to the profits of the company. This profit base excludes the effect of any unrealised translation gains or losses arising as a result of changes in the rand/US dollar exchange rate.

As Trencor has essentially become an investment holding company, the board believes long-term incentives in the form of share options are no longer appropriate.

The remuneration committee recommends the fees payable to non-executive directors to the board for approval which, in turn, proposes such fees to shareholders for approval. These fees are also determined with regard to appropriate benchmarking.

Directors' remuneration

The remuneration paid to the directors during the years ended 31 December 2011 and 2010 was as follows:

	Guaranteed remuneration including allowances R'000	Contributions to Medical aid R'000	Contributions to Retirement funds R'000	Incentive bonuses R'000	Equity compensation benefits [1] R'000	Other R'000	Total remuneration R'000
2011							
Non-executive directors							
J E Hoelter	**803**	**–**	**–**	**–**	**133**	**–**	**936**
D M Nurek	**799**	**–**	**–**	**–**	**133**	**–**	**932**
E Oblowitz	**275**	**–**	**–**	**–**	**–**	**–**	**275**
R J A Sparks	**274**	**–**	**–**	**–**	**–**	**–**	**274**
H Wessels [2]	**154**	**–**	**–**	**–**	**–**	**–**	**154**
	2 305	**–**	**–**	**–**	**266**	**–**	**2 571**
Executive directors							
C Jowell	**1 050**	**15**	**–**	**925**	**133**	**–**	**2 123**
N I Jowell	**2 185**	**30**	**–**	**2 316**	**133**	**35**	**4 699**
J E McQueen	**2 260**	**30**	**193**	**528**	**133**	**35**	**3 179**
H R van der Merwe	**1 633**	**33**	**154**	**–**	**133**	**–**	**1 953**
	7 128	**108**	**347**	**3 769**	**532**	**70**	**11 954**
Aggregate remuneration 2011	**9 433**	**108**	**347**	**3 769**	**798**	**70**	**14 525**
2010							
Non-executive directors							
J E Hoelter	733	–	–	–	–	–	733
D M Nurek	712	–	–	–	–	–	712
E Oblowitz	250	–	–	–	–	–	250
R J A Sparks	250	–	–	–	–	–	250
	1 945	–	–	–	–	–	1 945
Executive directors							
C Jowell	1 086	14	–	639	–	–	1 739
N I Jowell	2 190	27	–	1 672	–	–	3 889
J E McQueen	2 056	28	143	405	30	–	2 662
H R van der Merwe	2 176	30	198	522	30	–	2 956
	7 508	99	341	3 238	60	–	11 246
Aggregate remuneration 2010	9 453	99	341	3 238	60	–	13 191

[1] Award of shares by Textainer Group Holdings Limited. 2010 relates to share-based payments in Trencor.
[2] Appointed 1 April 2011.

No fees are paid to executive directors for services as director.

Share options

The following share options in terms of The Trencor Share Option Plan have been granted to and accepted by executive directors and/or their family trusts:

	Date granted	Number of options at 31/12/2010	Option price per share R	Exercisable as follows between	and
J E McQueen	11/06/04	50 000	12,10	11/06/07	11/06/12
	11/06/04	50 000	12,10	11/06/08	11/06/12
	11/06/04	50 000	12,10	11/06/09	11/06/12
	11/06/04	50 000	12,10	11/06/10	11/06/12
		200 000			
H R van der Merwe	11/06/04	50 000	12,10	11/06/07	11/06/12
	11/06/04	50 000	12,10	11/06/08	11/06/12
	11/06/04	50 000	12,10	11/06/09	11/06/12
	11/06/04	50 000	12,10	11/06/10	11/06/12
		200 000			

During the year, the above options were exercised and the shares sold as follows:

	Date exercised and sold	Number of options/ shares	Sale price per share R
J E McQueen	14 – 16/11/2011	109 985	35,00
	22/11/2011	90 015	35,00
		200 000	
H R van der Merwe	20 – 22/12/2011	184 100	37,00
	23/11/2011	15 900	36,72
		200 000	

Governance committee

The governance committee comprises two independent non-executive directors. The committee is responsible for making recommendations to the board in all matters relating to the development, evaluation and monitoring of the company's corporate governance processes, policies and principles; the development and implementation of and monitoring compliance with the company's Code of Conduct (the 'Code') and making recommendations to the board on revisions to the Code from time to time as appropriate.

During the year, two committee meetings were held, which were attended by both members.

Code of ethics

The board, management and staff agreed a formal code of ethical conduct in 1998 which seeks to ensure high ethical standards. All directors and employees are expected to strive at all times to adhere to this code, and to enhance the reputation of the group. The code is signed by all directors, managers and employees on an annual basis.

Any transgression of the code is required to be brought to the attention of the governance committee. There were no transgressions during the year under review.

Restriction on trading in shares

A formal policy prohibits directors, officers and employees from dealing in the company's shares from the end date of an interim reporting period until after the interim results have been published and similarly from the end date of the financial year until after the reviewed annual results have been published. Directors and employees are reminded of this policy prior to the commencement of any restricted period.

In addition, no dealing in the company's shares is permitted by any director, officer or employee whilst in possession of information which could affect the price of the company's shares and which is not in the public domain.

Directors of the company and of its major subsidiaries are required to obtain clearance from Trencor's chairman (and in the case of the chairman, or in the absence of the chairman, from the chairman of the audit or remuneration committee) prior to dealing in the company's shares, and to timeously disclose to the company full details of any transaction for notification to and publication by the JSE.

Social and ethics committee

A social and ethics committee was appointed in March 2012 comprising an independent non-executive director as chairman and two executive directors.

In order to ensure good corporate governance, Trencor already has a shareholder appointed audit committee and board appointed executive, governance, remuneration, nomination and risk committees. Textainer, being listed on the New York Stock Exchange, has to, and does, ensure compliance with good corporate governance principles as required by the rules and regulations of that Exchange and the regulations of the US Securities and Exchange Commission. Textainer has, inter alia, its own range of board committees to oversee such compliance. It also adheres to the laws of Bermuda (where it is registered) and of the USA where it is listed and has its administrative offices.

The Trencor group has no operational activities in South Africa, only a corporate reporting head office comprising 19 persons, three of whom are employed on a part-time basis. In view of the very limited nature of Trencor's activities in South Africa, application will be made to the Companies Tribunal for exemption from the requirement to have such a committee.

Risk committee

The risk committee comprises the members of the audit committee and Mr J E Hoelter. During the year, one committee meeting was held, which was attended by all members.

In addition to the committee members, the chairman of the board, the financial director and certain other group executives are invited to attend meetings of the committee.

Responsibility for managing the group's risks lies ultimately with the board of directors. The risk committee and executive committee at operating levels assist the board in discharging its responsibilities in this regard by identifying, monitoring and managing risk on an ongoing basis and within the authority conferred upon them by the board. The identification and mitigation of risk is a key responsibility of management throughout the group and of the executive committee.

The following significant risk exposures within our businesses and the possible impacts and the measures taken to mitigate such risks have been identified:

- **Exchange rate fluctuations**
  Trencor's business is largely US dollar-based and, accordingly, changes in the R/US$ exchange rate can and do significantly affect the translation of assets, liabilities, profits and losses into South African currency. 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 rand, if it believes that it would enhance the rand receipts to do so. Unrealised gains and losses arising on translation at reporting dates of the unhedged portion of the long-term receivables and related valuation adjustments are included in profit and loss and changes in the R/US$ exchange rate may result in volatility in earnings when expressed in rand.

  For the years ended 31 December 2011 and 2010, 36% and 34% respectively of Textainer's direct container expenses were paid in foreign currencies other than the US dollar. A decrease in the value of the US dollar against non-US currencies in which these expenses are incurred would translate into an increase in those expenses in US dollar terms, which would decrease net income of Textainer and the group.

- **Decrease in activity – effect on long-term receivable collections**
  Declines in lease rates, utilisation and residual values of equipment in the container industry can adversely affect the cash flows of container owners and could impair the ability of these companies to meet their obligations to the group and its export partners under the long-term export contracts. Conversely, improved market conditions may enhance their ability to meet these obligations. Trencor's in-depth understanding of the industry and many of the main participants enable the company to closely monitor the activities of these entities and, where necessary, take whatever action may be required to protect the group's and its export partners' interests. Changes in market conditions in the industry require the company to make appropriate fair value adjustments from time to time to recognise the changes in the timing and possible non-receipt of instalments due under these long-term export contracts.

- **Access to credit**
  The past several years have been characterised by weak domestic and global economic conditions, inefficiencies and uncertainty in the credit markets, a low level of liquidity in many financial markets and extreme volatility in many equity markets. Although these conditions appear to be abating and domestic and global recoveries seem to be under way, it is not yet clear whether a sustainable recovery is currently taking place domestically or internationally. Any deceleration or reversal of the relatively slow and modest domestic and global economic recoveries could heighten a number of material risks to Textainer's business, results of operations, cash flows and financial condition, as well as its future prospects, including the following:

  - **Containerised cargo volume growth:** A contraction or slowdown in containerised cargo volume growth or negative containerised cargo volume growth would likely create a surplus of containers, lower utilisation, higher direct costs, weaker shipping lines going out of business, pressure for Textainer to offer lease concessions and lead to a reduction in the size of its customers' container fleets.

- **Credit availability and access to equity markets:** Continued issues involving liquidity and capital adequacy affecting lenders could affect Textainer's ability to fully access its credit facilities or obtain additional debt and could affect the ability of its lenders to meet their funding requirements when the company needs to borrow. Further, the high level of volatility in the equity markets may make it difficult for Textainer to access the equity markets for additional capital at attractive prices, if at all. If the company is unable to obtain credit or access the capital markets, its business could be negatively impacted.
- **Credit availability to customers:** We believe that many of our customers are reliant on liquidity from global credit markets and, in some cases, require external financing to fund their operations. As a consequence, if these customers lack liquidity, it would likely negatively impact their ability to pay amounts due to Textainer.

Many of these and other factors affecting the container industry are inherently unpredictable and beyond our control.

- **Interest rates**

  Textainer has outstanding borrowings under a revolving credit facility, a secured debt facility and outstanding bonds payable. All of these outstanding amounts are denominated in US dollars and may be subject to variable interest rates. 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 variable 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. Textainer has entered into various interest rate swap and cap agreements to mitigate the exposure associated with variable rate debt. The swap agreements involve payments to counterparties at fixed rates in return for receipts based upon variable rates indexed to the London Inter Bank Offered Rate. There can be no assurance that these interest rate caps and swaps will be available in the future, or if available, will be on satisfactory terms. If Textainer is unable to obtain such interest rate caps and swaps or if a counterparty under the interest rate swap and cap agreements defaults, the exposure associated with the variable rate debt could increase. 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.

- **Credit risk concentration**

  Textainer's customers are mainly international shipping lines which transport goods on international trade routes. Once containers are on-hire to a lessee, Textainer does not track their location. The domicile of the lessee is not indicative of where the lessee is transporting containers. The business risk for Textainer in its international operations lies with the creditworthiness of the lessees rather than the geographic location of the containers or the domicile of the lessees.

  Textainer's five largest customers accounted for approximately 34,8% of its total owned and managed fleet's 2011 lease billings (2010: 32,3%). Lease billings from Textainer's 25 largest container lessees by lease billings represented 74,6% and 76,7% of total owned and managed fleet's container lease billings in 2011 and 2010 respectively.

  A single lessee accounted for 12,4% of Textainer's lease rental income for 2011 (2010: 11,1%). One single lessee accounted for 20,6% and 13,5% of Textainer's net accounts receivable as at 31 December 2011 and 2010 respectively.

  A default by any of these major customers could have a material adverse impact on our business, results from operations and financial condition.

- **Decrease in container fleet utilisation**

  A decline in utilisation, for example due to a reduction in world trade or in container traffic on particular routes or an oversupply of competitors' containers, could result in reduced revenue, increased storage expenses and thus lower profit. In order to reduce volatility in revenue and earnings of the containers in the on-hire fleet that are owned by Textainer, 79,3% (2010: 78,5%) are on long-term lease. Textainer has also developed a very active used-container trading operation and thus has an effective infrastructure to dispose of containers that have reached the end of their economic lives, on the best available terms. Textainer monitors containers due to come off lease and manages their disposal or re-lease.

- **Container off-hires in low demand locations**

  A build up of off-hire containers in low demand locations where they cannot easily be on-hired again, could lead to decreased utilisation, reduced revenue, higher storage costs and the possibility of having to ship the equipment, at considerable cost, to positions where it can be leased out. To reduce this exposure, Textainer is increasingly placing containers into long-term leases and also negotiating more favourable lease terms that limit the number of containers that lessees may off-hire in low demand areas. It also regularly repositions containers from low to high demand locations.

- **New container prices**

  Changes in the prices of new container equipment have an impact on lease rates. In general, declining new container prices lead to softening in rates, while increasing prices may result in upward pressure on lease rates.

- **Declining residual values of containers**
  The ultimate return from the ownership of a container will depend, in part, upon the residual value at the end of its economic life. The market value of a used container depends upon, among other things, its physical condition, supply and demand for containers of its type and remaining useful life in relation to the cost of a new container at the time of disposal and the location where it will be sold. A decline in residual values of containers can adversely affect returns from container ownership and cash flows.

Information resources management

Trencor, like other organisations, is reliant on information technology to effectively and efficiently conduct its business. The group's IT systems, policies and procedures are reviewed on an ongoing basis to ensure that effective internal controls are in place to manage risk and promote efficiencies, and as far as possible to comply with universally accepted standards and methods. Attention is continuously focused on maximising the benefits whilst minimising the risks associated with all aspects of the IT portfolio as they apply to business operations.

Security policies and procedures for employees and the use of technologies such as enterprise and personal firewalls, antivirus systems, intrusion monitoring and detection are applied, as well as frequent application of software security 'patches' issued by vendors as and when vulnerabilities are discovered.

Trencor head office has established procedures that when invoked enable a complete recovery of the IT network and business systems within specified time limits. Textainer has its own business continuity plans.

Stakeholder communication

Members of the executive committee of the board meet on an ad-hoc basis with institutional investors, investment analysts, individuals and members of the financial media. Discussions at such meetings are restricted to matters that are in the public domain.

Shareholders are informed, by means of press announcements and releases in South Africa and/or printed matter sent to such shareholders, of all relevant corporate matters and financial reporting as required in terms of prevailing legislation. Trencor also publishes a trading update in respect of the quarters ending March and September each year, in addition to the interim results and reviewed results announcements for the periods ending June and December respectively. In addition, such announcements are communicated via a broad range of channels in both the electronic and print media. The company maintains a corporate website (http://www.trencor.net) containing financial and other information, including interim, reviewed and annual results.

Trencor is an investment holding company quoted on the JSE Limited. Its core businesses are the owning, leasing, managing and reselling marine cargo containers worldwide, and related financing activities.

Strategy

Trencor's strategy is to invest in operations that have as their business the enablement of the controlled movement of goods by providing, managing and integrating the use of equipment, services, knowledge and information.

We aim to do this by providing a global and integrated set of offerings through owning, managing, and/or leasing of container assets used by customers in the controlled movement of goods, including investing in related information and communication technologies and appropriate forms of information management.

This strategy is intended to contribute to the growth and improvement of those existing businesses already involved in the movement of goods, and to include in their activities similar businesses that have the potential to render acceptable returns.

Origins and history

Trencor started life in 1929 as a General Motors dealership. In 1929 Trencor's founders converted a Buick sedan to a truck and started a road transport business which in due course became a leading nationwide carrier. Since then, the company has undergone a number of changes to adjust to changing circumstances.

In 1955 the company listed on the JSE. 1969/70 saw the branching out into road trailer manufacturing through the acquisition of Henred Trailer Manufacturing Company, which subsequently merged with Fruehauf South Africa to form Henred-Fruehauf Trailers.

1977 marked the beginning of manufacturing dry-freight marine cargo containers for the export market. This was later expanded to include the manufacture of folding flatrack containers and stainless steel tank containers. In 1979 Trencor commenced financing the sale of containers on long-term credit. The aggregate sales value of containers so exported exceeded US$1 billion.

With the advent of globalisation and the freeing up of the South African economy, the focus shifted to the core activities of the group as described above. Today, Textainer, in which Trencor currently has a 60,1% beneficiary interest, is the world's largest container leasing company based on fleet size and its shares are listed on the New York Stock Exchange.

Sustainability strategy

Trencor recognises the interest of both internal and external stakeholders in its organisational and operational performance. As a socially responsible group of companies it embraces the goal of sustainable development.

The group believes that the non-financial aspects of sustainability may ultimately have a financial impact on its business and thus cannot be ignored. Sustainability is therefore important in enhancing shareholder value, quite apart from fulfilling the group's social responsibility.

The group's sustainability strategy focuses on high level target areas, specific objectives and key performance indicators for each functional area within the group.

Managing sustainability

A sustainability committee is currently in the process of being established and will have its own terms of reference as a committee of the board and will seek to ensure that the group operates its business activities in a socially responsible manner.

Sustainability risk focus areas

The following have been identified as the main risk focus areas which the group believes are critical to its long-term success and sustainability: shareholders, employees, customers, suppliers, regulatory issues, environment and community.

Measuring performance

Sustainability is measured by the 'value add' and wealth created for the benefit of its stakeholders over the long term, through the group's operations.

The statement below shows the wealth created during the year ended 31 December 2011 and how it was distributed:

Wealth created:	**Rm**
Total revenue	**4 649**
Less: costs of goods and services	**(2 073)**
	2 576
Wealth distributed:	
Employees' compensation	**205**
Government (direct taxes)	**100**
Shareholders (dividends)	**452**
Depreciation and amortisation	**626**
Net earnings retained	**1 193**
	2 576
	Cents per share
Shareholders	
Growth of shareholder wealth and returns:	
Earnings	**554**
Dividends	**175**
Trencor share price at year-end	**3 800**

Employees

Trencor and Textainer both have succession plans approved by their respective corporate governance and nomination committees, as well as their boards.

The group promotes an environment where employees have continuing opportunities for improving their professional skills and enhancing their personal growth through various training and development programmes. The group also offers its employees assistance in continuing their education.

Details of the employee benefits provided by Trencor and Textainer are detailed in the notes to the financial statements.

The group aims to maintain an open and productive work environment that is responsive to the needs and concerns of its employees. The group believes that communication is the key to building successful relationships. The aim is to foster an environment of mutual respect and confidence in which employees can develop their skills and talents.

The group is committed to a policy of non-discrimination. Employees with a disability or life-threatening illness will be allowed to continue working as long as they are able to meet the company's performance standards, and their work does not present a direct threat to their own health or safety or that of others.

Remuneration

The company's remuneration practices and policies are described in the remuneration report above.

Customers

Through ongoing interaction with its customers the group believes it is able to provide an excellent product and service to its customers.

Suppliers

Trencor acknowledges that to remain competitive and offer a comprehensive product range, goods also need to be sourced internationally. This involves establishing business relations with suppliers and manufacturers in developing countries where production cannot always be monitored. Trencor will not tolerate any violation of human rights and basic social standards of which it may become aware. At the same time Trencor respects local laws, norms and culture provided they are not in conflict with fundamental ethical and human rights. Workplace standards of suppliers are monitored, where possible, and corrective action proposed when deemed appropriate, although the ability to influence change is often limited.

Regulatory issues

Both Trencor and Textainer, as public listed companies, are subject to rules and regulations established and enforced by the regulatory bodies in the jurisdictions in which they are registered or operate. Both companies are in compliance with these rules and regulations.

Employment equity

The group's South African workforce at 31 December 2011 comprised the employees of Trencor Services (Pty) Limited at the group's corporate head office consisting of 19 persons: four executive white male directors, four white males in senior management, one coloured male in mid management, one white disabled and one coloured male and one white female in junior management, two coloured and three white semi-skilled females and one unskilled coloured male and African woman.

Environment

Textainer is currently involved in a project co-ordinated with the Institute of International Container Lessors to find a more environmentally friendly flooring material for containers.

Community

During the year under review, monetary assistance was granted to the Community Chest Western Cape, an organisation which provides assistance to various community and welfare organisations, which the group has supported since 1974. Financial support was also provided to The Red Cross War Memorial Children's Hospital, a highly specialised children's health care facility in the Cape well known for its excellence in child care and treatment on the African continent. Other organisations supported were St. Luke's Hospice, Accelerate Cape Town, National Sea Rescue Institute, MaAfrika Tikkun, Foodbank, Darling Trust, WWF South Africa, Cape Philharmonic Orchestra, The Make a Difference Foundation and ACVV Peninsula. In addition, donations were made to the University of the Western Cape, Stellenbosch University, University of Cape Town and the Cape Peninsula University of Technology.

Textainer's employees and directors combined to donate US$27 500 to the American Red Cross Japan Earthquake Relief Fund. The company matched donations on a 3-to-1 basis, adding US$82 500 to reach a total of US$110 000.

External assurance

As this is the group's second sustainability report and as integrated reporting is viewed as a process which is dynamic and evolutionary, it would be premature to seek external verification of any elements of the report at this stage. The board confirms, to the best of its knowledge and belief, the accuracy and integrity of the data provided in this report. The group anticipates providing independent assurance of the material aspects of this report in the future.

AUDITED ANNUAL FINANCIAL STATEMENTS

Audit committee report

The audit committee has fulfilled all of its functions in terms of the Companies Act of South Africa, as described in the corporate governance report on pages 11 and 12.

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Trencor Limited, comprising the statements of financial position at 31 December 2011, 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 the requirements of the Companies Act of South Africa.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

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

Preparation of financial statements

These financial statements have been prepared by management under the supervision of the financial director.

Approval of the consolidated and separate annual financial statements

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

Page

Signed on behalf of the board

N I Jowell
Chairman

E Oblowitz
Director and chairman
of the audit committee

Cape Town
30 April 2012

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Trencor Limited

Report on the financial statements

We have audited the consolidated and separate annual financial statements of Trencor Limited, which comprise the statements of financial position at 31 December 2011, 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 24 to 75.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Trencor Limited at 31 December 2011 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

KPMG Inc
Registered Auditor

Per L P Smith
Chartered Accountant (SA)
Registered Auditor
Director

Cape Town
30 April 2012

DECLARATION BY THE COMPANY SECRETARY

It is hereby certified that for the year ended 31 December 2011, the company has lodged with the Companies and Intellectual Property Commission all returns as are required by a public company in terms of the Companies Act of South Africa and that such returns appear to be true, correct and up to date.

Trencor Services (Pty) Limited
Secretaries

Per G W Norval

Cape Town
30 April 2012

General review

The nature of the company's business is described on the inside front cover. The financial results are reflected in the financial statements on pages 26 to 75.

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

	2011 Rm	2010 Rm
Container operations		
Container finance	**15**	17
Textainer	**845**	581
Exchange translation gains/(losses)	**147**	(63)
Net long-term receivable adjustment	**23**	136
Interest and other corporate items	**(39)**	(47)
	991	624

Directors and secretary

The names of the directors appear on page 2 and that of the secretary on page 76. Mr H Wessels was appointed as an independent non-executive director with effect from 1 April 2011.

In terms of the memorandum of incorporation Messrs C Jowell, D M Nurek and J E Hoelter retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

Brief résumés of the directors are presented on page 78.

Directors' interests

The aggregate of the direct and indirect beneficial interests of the directors in the issued shares of the company at 31 December 2011 was 6,2% (2010: 11,8%).

The direct and indirect beneficial interests of each director who held in excess of 1% of the issued shares at 31 December 2011 and 2010 were as follows:

	2011 %	2010 %
C Jowell	**3,0**	5,8
N I Jowell	**3,2**	5,9

Cash dividends

	Payment number	Record date	Payment date	Cents per share	Total Rm
2010					
Interim	89	17/09/10	20/09/10	40	75
Final	90	01/04/11	04/04/11	100	177
2011					
Interim	**91**	**16/09/11**	**19/09/11**	**50**	**88**
Final	**92**	**23/03/12**	**26/03/12**	**125**	**221**

The Trencor share option plan

In terms of The Trencor Share Option Plan, options have been granted to certain executive directors and employees amounting in aggregate to 6 740 000 shares (2010: 6 740 000 shares) in the unissued share capital of the company. The maximum number of shares available for utilisation under the Plan was 8 884 209 (2010: 8 884 209).

During 2011 options in respect of 400 000 shares (2010: nil shares) were exercised at the offer price of R12,10 per share and, accordingly, the issued share capital increased by the issue of an additional 400 000 shares.

No options are currently outstanding.

Interest in significant subsidiaries

	Share capital and premium million	Effective interest 2011 %	Effective interest 2010 %	Shares at cost 2011 Rm	Shares at cost 2010 Rm	Amount owing (to)/by company 2011 Rm	Amount owing (to)/by company 2010 Rm
Indirect:							
Textainer Group Holdings Ltd [1] (Incorporated in Bermuda) Owning, leasing, managing and reselling of marine cargo containers	US$173	**60,8** [2]	61,6	**–**	–	**–**	–
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	**(399)**	(378)
				1 068	1 068	**(399)**	(378)
Aggregate of all other subsidiaries				**353**	384	**39**	65
				1 421	1 452	**(360)**	(313)
Less impairment loss				**(367)**	(378)	**–**	–
				1 054	1 074	**(360)**	(313)

[1] 60,8% of the issued shares of Textainer at 31 December 2011 is 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 sole beneficiaries of the Halco Trust. The protectors of the Halco Trust are Messrs C Jowell, N I Jowell, J E McQueen, D M Nurek and E Oblowitz.

[2] Reduced to 60,1% subsequent to the year-end following the issue of restricted share units and share options exercised.

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:

	2011 Rm	2010 Rm
Profits	**1 026**	673
Losses	**(1)**	(14)
	1 025	659

Specific share repurchase

Trencor repurchased 10 800 881 of its own shares from trusts in respect of which Messrs N I Jowell and C Jowell, directors of Trencor, are amongst the beneficiaries, for a total consideration of R417 million in March 2011. The consideration for the specific share repurchase was discharged by Trencor from then existing cash resources. The repurchased shares have been cancelled as issued shares and have reverted to authorised but unissued share capital.

Special resolutions

At the annual general meeting held on 30 June 2011, shareholders passed special resolutions to approve the following:

- the directors' annual remuneration, in their capacity only as directors of the company, from 1 January 2011 until the next annual general meeting of the company; and
- general authority granted to the company for the acquisition by the company or any of its subsidiaries of shares issued by the company. This authority is valid until the earlier of the next annual general meeting or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that it shall not extend beyond fifteen months from the date of passing of the resolution.

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 30 December 2011 is presented on page 77.

STATEMENTS OF FINANCIAL POSITION

at 31 December 2011

	Notes	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
Assets					
Property, plant and equipment	4	**15 600**	9 604	**–**	–
Intangible assets	5	**380**	400	**–**	–
Investment in equity accounted investee	6	**3**	–	**–**	–
Other investments	7	**14**	14	**–**	–
Investment in subsidiaries	8	**–**	–	**1 054**	1 074
Long-term receivables	9	**756**	828	**1**	1
Net investment in finance leases	10	**444**	325	**–**	–
Derivative financial instruments	11	**–**	9	**–**	–
Deferred tax assets	12	**22**	77	**–**	–
Restricted cash	13	**370**	99	**–**	–
Total non-current assets		**17 589**	11 356	**1 055**	1 075
Inventories	14	**169**	22	**–**	–
Trade and other receivables	15	**773**	458	**4**	–
Other investment	7	**–**	235	**–**	–
Current portion of long-term receivables	9	**285**	149	**–**	–
Current portion of net investment in finance leases	10	**167**	112	**–**	–
Current tax assets	16	**2**	3	**–**	–
Amount due by subsidiary	8	**–**	–	**39**	65
Cash and cash equivalents	17	**1 333**	1 029	**–**	–
Total current assets		**2 729**	2 008	**43**	65
Total assets		**20 318**	13 364	**1 098**	1 140
Equity					
Issued capital	18	**1**	1	**1**	1
Share premium		**43**	456	**43**	456
Reserves	18	**4 750**	3 438	**652**	296
Total equity attributable to equity holders of the company		**4 794**	3 895	**696**	753
Non-controlling interest		**2 188**	2 056	**–**	–
Total equity		**6 982**	5 951	**696**	753
Liabilities					
Interest-bearing borrowings	19	**11 031**	5 475	**–**	–
Amounts attributable to third parties in respect of long-term receivables	9	**173**	221	**–**	–
Amount due to subsidiary	8	**–**	–	**399**	378
Derivative financial instruments	11	**131**	90	**–**	–
Deferred revenue	20	**9**	20	**–**	–
Deferred tax liabilities	12	**224**	225	**1**	1
Total non-current liabilities		**11 568**	6 031	**400**	379
Trade and other payables	21	**510**	909	**2**	8
Current tax liabilities	16	**78**	64	**–**	–
Current portion of interest-bearing borrowings	19	**1 076**	340	**–**	–
Current portion of amounts attributable to third parties in respect of long-term receivables	9	**53**	24	**–**	–
Deferred revenue	20	**51**	45	**–**	–
Total current liabilities		**1 768**	1 382	**2**	8
Total liabilities		**13 336**	7 413	**402**	387
Total equity and liabilities		**20 318**	13 364	**1 098**	1 140

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

		Group		Company	
	Notes	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm
Revenue	3.10, 22, 30	**4 649**	2 353	**632**	249
Other operating income		**11**	18	**24**	–
Changes in inventories		**(1 378)**	(349)	**–**	–
Direct leasing expenses		**(131)**	(187)	**–**	–
Staff costs		**(205)**	(190)	**(1)**	–
Depreciation		**(582)**	(418)	**–**	–
Other operating expenses		**(162)**	(162)	**(7)**	(55)
Net long-term receivable fair value adjustment		**(40)**	250	**–**	–
Operating profit before net finance (expenses)/income	22	**2 162**	1 315	**648**	194
Net finance (expenses)/income	23	**(415)**	(224)	**–**	2
Finance expenses					
Interest expense		**(315)**	(132)	**–**	–
Realised and unrealised losses on derivative financial instruments		**(105)**	(102)	**–**	–
Finance income					
Interest income		**5**	10	**–**	2
Loss from equity accounted investee (net of tax)		**(2)**	–	**–**	–
Profit before tax		**1 745**	1 091	**648**	196
Income tax expense	24	**(100)**	(9)	**(27)**	(23)
Profit for the year		**1 645**	1 082	**621**	173
Other comprehensive income/(loss)					
Foreign currency translation differences		**1 120**	(583)	**–**	–
Total comprehensive income for the year		**2 765**	499	**621**	173
Total comprehensive income for the year attributable to:					
Equity holders of the company		**1 720**	268	**621**	173
Non-controlling interest		**1 045**	231	**–**	–
		2 765	499	**621**	173
Profit for the year attributable to:					
Equity holders of the company		**991**	624	**621**	173
Non-controlling interest		**654**	458	**–**	–
		1 645	1 082	**621**	173
Basic earnings per share (cents)	25	**554,3**	332,5		
Diluted earnings per share (cents)	25	**554,3**	331,8		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Attributable to		
Group	Share capital Rm	Share premium Rm	Fair value reserve Rm
Balance at 31 December 2009	1	456	10
Total comprehensive income/(loss) for the year			
Profit for the year	–	–	–
Other comprehensive loss for the year			
Foreign currency translation differences	–	–	–
Total other comprehensive loss for the year	–	–	–
Total comprehensive (loss)/income for the year	–	–	–
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	–	–	–
Share options exercised	–	–	–
Dividends paid to equity holders	–	–	–
Total contributions by/(distributions to) owners	–	–	–
Total changes in ownership interests in subsidiaries	–	–	–
Total transactions with owners	–	–	–
Balance at 31 December 2010	1	456	10
Total comprehensive income for the year			
Profit for the year	**–**	**–**	**–**
Other comprehensive income for the year			
Foreign currency translation differences	**–**	**–**	**–**
Total other comprehensive income for the year	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	**–**	**–**	**–**
Share options exercised	**–**	**4**	**–**
Repurchase of own shares from owners	**–**	**(417)**	**–**
Acquisition of non-controlling interest without a change in control	**–**	**–**	**–**
Dividends paid to equity holders	**–**	**–**	**–**
Total (distributions to)/contributions by owners	**–**	**(413)**	**–**
Total changes in ownership interests in subsidiaries	**–**	**–**	**–**
Total transactions with owners	**–**	**(413)**	**–**
Balance at 31 December 2011	**1**	**43**	**10**

Company	Share capital Rm	Share premium Rm	Preference share amortisation adjustment Rm
Balance at 31 December 2009	1	456	600
Total comprehensive income for the year			
Profit for the year	–	–	–
Transactions with owners, recorded directly in equity			
Distributions to owners			
Dividends paid to equity holders	–	–	–
Balance at 31 December 2010	1	456	600
Total comprehensive income for the year			
Profit for the year	**–**	**–**	**–**
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Dividends paid to equity holders	**–**	**–**	**–**
Share options exercised	**–**	**4**	**–**
Repurchase of own shares from owners	**–**	**(417)**	**–**
Total distributions to owners	**–**	**(413)**	**–**
Balance at 31 December 2011	**1**	**43**	**600**

equity holders of the company						
Foreign currency translation reserve Rm	Equity compen-sation reserve Rm	Gain/(Loss) on changes in ownership interests in subsidiaries Rm	Retained income Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
122	123	272	2 857	3 841	1 905	5 746
–	–	–	624	624	458	1 082
(356)	–	–	–	(356)	(227)	(583)
(356)	–	–	–	(356)	(227)	(583)
(356)	–	–	624	268	231	499
–	24	–	–	24	15	39
–	–	–	–	–	37	37
–	–	–	(234)	(234)	(136)	(370)
–	24	–	(234)	(210)	(84)	(294)
–	–	(4)	–	(4)	4	–
–	24	(4)	(234)	(214)	(80)	(294)
(234)	147	268	3 247	3 895	2 056	5 951
–	**–**	**–**	**991**	**991**	**654**	**1 645**
729	**–**	**–**	**–**	**729**	**391**	**1 120**
729	**–**	**–**	**–**	**729**	**391**	**1 120**
729	**–**	**–**	**991**	**1 720**	**1 045**	**2 765**
–	**42**	**–**	**–**	**42**	**25**	**67**
–	**–**	**–**	**–**	**4**	**42**	**46**
–	**–**	**–**	**–**	**(417)**	**–**	**(417)**
–	**–**	**(177)**	**–**	**(177)**	**(801)**	**(978)**
–	**–**	**–**	**(265)**	**(265)**	**(187)**	**(452)**
–	**42**	**(177)**	**(265)**	**(813)**	**(921)**	**(1 734)**
–	**–**	**(8)**	**–**	**(8)**	**8**	**–**
–	**42**	**(185)**	**(265)**	**(821)**	**(913)**	**(1 734)**
495	**189**	**83**	**3 973**	**4 794**	**2 188**	**6 982**

Equity compen-sation reserve Rm	Retained income/ (Accu-mulated loss) Rm	Total Rm
2	(245)	814
–	173	173
–	(234)	(234)
2	(306)	753
–	**621**	**621**
–	**(265)**	**(265)**
–	**–**	**4**
–	**–**	**(417)**
–	**(265)**	**(678)**
2	**50**	**696**

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2011

	Notes	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
Cash flows from operating activities					
Cash generated from operations	26	**2 485**	1 881	**626**	227
Increase in container leasing equipment		**(5 912)**	(2 934)	**–**	–
Finance income received		**5**	10	**–**	2
Finance expenses paid		**(335)**	(175)	**–**	–
Dividends paid to shareholders of the company		**(265)**	(234)	**(265)**	(234)
Dividends paid to non-controlling interest		**(187)**	(136)	**–**	–
Income taxes paid	16	**(43)**	(56)	**(27)**	(23)
Net cash (outflow)/inflow from operating activities		**(4 252)**	(1 644)	**334**	(28)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(5)**	(5)	**–**	–
Proceeds on disposal of property, plant and equipment		**4**	–	**–**	–
Acquisition of interest in equity accounted investee		**(4)**	–	**–**	–
Proceeds on disposal of investment		**242**	–	**–**	–
Amounts repaid by/(advanced to) subsidiary		**–**	–	**26**	(65)
Decrease in finance leases		**219**	172	**–**	–
Increase in restricted cash		**(220)**	(62)	**–**	–
Decrease in investment in subsidiary		**–**	–	**32**	–
Net cash inflow/(outflow) from investing activities		**236**	105	**58**	(65)
Cash flows from financing activities					
Interest-bearing borrowings repaid		**(4 388)**	(2 030)	**–**	–
Interest-bearing borrowings raised		**8 792**	3 511	**–**	–
Debt issuance costs incurred		**(61)**	(85)	**–**	–
Repurchase of own shares from owners		**(417)**	–	**(417)**	–
Proceeds on issue of shares		**4**	–	**4**	–
Proceeds on issue of shares by subsidiary		**42**	37	**–**	–
Receipts from long-term receivables		**217**	158	**–**	1
Payments to third parties in respect of long-term receivables		**(35)**	(29)	**–**	–
Payment to non-controlling interest		**(79)**	–	**–**	–
Amounts advanced by subsidiary		**–**	–	**21**	92
Net cash inflow/(outflow) from financing activities		**4 075**	1 562	**(392)**	93
Net increase in cash and cash equivalents before exchange rate fluctuations		**59**	23	**–**	–
Cash and cash equivalents at the beginning of the year		**1 029**	1 115	**–**	–
Effect of exchange rate fluctuations on cash and cash equivalents		**245**	(109)	**–**	–
Cash and cash equivalents at the end of the year	17	**1 333**	1 029	**–**	–

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 2011 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'), the AC 500 Series issued by the Accounting Practices Board, the requirements of the Companies Act, 2008 of South Africa and the JSE Listings Requirements. The financial statements were approved by the board of directors on 30 April 2012.

2.2 Basis of measurement

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

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value; and
- available-for-sale financial assets are measured at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 34.

3. **Significant accounting policies**

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

3.1 Basis of consolidation

3.1.1 *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.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercised.

Changes in any group entity's ownership interest in a subsidiary after control is obtained are accounted for as equity transactions i.e. transactions with owners in their capacity as owners. Accordingly, gains or losses which arise from acquisitions or disposals of non-controlling interests, calculated based on the carrying value of the assets and liabilities of the subsidiary, are accounted for as equity transactions provided control is retained after the conclusion of such transactions. Gains and losses are included in the appropriate reserve in equity (refer to note 18).

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

3.1.2 *Associates and jointly controlled entities (equity accounted investees)*

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 per cent of the voting power of another entity. Joint ventures are those entities over whose activities the group has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially 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 equity accounted investee, 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 the appropriate reserve in equity (refer to note 18).

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. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

3.2.2 *Foreign operations*

The assets and liabilities of foreign operations, including 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, and presented in the foreign currency translation reserve in equity. However if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal. When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is attributed to non-controlling interests.

3.3 Financial instruments

3.3.1 *Non-derivative financial instruments*

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

Loans and receivables are recognised on the date that they are originated. All other financial instruments (including assets designated at fair value through profit or loss) are recognised initially on the trade date which is the date that the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

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

Available-for-sale financial assets
The group's investments in equity securities 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 3.8), are recognised in other comprehensive income and presented within equity in the fair value reserve. The fair value of listed investments classified as available-for-sale is their quoted bid price at the reporting date. The fair value of unlisted investments is based on valuations received from independent valuers during the period. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss.

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

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

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables and cash and cash equivalents.

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.

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.

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

The group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities. Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Other financial liabilities comprise borrowings and trade and other payables.

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

Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

3.3.2 ***Derivative financial instruments***

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

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on 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.

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

3.3.3 ***Share capital***

Ordinary shares

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

Dividends

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

3.3.4 ***Offsetting***

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

3.4 **Property, plant and equipment**

3.4.1 ***Recognition and measurement***

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation (refer to note 3.4.3) and accumulated impairment losses (refer to note 3.8).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment (other than containers in the leasing fleet) are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in profit or loss. When containers in the leasing fleet cease to be rented or become held for sale they are transferred to inventory at their carrying amounts. On disposal the proceeds on the sale of these assets are recognised in revenue in accordance with IAS 18 *Revenue* (refer to note 3.10.1) and the carrying value is included in changes in inventories.

3.4.2 *Subsequent costs*

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

3.4.3 *Depreciation*

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

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

Intangible assets consist of exclusive rights to manage various fleets of containers and are measured at cost less accumulated amortisation (refer to note 3.5.2) and accumulated impairment losses (refer to note 3.8). Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

3.5.1 *Subsequent expenditure*

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

3.5.2 *Amortisation*

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

	Years
Container management contracts	11 – 13

3.6 Net investment in finance leases

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

3.7 Inventories

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

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

3.8 Impairment

3.8.1 *Financial assets*

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

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

The group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet 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.

3.8.2 *Non-financial assets*

The carrying amount of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. 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.

3.9 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.

3.10 Revenue

3.10.1 *Goods sold*

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

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

3.10.2 *Leasing income*

Marine cargo containers

Leasing income arises principally from operating and finance leases.

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

Under finance leases, containers are leased for the remainder of the container's useful life with a purchase option at the end of the lease term.

The revenue recognised at the commencement of a finance lease, where the group is the lessor, is the fair value of the asset or if lower, the present value of the minimum lease payments accruing to the group, computed at a market rate of interest. The revenue associated with the sale of goods which are subject to finance leases is accounted for in terms of the accounting policy for goods sold (see note 3.10.1). The cost of sales recognised at the commencement of the lease term is the cost, or carrying amount if different, of the leased item less the present value of the unguaranteed residual value.

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

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

The group has not recognised revenue and related expense under the DPP for customers who are charged at the end of the lease term or for other lessees who do not participate in the DPP. Based on past history, there is uncertainty as to the 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.

3.10.3 *Management fees*

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

3.10.4 *Dividend income*

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

3.11 Expenses

3.11.1 *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.

3.11.2 *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.

3.12 Employee benefits

3.12.1 *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.

3.12.2 *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 in the period during which services are rendered by employees.

3.12.3 *Share-based payments*

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

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

3.13 Income tax

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

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

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

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

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

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.

3.14 **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.

3.15 **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 executive committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the board include items that are directly attributable to the segment. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

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

3.16 **Financial guarantee contracts**

Financial guarantee contracts are contracts that require the group or the company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable) determined in accordance with IAS 37 *Provisions*.

3.17 **Accounting standards and interpretations in issue but not yet effective**

Refer to note 35.

	Group				
	Land and buildings Rm	Container leasing equipment Rm	Plant and machinery Rm	Other equipment and motor vehicles Rm	Total Rm
4. Property, plant and equipment					
Cost					
2010					
Balance at the beginning of the year	12	10 315	19	72	10 418
Additions	2	3 561	–	3	3 566
Effect of movements in exchange rates	(2)	(1 332)	(2)	(6)	(1 342)
Transfer to container inventory	–	(521)	–	–	(521)
Transfer to finance leases	–	(48)	–	–	(48)
Disposals	(1)	–	–	(5)	(6)
Balance at the end of the year	11	11 975	17	64	12 067
2011					
Additions	**–**	**5 391**	**–**	**5**	**5 396**
Effect of movements in exchange rates	**3**	**3 127**	**3**	**14**	**3 147**
Transfer to container inventory	**–**	**(1 538)**	**–**	**–**	**(1 538)**
Transfer to finance leases	**–**	**(236)**	**–**	**–**	**(236)**
Disposals	**–**	**–**	**(4)**	**(5)**	**(9)**
Balance at the end of the year	**14**	**18 719**	**16**	**78**	**18 827**
Depreciation and impairment losses					
2010					
Balance at the beginning of the year	6	2 483	10	61	2 560
Depreciation for the year	1	411	1	5	418
Effect of movements in exchange rates	(1)	(267)	(1)	(5)	(274)
Impairment loss for the year	–	12	–	–	12
Transfer to container inventory	–	(247)	–	–	(247)
Disposals	(1)	–	–	(5)	(6)
Balance at the end of the year	5	2 392	10	56	2 463
2011					
Depreciation for the year	**1**	**575**	**1**	**5**	**582**
Effect of movements in exchange rates	**2**	**554**	**2**	**11**	**569**
Impairment loss for the year	**–**	**18**	**–**	**–**	**18**
Transfer to container inventory	**–**	**(393)**	**–**	**–**	**(393)**
Transfer to finance leases	**–**	**(6)**	**–**	**–**	**(6)**
Disposals	**–**	**–**	**(1)**	**(5)**	**(6)**
Balance at the end of the year	**8**	**3 140**	**12**	**67**	**3 227**
Carrying amounts:					
At 1 January 2010	6	7 832	9	11	7 858
At 31 December 2010	6	9 583	7	8	9 604
At 31 December 2011	**6**	**15 579**	**4**	**11**	**15 600**
Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 19).					
At 31 December 2010	–	9 583	–	–	9 583
At 31 December 2011	**–**	**15 579**	**–**	**–**	**15 579**

4.1 The net book value of improvements to leased premises amounts to R6 million (2010: R6 million).

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

4.3 An impairment loss of R9 million (2010: R12 million) represents the write-down of the carrying amounts to fair value, less costs to sell, in respect of containers identified for sale. Evaluations are carried out at the time containers come off-hire from leases to determine whether such containers should be repaired and returned to service or sold.

A further impairment loss of R9 million was incurred in respect of containers on lease to a customer, whose account has been impaired, to take into account the potential non-recovery of the equipment on lease to the customer.

	Group Container management contracts Rm
5. Intangible assets	
Cost	
2010	
Balance at the beginning of the year	626
Effect of movements in exchange rates	(63)
Balance at the end of the year	563
2011	
Effect of movements in exchange rates	**118**
Disposals	**(100)**
Balance at the end of the year	**581**
Amortisation	
2010	
Balance at the beginning of the year	133
Amortisation for the year	48
Effect of movements in exchange rates	(18)
Balance at the end of the year	163
2011	
Amortisation for the year	**44**
Effect of movements in exchange rates	**39**
Disposals	**(45)**
Balance at the end of the year	**201**
Carrying amounts:	
At 1 January 2010	493
At 31 December 2010	400
At 31 December 2011	**380**

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

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

6. **Investment in equity accounted investee**

During the year TW Container Leasing Limited was formed in which Textainer acquired a 25% interest and jointly controls through a management agreement. TW Container Leasing, which is not publicly listed, leases containers to lessees under finance leases. The group's share of losses in its equity accounted investee for the year was R2 million.

Summary financial information for equity accounted investee (not adjusted for the group's interest):

	Group					
	Current assets Rm	Non-current assets Rm	Current liabilities Rm	Non-current liabilities Rm	Revenue Rm	Expenses Rm
2011						
TW Container Leasing	18	62	3	65	1	(7)

	Group	
	2011 Rm	2010 Rm
7. **Other investments**		
Equity instruments available-for-sale		
Unlisted companies	**14**	14
	14	14
Financial assets designated at fair value through profit or loss		
Protected currency basket note	**–**	235
Current portion included in current assets	**–**	(235)
	–	–
The protected currency basket note consisted of Australian and emerging market currencies, namely the Brazilian Real, the Indian Rupee and the Korean Won. The protected currency basket note was disposed of in May 2011.		
Total investments	**14**	14

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

		Company	
		2011 Rm	2010 Rm
8.	**Interest in subsidiaries**		
	Ordinary shares at cost	**408**	439
	Preference shares including amortisation adjustment	**1 013**	1 013
	Investment in subsidiaries before impairment loss	**1 421**	1 452
	Less impairment loss	**(367)**	(378)
	Investment in subsidiaries	**1 054**	1 074
	Amount due by subsidiary – short-term	**39**	65
		1 093	1 139
	Amount due to subsidiary – long-term	**(399)**	(378)
		694	761

8.1 The short-term amount due by subsidiary is unsecured and interest free and is repayable on demand.

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

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

	2011 Rm	2010 Rm
Dividend income (refer to note 22)	**102**	249
Capital distribution from trust (refer to note 22)	**530**	–
Interest income (refer to note 23)	**–**	2
	632	251

8.4 The reduction in the impairment of the investment in subsidiaries is as a result of the recovery of a portion of the losses incurred by subsidiary companies.

8.5 **Acquisition by Textainer of non-controlling interest in subsidiary**

On 30 June 2011, Textainer acquired an additional 25% interest in its subsidiary TMCL, increasing its ownership to 100%. The total consideration for the acquisition was R1 433 million which was reduced by R455 million in respect of the borrowings relating to containers disposed of to the non-controlling interest as part of the transaction (refer below). At the time of the transaction the carrying value of the non-controlling interest was R688 million. A premium of R290 million (R177 million after non-controlling interest in Textainer) was accounted for directly in equity. The non-controlling interest was reduced by R801 million.

The transaction was carried out in two tranches. The acquisition by Textainer of 12,5% of the shares held by the non-controlling interest for a consideration of R534 million, treated as a transaction with owners; and TMCL disposed of 12,5% of its containers (at fair value) and investment in finance leases to the non-controlling interest. The non-controlling interest settled 12,5% of the balance of TMCL's secured debt facility and bonds payable of R455 million in consideration for the remaining 12,5% of shares of TMCL held by the non-controlling interest, which were immediately cancelled. A non-cash gain on sale of containers to non-controlling interest of R138 million was recognised in profit or loss.

	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
9. Net investment in long-term receivables				
Net investment in long-term receivables comprises:				
Long-term receivables	**756**	828	**1**	1
Amounts attributable to third parties in respect of long-term receivables	**(173)**	(221)	**–**	–
	583	607	**1**	1
Represented by:				
Total receivables	**1 453**	1 383	**1**	1
Less deferred income	**36**	47	**–**	–
Net present value of long-term receivables	**1 417**	1 336	**1**	1
Less amounts attributable to third parties in respect of long-term receivables	**299**	332	**–**	–
Total amount	**319**	359	**–**	–
Less deferred expenditure	**20**	27	**–**	–
Net present value of net investment in long-term receivables	**1 118**	1 004	**1**	1
Less fair value adjustment to net investment, relating to:	**303**	272	**–**	–
Long-term receivables	**376**	359	**–**	–
Amounts attributable to third parties in respect of long-term receivables	**(73)**	(87)	**–**	–
	815	732	**1**	1
Less current portion of net investment included in:	**232**	125	**–**	–
Current assets	**285**	149	**–**	–
Current liabilities	**(53)**	(24)	**–**	–
	583	607	**1**	1

9.1 Total receivables in base currency amounted to US$179 million (2010: US$209 million).

9.2 Long-term receivables are valued by discounting future cash flows. The discount rate applied to the receivables (denominated in US$) is 8,5% p.a. (2010: 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=R8,12 (2010: US$1=R6,61). Approximately 98% (2010: 98%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income and approximately 2% (2010: 2%) relates to the possible non-collectibility of receivables. There has been a base currency decrease equal to R33 million (2010: R189 million) in the fair value adjustment.

9.3 The amounts attributable to third parties in respect of the long-term receivables are denominated in SA rand and are valued by discounting future cash flows at 10% p.a. (2010: 10% p.a.). These are payable as and when the proceeds from the related long-term receivables are received.

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

	Group 2011 Rm	Group 2010 Rm
Total amounts attributable to third parties	**319**	359
Less deferred expenditure	**20**	27
Net present value of amounts attributable to third parties	**299**	332
Fair value adjustment	**(73)**	(87)
Fair value of amounts attributable to third parties	**226**	245
Current portion	**(53)**	(24)
	173	221

	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
		2011			2010	
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
10. **Net investment in finance leases**						
Amounts receivable under finance leases:						
Within one year	**218**	**51**	**167**	143	31	112
Between one and five years	**477**	**78**	**399**	321	44	277
After five years	**51**	**6**	**45**	54	6	48
	746	**135**	**611**	518	81	437

	Group	
	2011 Rm	2010 Rm
Analysed as:		
Non-current finance lease receivables	**444**	325
Current finance lease receivables included in current assets	**167**	112
	611	437

10.1 Net 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.

10.2 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 8,14% p.a. (2010: 9.68% p.a.).

10.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R0,4 million (2010: R0,3 million).

10.4 The net investment in finance leases has been pledged as security for a loan (refer to note 19).

10.5 The fair value of the net investment in finance leases is R592 million (2010: R426 million) (refer to note 31). No impairment loss has been recognised as the difference between carrying value and fair value resulted from changes in current market interest rates without any changes to future contractual cash flows.

11. **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	Fair value Liabilities Rm
2011					
Interest rate cap contracts	November 2015	Interest rates	**2 831**	**–**	**–**
Interest rate swap contracts	December 2015	Interest rates	**4 132**	**–**	**131**
				–	**131**
2010					
Interest rate cap contracts	November 2015	Interest rates	893	–	–
Interest rate swap contracts	December 2015	Interest rates	3 041	9	90
				9	90

11.1 The interest rate cap and swap contracts have been recorded at fair value and the related fair value adjustments recorded in profit or loss. The fair value of the interest rate cap contracts is nil due to settlement at each month-end.

11.2 The variable interest rate debt principal outstanding amounted to R9 073 million at 31 December 2011 (2010: R5 815 million) of which R6 963 million (2010: R3 934 million) in notional value was covered by interest rate cap and swap contracts.

	Group					
	Assets		Liabilities		Net	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm
12. **Deferred tax assets and liabilities**						
Deferred tax assets and liabilities are attributable to the following:						
Property, plant and equipment	**–**	–	**133**	99	**133**	99
Net investment in long-term receivables	**–**	–	**80**	14	**80**	14
Investments	**–**	–	**2**	2	**2**	2
Export partnerships	**–**	–	**2**	1	**2**	1
Trade and other receivables	**–**	–	**15**	12	**15**	12
Trade and other payables	**(56)**	(36)	**–**	–	**(56)**	(36)
Tax loss carry-forwards	**(64)**	(38)	**–**	–	**(64)**	(38)
Deferred income	**–**	–	**90**	94	**90**	94
Tax (assets)/liabilities	**(120)**	(74)	**322**	222	**202**	148
Set-off of tax	**98**	(3)	**(98)**	3	**–**	–
Net tax (assets)/liabilities	**(22)**	(77)	**224**	225	**202**	148

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	Acquired in business combination Rm	Long-term receivables Rm	Balance at the end of the year Rm
2010						
Property, plant and equipment	94	16	(11)	–	–	99
Net investment in long-term receivables	(5)	18	–	–	1	14
Investments	2	–	–	–	–	2
Export partnerships	1	–	–	–	–	1
Trade and other receivables	9	4	(1)	–	–	12
Trade and other payables	(36)	(4)	4	–	–	(36)
Tax loss carry-forwards	(41)	(2)	5	–	–	(38)
Deferred income	105	(7)	(4)	–	–	94
	129	25	(7)	–	1	148
2011						
Property, plant and equipment	**99**	**10**	**24**	**–**	**–**	**133**
Net investment in long-term receivables	**14**	**65**	**–**	**–**	**1**	**80**
Investments	**2**	**–**	**–**	**–**	**–**	**2**
Export partnerships	**1**	**–**	**–**	**1**	**–**	**2**
Trade and other receivables	**12**	**–**	**3**	**–**	**–**	**15**
Trade and other payables	**(36)**	**(7)**	**(13)**	**–**	**–**	**(56)**
Tax loss carry-forwards	**(38)**	**(16)**	**(10)**	**–**	**–**	**(64)**
Deferred income	**94**	**(11)**	**7**	**–**	**–**	**90**
	148	**41**	**11**	**1**	**1**	**202**

12.1 The group has deferred tax assets of R64 million relating to tax loss carry-forwards (2010: R38 million) which will expire between 2017 and 2030 if not utilised.

12.2 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 2011, cumulative earnings of approximately R372 million (2010: R240 million) would be subject to income taxes of approximately R112 million (2010: R71 million) if such earnings of foreign companies were transferred out of such jurisdictions in the form of dividends.

12.3 In the case of the company, the deferred tax liability of R1 million (2010: R1 million) arises as a result of its participation in export partnerships.

12.4 In the case of the company, there were no temporary differences associated with investments in subsidiaries and associate companies for which deferred tax liabilities have not been recognised (2010: nil).

		Group 2011 Rm	Group 2010 Rm
13.	**Restricted cash**		
	The restricted cash is held by lenders as additional collateral for Textainer's secured debt facility and bonds payable (refer to note 19).	**370**	99
		370	99

The terms of the bonds payable and the secured debt facility require that a minimum of eight (2010: eight) months interest be held as restricted cash. The net operating income of the borrowing company is also required to be placed in a trust account and cannot be withdrawn until the monthly principal and interest payments are made.

		Group 2011 Rm	Group 2010 Rm
14.	**Inventories**		
	Container equipment held for resale	**64**	19
	Trading containers	**105**	3
		169	22

		Group		Company	
		2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
15.	**Trade and other receivables**				
	Trade receivables	**702**	420	**–**	–
	Prepayments	**45**	17	**–**	–
	Other	**26**	21	**4**	–
		773	458	**4**	–
16.	**Current tax**				
	Amounts payable at the beginning of the year	**64**	138	**–**	–
	Amounts receivable at the beginning of the year	**(3)**	(2)	**–**	–
	Effect of movements in exchange rates	**14**	(7)	**–**	–
	Recognised in profit or loss				
	South African normal	**14**	21	**1**	–
	Foreign normal	**26**	(56)	**–**	–
	Secondary tax on companies	**26**	23	**26**	23
	Excess tax benefit on equity-settled share-based payments	**(22)**	–	**–**	–
	Amounts payable at the end of the year	**(78)**	(64)	**–**	–
	Amounts receivable at the end of the year	**2**	3	**–**	–
	Amounts paid during the year	**43**	56	**27**	23

		Group 2011 Rm	Group 2010 Rm
17.	**Cash and cash equivalents**		
	Bank balances	**769**	579
	Call and term deposits	**564**	450
		1 333	1 029

		Group		Company	
		2011	2010	**2011**	2010
		Rm	Rm	**Rm**	Rm
18.	**Capital and reserves**				
	Share capital				
	Authorised				
	Ordinary shares of 0,5 cent each				
	200 000 000 (2010: 200 000 000)	**1**	1	**1**	1
	Issued				
	Ordinary shares of 0,5 cent each				
	177 068 011 (2010: 187 468 892)	**1**	1	**1**	1
		Number of shares (million)			
	In issue at the beginning of the year	**187,5**	187,5	**187,5**	187,5
	Shares repurchased	**(10,8)**	–	**(10,8)**	–
	Issued for cash	**0,4**	–	**0,4**	–
	In issue at the end of the year	**177,1**	187,5	**177,1**	187,5

18.1 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 Trencor Share Option Plan.

18.2 Pursuant to the unbundling by Mobile Industries Limited of its shareholding in Trencor, the company entered into an agreement with trusts in respect of which Messrs C Jowell and N I Jowell are amongst the beneficiaries to repurchase from those trusts 10 800 881 of the company's ordinary shares at a price of R38,61 per share. The share repurchase was implemented on 14 March 2011 and resulted in the cancellation of the repurchased shares. The cancelled repurchased shares have reverted to authorised but unissued share capital.

18.3 The shares, issued for cash, were issued by the company pursuant to the exercise of certain options under The Trencor Share Option Plan (refer to note 29).

		Rm	Rm	**Rm**	Rm
18.4	Dividends				
	Dividends declared and paid during the year are as follows:				
	Final dividend in respect of financial year 2010 – 100 cents per share (2009: 85 cents)	**177**	159	**177**	159
	Interim dividend in respect of financial year 2011 – 50 cents per share (2010: 40 cents)	**88**	75	**88**	75
		265	234	**265**	234

A final dividend of 125 cents per share in respect of financial year 2011 (2010: 100 cents per share) was declared by the board on 16 February 2012. This dividend will be subject to STC of R22 million (2010: R19 million).

18.5 Distributable reserves of the company of R50 million (2010: nil) would be subject to STC of R5 million (2010: nil) if distributed by way of dividend (2010: nil).

18.6 Reserves

Fair value reserve

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

Foreign currency translation reserve

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

Equity compensation reserve

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

Gain/Loss on changes in ownership interests in subsidiaries

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

Preference share amortisation adjustment

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

		Group								
		Current interest rate % p.a.	Interest fixed or indexed to	Repayment terms	Annual instalment Rm	Final maturity	Foreign amount **2011 US$m**	Foreign amount 2010 US$m	**2011 Rm**	2010 Rm
19.	**Interest-bearing borrowings**									
	Secured (refer to note 19.1)									
	Bonds payable	0,81	LIBOR	Monthly	418	May 2015	**176**	227	**1 429**	1 503
	Bonds payable	4,70	Fixed	Monthly	325	June 2021	**380**	–	**3 085**	–
	Debt facility	3,03	LIBOR	Monthly, commences June 2012	666	June 2020	**821**	558	**6 664**	3 692
	Revolving debt facility	1,53	US Prime or LIBOR	Full amount repayable April 2013	1 015	Apr 2013	**125**	104	**1 015**	687
	Total								**12 193**	5 882
	Less unamortised debt issuance costs								**(86)**	(67)
									12 107	5 815
	Less current portion included in current liabilities								**(1 076)**	(340)
									11 031	5 475

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

19.2 Debt issuance costs of R61 million (2010: R85 million) were capitalised during the year.

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

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

	Group **2011 Rm**	Group 2010 Rm
Total borrowing facilities	**16 532**	7 816
Actual borrowings at the end of the year	**12 193**	5 882
Unutilised facilities	**4 339**	1 934

19.5 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.

20. **Deferred revenue**

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

	Group	
	2011 Rm	2010 Rm
Balance at the beginning of the year	**65**	141
Transactions entered into during the year	**51**	–
Recognised in profit or loss	**(69)**	(52)
Terminations	**–**	(17)
Effect of movements in exchange rates	**13**	(7)
Balance at the end of the year	**60**	65
Analysed as:		
Non-current deferred revenue	**9**	20
Current deferred revenue	**51**	45
	60	65

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
21. **Trade and other payables**				
Trade payables	**22**	43	**–**	–
Accrued expenses	**155**	95	**1**	8
Amounts due to container owners	**124**	113	**–**	–
Amounts due in respect of container acquisitions	**207**	653	**–**	–
Other	**2**	5	**1**	–
	510	909	**2**	8

	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
22. Operating profit before net finance expenses/income				
Operating profit before net finance expenses/income is arrived at after taking into account:				
Income				
Dividend income (included in revenue)				
Subsidiaries	**–**	–	**102**	249
Capital distribution from trust	**–**	–	**530**	–
Net profit on disposal of property, plant and equipment:				
Container leasing equipment	**353**	155	**–**	–
Other property, plant and equipment	**1**	–	**–**	–
Fair value adjustment – investment designated at fair value through profit or loss	**6**	4	**–**	–
Other realised and unrealised exchange gains not included in revenue	**–**	–	**11**	–
Expenses				
Amortisation of intangible assets	**44**	48	**–**	–
Auditors' remuneration	**11**	11	**1**	1
Audit fee – current year	**9**	9	**1**	1
– under provision prior year	**1**	1	**–**	–
Other services	**1**	1	**–**	–
Directors' emoluments	**15**	13	**1**	1
Executive directors				
Short-term employee benefits	**11**	11	**–**	–
Share-based payments – equity-settled	**1**	–	**–**	–
Non-executive directors				
Remuneration	**3**	2	**1**	1
Impairment losses/(reversal of losses)	**12**	14	**(12)**	26
Property, plant and equipment	**18**	12	**–**	–
Investment in subsidiaries	**–**	–	**(12)**	26
Trade and other receivables – losses	**22**	2	**–**	–
Trade and other receivables – reversals	**(28)**	–	**–**	–
Operating leases – premises	**13**	13	**–**	–
Share-based payments included in staff costs – equity-settled	**40**	34	**–**	–
Share-based payments to suppliers – equity-settled	**1**	–	**–**	–
Other realised and unrealised exchange losses not included in revenue	**–**	–	**–**	14
Retirement benefit contributions included in staff costs	**3**	3	**–**	–

		Group		Company	
		2011	2010	**2011**	2010
		Rm	Rm	**Rm**	Rm
23.	**Net finance expenses/(income)**				
	Finance expenses	**420**	234	**–**	–
	Interest expense – incurred by Textainer	**315**	131	**–**	–
	– incurred by other group companies	**–**	1	**–**	–
	Realised and unrealised losses on derivative financial instruments	**105**	102	**–**	–
	Finance income				
	Interest income	**(5)**	(10)	**–**	(2)
	Received from subsidiary	**–**	–	**–**	(2)
	Received on cash and cash equivalents	**(5)**	(10)	**–**	–
		415	224	**–**	(2)
24.	**Income tax expense**				
	South African normal	**14**	21	**1**	–
	Current	**14**	15	**1**	–
	Adjustment for prior year	**–**	6	**–**	–
	Foreign normal	**26**	(56)	**–**	–
	Current	**44**	20	**–**	–
	Adjustment for prior year	**(18)**	(76)	**–**	–
	Secondary tax on companies	**26**	23	**26**	23
	Associated tax credit – current year	**(5)**	(2)	**–**	–
	– prior year	**(2)**	(2)	**–**	–
	South African deferred				
	Origination and reversal of temporary differences	**58**	19	**–**	–
	Foreign deferred	**(17)**	6	**–**	–
	Origination and reversal of temporary differences	**(7)**	(1)	**–**	–
	Adjustment for prior year	**(6)**	7	**–**	–
	Reduction in tax rate	**(4)**	–	**–**	–
		100	9	**27**	23
	The effective tax rate is reconciled as follows:	**%**	%	**%**	%
	Statutory tax rate	**28,0**	28,0	**28,0**	28,0
	Non-taxable income	**(2,6)**	(0,1)	**(28,1)**	(35,4)
	Non-deductible expenses	**0,6**	0,4	**0,2**	7,3
	Foreign rate differential	**(20,0)**	(23,6)	**–**	–
	Over provided in prior years	**(1,5)**	(6,0)	**–**	–
	Secondary tax on companies	**1,5**	2,1	**4,1**	11,8
	Reduction in tax rate	**(0,3)**	–	**–**	–
	Effective tax rate	**5,7**	0,8	**4,2**	11,7

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

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

		Group 2011 Rm	Group 2010 Rm
25.	**Earnings per share**		
	Basic earnings per share		
	Profit for the year attributable to equity holders of the company	**991**	624
	Weighted average number of shares in issue (million)	**178,8**	187,5
	Issued ordinary shares at 1 January (million)	**187,5**	187,5
	Effect of shares repurchased during the year (million)	**(8,7)**	–
	Basic earnings per share (cents)	**554,3**	332,5
	Diluted earnings per share		
	Profit for the year attributable to equity holders of the company	**991**	624
	Weighted average number of ordinary shares (diluted) (million)	**178,8**	187,9
	Weighted average number of shares in issue (million)	**178,8**	187,5
	Effect of exercise of share options (million)	**–**	0,4
	Diluted earnings per share (cents)	**554,3**	331,8

There is no dilution in the current year as all outstanding share options from previous years were exercised during the current year.

	Group 2011 Gross Rm	Group 2011 Net Rm	Group 2010 Gross Rm	Group 2010 Net Rm
Headline earnings per share				
Undiluted				
Profit for the year attributable to equity holders of the company		**991**		624
Impairment of property, plant and equipment	**18**	**10**	12	5
Gain on disposal of property, plant and equipment	**(1)**	**–**	–	–
Headline earnings attributable to equity holders of the company		**1 001**		629
Weighted average number of shares in issue (million)		**178,8**		187,5
Headline earnings per share (cents)		**559,3**		335,5
Diluted				
Headline earnings attributable to equity holders of the company		**1 001**		629
Weighted average number of ordinary shares (diluted) (million)		**178,8**		187,9
Diluted headline earnings per share (cents)		**559,3**		334,8
Adjusted headline earnings per share				
Adjusted headline earnings per share is the more appropriate measure of Trencor's financial performance in that it excludes net unrealised foreign exchange 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		**1 001**		629
Net foreign exchange loss on translation of long-term receivables	**(191)**	**(138)**	88	63
Adjusted headline earnings attributable to equity holders of the company (diluted)		**863**		692
Adjusted headline earnings per share (cents)		**482,4**		369,4
Diluted adjusted headline earnings per share (cents)		**482,4**		368,6

		Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
26.	**Cash generated from operations**				
	Reconciliation of profit for the year to cash generated from operations:				
	Profit for the year	**1 645**	1 082	**621**	173
	Adjusted for:				
	Finance expenses	**420**	234	**–**	–
	Finance income	**(5)**	(10)	**–**	(2)
	Fair value adjustment – investment designated at fair value through profit or loss	**–**	(4)	**–**	–
	Unrealised foreign exchange (gains)/losses	**(263)**	151	**–**	–
	Net decrease/(increase) in adjustment to net investment in long-term receivables	**31**	(256)	**–**	–
	Other non-cash flow adjustments to the net investment in long-term receivables	**(27)**	(19)	**–**	–
	Depreciation	**582**	418	**–**	–
	Gain on disposal of property, plant and equipment, excluding container leasing equipment	**(1)**	–	**–**	–
	Cost of containers disposed of transferred to profit or loss	**421**	275	**–**	–
	Net impairment losses/(reversals)	**12**	14	**(12)**	26
	Share-based payments	**42**	39	**–**	–
	Amortisation of intangible assets	**44**	48	**–**	–
	Finance lease income	**(52)**	(45)	**–**	–
	Deferred revenue recognised in profit or loss	**(69)**	(52)	**–**	–
	Gain on sale of containers to non-controlling interest	**(138)**	–	**–**	–
	Loss from equity accounted investee	**2**	–	**–**	–
	Income tax expense	**100**	9	**27**	23
	Operating profit before working capital changes	**2 744**	1 884	**636**	220
	Working capital changes	**(259)**	(3)	**(10)**	7
	Increase in inventories	**(126)**	(15)	**–**	–
	(Increase)/Decrease in trade and other receivables	**(125)**	14	**(4)**	–
	(Decrease)/Increase in trade and other payables	**(8)**	(2)	**(6)**	7
	Cash generated from operations	**2 485**	1 881	**626**	227

		Group 2011 Rm	Group 2010 Rm
27.	**Operating lease commitments**		
	Leases as lessee		
	Non-cancellable operating lease rentals are payable as follows:		
	Within one year	**13**	11
	Between one and five years	**46**	36
	After five years	**2**	11
		61	58

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

		Group 2011 Rm	Group 2010 Rm
28.	**Capital commitments**		
	For container leasing equipment authorised by the board:		
	Contracted	**277**	–
		277	–

29. Employee benefits

29.1 Share-based payments

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

	Trencor	Textainer
Number of shares available for utilisation under the plans at 31 December 2009	8 884 209	612 378
Additional shares authorised during 2010	–	1 468 500
Share options and restricted share units granted in 2010, net of forfeitures	–	(231 072)
Previously authorised shares cancelled during 2010	–	(3 925)
Number of shares available for utilisation under the plans at 31 December 2010	8 884 209	1 845 881
Share options and restricted share units granted in 2011, net of forfeitures	**–**	**(356 735)**
Previously authorised shares cancelled during 2011	**–**	**(2 263)**
Number of shares available for utilisation under the plans at 31 December 2011	**8 884 209**	**1 486 883**

Summary of activity in share option plans:

Trencor

The right to exercise the 400 000 options granted to certain directors on 11 June 2004 was 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 2009	250 000	150 000	400 000	12,10	2012
Vested	(50 000)	50 000	–	12,10	2012
Outstanding at 31 December 2010	200 000	200 000	400 000	12,10	2012
Vested	**(200 000)**	**200 000**	**–**	**12,10**	**2012**
Exercised	**–**	**(400 000)**	**(400 000)**	**12,10**	**2012**
Outstanding at 31 December 2011	**–**	**–**	**–**	**–**	**–**

The weighted average share price at date of exercise was R35,99 per share (2010: no options exercised).

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 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 for each restricted share unit granted in 2007, 2008 and 2009, each employee's restricted share units vest in increments of 15% per year for the first two years, 20% for the third year and 25% for the fourth and fifth year. Beginning approximately one year after a restricted share unit's grant date for each restricted share unit granted in 2010 and 2011, each employee's restricted share units vest in increments of 25% per year.

29. **Employee benefits (continued)**

29.1 **Share-based payments (continued)**

Textainer (continued)

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 2009	1 242 787	260 129	1 502 916	15,01	2017
Granted	151 687	–	151 687	28,26	2020
Vested	(322 119)	322 119	–	12,52	2017
Exercised	–	(364 046)	(364 046)	15,41	2017
Forfeited	(32 475)	–	(32 475)	14,49	2017
Outstanding at 31 December 2010	1 039 880	218 202	1 258 082	16,51	2017
Granted	**173 350**	**–**	**173 350**	**28,54**	**2021**
Vested	**(361 782)**	**361 782**	**–**	**15,02**	**2017**
Exercised	**–**	**(358 884)**	**(358 884)**	**15,29**	**2017**
Forfeited	**(3 503)**	**–**	**(3 503)**	**18,48**	**2017**
Outstanding at 31 December 2011	**847 945**	**221 100**	**1 069 045**	**18,86**	**2017**

Restricted share units

	Restricted share units	Weighted average grant date fair value US$
Outstanding at 31 December 2009	1 346 506	12,28
Granted	152 687	25,62
Vested	(193 241)	12,20
Forfeited	(40 056)	12,04
Outstanding at 31 December 2010	1 265 896	13,90
Granted	**191 449**	**25,45**
Vested	**(274 172)**	**13,23**
Forfeited	**(4 561)**	**14,73**
Outstanding at 31 December 2011	**1 178 612**	**15,95**

29. **Employee benefits (continued)**

29.1 Share-based payments (continued)

Textainer (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				
	16 November 2011	18 November 2010	18 November 2009	19 November 2008	9 October 2007
Number of options granted under the 2007 Plan	**173 350**	151 687	218 904	251 418	1 052 618
Fair value at measurement date (US$)	**11,60**	9,82	4,69	0,60	3,62
Share price at grant date (US$)	**28,54**	28,26	16,97	7,19	16,50
Expected life option time (years)	**5,7**	6,3	6,3	6,3	6,4
Volatility %	**68,0**	50,1	46,0	35,3	31,3
Dividend yield %	**4,9**	3,8	5,4	13,0	4,9
Risk free % rate (based on US Treasury bonds)	**1,1**	2,0	2,6	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.

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

	Group	
	2011 Rm	2010 Rm
Equity-settled	**41**	34

29.3 Retirement benefit funds

Membership of the Trencor Pension Fund, a defined contribution fund governed by the Pension Funds Act, is compulsory for all permanent employees in South Africa.

At 31 December 2011 the fund had 16 members (2010: 17 members) whose aggregate share of the fund amounted to R78 million (2010: R50 million). The fund has no liability in respect of pensions as all pensioners were transferred to an insurer and all new retirees purchase annuities from insurers.

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

30. **Segment reporting**

Business segments

30.1 The group has two operating segments as described below, which are the group's strategic business units. The strategic business units are managed separately as they offer entirely different services. For each of the strategic business units, the executive committee reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the group's reportable segments: container finance, and container owning, leasing, management and reselling.

30.2 Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before interest and income tax, as included in the internal management reports. Segment profit before net finance expenses/income and income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. There is no inter-segment activity.

	Container finance		Container owning, leasing, management and reselling		Consolidated	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm
Revenue from external customers	**296**	(126)	**4 353**	2 477	**4 649**	2 351
Goods sold	**–**	–	**1 765**	521	**1 765**	521
Leasing income	**2**	–	**2 376**	1 742	**2 378**	1 742
Management fees	**–**	–	**212**	214	**212**	214
Finance income	**18**	23	**–**	–	**18**	23
Realised and unrealised exchange losses	**276**	(149)	**–**	–	**276**	(149)
Reportable segment profit before net finance (expenses)/income and income tax	**248**	123	**1 934**	1 223	**2 182**	1 346
Finance income	**–**	–	**–**	1	**–**	1
Finance expenses	**–**	–	**(420)**	(233)	**(420)**	(233)
Depreciation and amortisation	**–**	–	**(625)**	(464)	**(625)**	(464)
Income tax (expense)/credit	**(63)**	(32)	**(15)**	48	**(78)**	16
Other material non-cash items:						
Net long-term receivable valuation adjustment	**(31)**	256	**–**	–	**(31)**	256
Impairment losses						
Property, plant and equipment	**–**	–	**(18)**	(12)	**(18)**	(12)
Trade receivables	**–**	–	**(22)**	(2)	**(22)**	(2)
Trade receivables reversed	**–**	–	**28**	–	**28**	–
Net profit on disposal of property, plant and equipment	**1**	–	**353**	155	**354**	155
Share-based payments	**–**	–	**42**	34	**42**	34
Reportable segment assets	**1 048**	977	**18 488**	11 391	**19 536**	12 368
Capital expenditure	**–**	–	**5 396**	3 566	**5 396**	3 566
Reportable segment liabilities	**227**	246	**12 795**	6 857	**13 022**	7 103

30. **Segment reporting (continued)**

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

	Reportable segment total	Unallocated	Con-solidated totals	Reportable segment total	Unallocated	Con-solidated totals
		2011			2010	
	Rm	Rm	Rm	Rm	Rm	Rm
Revenue	**4 649**	**–**	**4 649**	2 351	2	2 353
Profit before net finance expenses and income tax [1]	**2 182**	**(20)**	**2 162**	1 346	(31)	1 315
Finance income	**–**	**5**	**5**	1	9	10
Finance expenses	**(420)**	**–**	**(420)**	(233)	(1)	(234)
Depreciation and amortisation	**(625)**	**(1)**	**(626)**	(464)	(2)	(466)
Income tax (expense)/credit	**(78)**	**(22)**	**(100)**	16	(25)	(9)
Assets [2]	**19 536**	**782**	**20 318**	12 368	996	13 364
Liabilities [2]	**13 022**	**314**	**13 336**	7 103	310	7 413

[1] Unallocated amount includes corporate expenses of R34 million (2010: R38 million).

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

	Assets		Liabilities	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Property, plant and equipment	**–**	9	**–**	–
Investment in equity accounted investee	**3**	–	**–**	–
Other investments	**14**	249	**–**	–
Deferred tax assets/liabilities	**22**	77	**224**	225
Income tax assets/liabilities	**2**	3	**78**	64
Trade and other receivables/payables	**14**	6	**12**	21
Cash and cash equivalents	**727**	652	**–**	–
	782	996	**314**	310

30.4 **Major customer**

Leasing revenue from a single customer in the container owning, leasing, management and reselling operating segment amounted to 12% (2010: 11%) of the group's leasing revenue. The group had no other customer that individually accounted for more than 10% of revenue.

31. **Financial instruments and risk management**

31.1 Categories of financial assets and liabilities

The carrying amounts and fair values of each category of financial assets and liabilities are as follows:

	Group							
	Designated at fair value through profit or loss Rm	Held for trading Rm	Available-for-sale Rm	Loans and receivables Rm	Liabilities at amortised cost Rm	Other Rm	Total carrying amount Rm	Fair value Rm
2011								
Financial assets								
Investments	**–**	**–**	**14**	**–**	**–**	**–**	**14**	**14**
Long-term receivables	**1 041**	**–**	**–**	**–**	**–**	**–**	**1 041**	**1 041**
Net investment in finance leases	**–**	**–**	**–**	**–**	**–**	**611**	**611**	**592**
Restricted cash	**–**	**–**	**–**	**370**	**–**	**–**	**370**	**370**
Trade and other receivables	**–**	**–**	**–**	**728**	**–**	**–**	**728**	**728**
Cash and cash equivalents	**–**	**–**	**–**	**1 333**	**–**	**–**	**1 333**	**1 333**
	1 041	**–**	**14**	**2 431**	**–**	**611**	**4 097**	**4 078**
Financial liabilities								
Interest-bearing borrowings	**–**	**–**	**–**	**–**	**12 193**	**–**	**12 193**	**11 980**
Amounts attributable to third parties in respect of long-term receivables	**226**	**–**	**–**	**–**	**–**	**–**	**226**	**226**
Derivative financial instruments	**–**	**131**	**–**	**–**	**–**	**–**	**131**	**131**
Trade and other payables	**–**	**–**	**–**	**–**	**510**	**–**	**510**	**510**
	226	**131**	**–**	**–**	**12 703**	**–**	**13 060**	**12 847**
2010								
Financial assets								
Investments	235	–	14	–	–	–	249	249
Long-term receivables	977	–	–	–	–	–	977	977
Net investment in finance leases	–	–	–	–	–	437	437	426
Derivative financial instruments	–	9	–	–	–	–	9	9
Restricted cash	–	–	–	99	–	–	99	99
Trade and other receivables	–	–	–	441	–	–	441	441
Cash and cash equivalents	–	–	–	1 029	–	–	1 029	1 029
	1 212	9	14	1 569	–	437	3 241	3 230
Financial liabilities								
Interest-bearing borrowings	–	–	–	–	5 882	–	5 882	5 748
Amounts attributable to third parties in respect of long-term receivables	245	–	–	–	–	–	245	245
Derivative financial instruments	–	90	–	–	–	–	90	90
Trade and other payables	–	–	–	–	909	–	909	909
	245	90	–	–	6 791	–	7 126	6 992

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

31.1 Categories of financial assets and liabilities (continued)

	Company							
	Designated at fair value through profit or loss Rm	Held for trading Rm	Available-for-sale Rm	Loans and receiv-ables Rm	Liabilities at amortised cost Rm	Other Rm	Total carrying amount Rm	Fair value Rm
2011								
Financial assets								
Amount due by subsidiary	**–**	**–**	**–**	**39**	**–**	**–**	**39**	**39**
Long-term receivables	**–**	**–**	**–**	**1**	**–**	**–**	**1**	**1**
Trade and other receivables	**–**	**–**	**–**	**4**	**–**	**–**	**4**	**4**
	–	**–**	**–**	**44**	**–**	**–**	**44**	**44**
Financial liabilities								
Amounts due to subsidiary	**–**	**–**	**–**	**–**	**399**	**–**	**399**	**365**
Trade and other payables	**–**	**–**	**–**	**–**	**2**	**–**	**2**	**2**
	–	**–**	**–**	**–**	**401**	**–**	**401**	**367**
2010								
Financial assets								
Amount due by subsidiary	–	–	–	65	–	–	65	65
Long-term receivables	–	–	–	1	–	–	1	1
	–	–	–	66	–	–	66	66
Financial liabilities								
Amount due to subsidiary	–	–	–	–	378	–	378	378
Trade and other payables	–	–	–	–	8	–	8	8
	–	–	–	–	386	–	386	386

31.2 Overview

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

- credit risk;
- liquidity risk; and
- market risk (including currency risk, 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 an operational level under policies approved by the directors. The board provides written principles for the overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

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

The 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.

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

31.3 Credit risk

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

31.3.1 *Credit risk exposure*

The carrying amount of financial assets and the total amounts guaranteed (refer to note 33) represent the maximum credit exposure. The maximum exposure to credit risk from financial assets at 31 December was:

	Group		**Company**	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Available-for-sale financial assets				
Investments	**14**	14	**–**	–
Financial assets designated at fair value through profit or loss				
Long-term receivables	**1 041**	977	**–**	–
Investments	**–**	235	**–**	–
Net investment in finance leases	**611**	437	**–**	–
Financial assets held for trading				
Derivative financial instruments	**–**	9	**–**	–
Loans and receivables excluding cash and cash equivalents				
Trade receivables	**702**	420	**4**	–
Restricted cash	**370**	99	**–**	–
Other	**26**	21	**1**	1
Amount due by subsidiary – short-term	**–**	–	**39**	65
Cash and cash equivalents	**1 333**	1 029	**–**	–
	4 097	3 241	**44**	66

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 2011 relates to TAC Limited totalling R614 million (2010: R608 million). Approximately 84% (2010: 82%) of the TAC containers measured on a twenty-foot equivalent unit basis are managed by Textainer.

Net investment in finance receivables

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

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

31.3 Credit risk (continued)

31.3.1 *Credit risk exposure (continued)*

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.

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 2011 one customer accounted for 21% of the group's trade receivables (2010: 14%).

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

	Group	
	2011 Rm	2010 Rm
Container leasing customers	**702**	420

Cash and cash equivalents

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

31.3.2 *Impairment losses*

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

	Group							
	Gross [1]	**Gross [2]**	**Total impair-ment**	**Net trade receiv-ables**	Gross [1]	Gross [2]	Total impair-ment	Net trade receiv-ables
	2011				2010			
	Rm	**Rm**	**Rm**	**Rm**	Rm	Rm	Rm	Rm
The ageing of trade receivables at the reporting date is:								
Not past due	**–**	**–**	**–**	**–**	1	–	–	1
Past due 0 – 30 days	**296**	**–**	**(7)**	**289**	188	1	(5)	184
Past due 31 – 120 days	**369**	**6**	**(11)**	**364**	228	4	(8)	224
Past due 121 – 180 days	**43**	**9**	**(9)**	**43**	8	1	(1)	8
More than 180 days	**7**	**36**	**(37)**	**6**	3	43	(43)	3
	715	**51**	**(64)**	**702**	428	49	(57)	420

[1] Gross receivables not subject to specific impairment.

[2] Gross receivables subject to specific impairment.

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

31.3 Credit risk (continued)

31.3.2 *Impairment losses (continued)*

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

	Group	
	2011 Rm	2010 Rm
Balance at the beginning of the year	**57**	61
Impairment loss recognised	**22**	2
Impairment loss reversed	**(28)**	–
Effect of movements in exchange rates	**13**	(6)
Balance at the end of the year	**64**	57

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

31.4 Liquidity risk

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

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

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

31.4 **Liquidity risk (continued)**

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

	Group					
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	Total Rm
2011						
Non-derivative financial liabilities						
Bonds payable	**4 514**	**5 233**	**892**	**2 723**	**1 618**	**5 233**
Debt facility	**6 664**	**7 797**	**536**	**3 284**	**3 977**	**7 797**
Revolving debt facility	**1 015**	**1 032**	**13**	**1 019**	**–**	**1 032**
Trade and other payables	**510**	**510**	**510**	**–**	**–**	**510**
Guarantee (refer to 33.2)	**–**	**183**	**183**	**–**	**–**	**183**
	12 703	**14 755**	**2 134**	**7 026**	**5 595**	**14 755**
Derivative financial liabilities						
Derivative financial instruments	**131**	**163**	**–**	**163**	**–**	**163**
	131	**163**	**–**	**163**	**–**	**163**
2010						
Non-derivative financial liabilities						
Bonds payable	1 503	1 530	351	1 179	–	1 530
Debt facility	3 692	4 424	113	1 674	2 637	4 424
Revolving debt facility	687	708	9	699	–	708
Trade and other payables	909	909	909	–	–	909
Guarantee (refer to 33.2)	–	149	149	–	–	149
	6 791	7 720	1 531	3 552	2 637	7 720
Derivative financial liabilities						
Derivative financial instruments	90	179	–	179	–	179
	90	179	–	179	–	179

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

	Company					
Non-derivative financial liabilities	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	Total Rm
2011						
Amount due to subsidiary	**399**	**399**	**–**	**399**	**–**	**399**
Trade and other payables	**2**	**2**	**2**	**–**	**–**	**2**
Guarantee (refer to 33.2)	**–**	**183**	**183**	**–**	**–**	**183**
	401	**584**	**185**	**399**	**–**	**584**
2010						
Amount due to subsidiary	378	378	–	378	–	378
Trade and other payables	8	8	8	–	–	8
Guarantee (refer to 33.2)	–	149	149	–	–	149
	386	535	157	378	–	535

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

31.5 Market risk

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

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

31.5.1 *Currency risk*

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

The group enters into forward exchange contracts from time to time and as required to buy and sell specified amounts of various foreign currencies in the future at predetermined exchange rates. The contracts are entered into in order to manage the group's exposure to fluctuations in foreign currency exchange rates. The contracts are generally matched with anticipated future cash flows in foreign currencies primarily from sales and purchases. As at 31 December 2011 the group had no exposure to forward exchange contracts (2010: nil).

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

	Group					
		2011			2010	
Denominated in	**SA rand Rm**	**US$ Rm**	**Total Rm**	SA rand Rm	US$ Rm	Total Rm
Assets						
Investments	**14**	**–**	**14**	14	235	249
Long-term receivables	**–**	**1 041**	**1 041**	–	977	977
Net investment in finance leases	**–**	**611**	**611**	–	437	437
Derivative financial instruments	**–**	**–**	**–**	–	9	9
Restricted cash	**–**	**370**	**370**	–	99	99
Trade and other receivables	**9**	**719**	**728**	5	436	441
Cash and cash equivalents	**50**	**1 283**	**1 333**	67	962	1 029
	73	**4 024**	**4 097**	86	3 155	3 241
Liabilities						
Interest-bearing borrowings	**–**	**11 117**	**11 117**	–	5 542	5 542
Amounts attributable to third parties in respect of long-term receivables	**226**	**–**	**226**	245	–	245
Derivative financial instruments	**–**	**131**	**131**	–	90	90
Trade and other payables	**11**	**499**	**510**	17	892	909
Current portion of interest-bearing borrowings	**–**	**1 076**	**1 076**	–	340	340
	237	**12 823**	**13 060**	262	6 864	7 126

The following exchange rates applied during the year (one US dollar equals SA rand):

	2011	2010
Year-end rate	**8,12**	6,61
Average rate	**7,20**	7,33

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

31.5 Market risk (continued)

31.5.1 *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 per cent weakening of the rand against the US dollar would have increased the group's profit by approximately R6 million for the year ended 31 December 2011 (2010: R7 million). This analysis assumes that all other variables, in particular interest rates, remain constant. A one per cent strengthening of the SA rand against the US dollar would have had the equal and opposite effect to the amounts shown above, on the basis that all other variables remain constant.

31.5.2 *Interest rate risk*

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

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

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

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

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Fixed rate				
Financial liabilities	**3 085**	–	**–**	–
Variable rate instruments				
Financial assets	**1 703**	1 128	**39**	65
Financial liabilities	**(12 193)**	(5 882)	**–**	–
	(10 490)	(4 754)	**39**	65

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 R40 million (2010: R29 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 R77 million (2010: R38 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

31.6 Fair value sensitivity for net investment in long-term receivables

The discount rate that is applied to reduce the future long-term dollar receivable stream to its net present value reflects the applicable risk free rate (being the United States Daily Treasury yield curve rate for the appropriate term) plus an industry specific risk premium (refer to note 34). An increase/decrease in the discount rate of 100 basis points would decrease/increase profit by R2 million (2010: R3 million).

The discount rate that is applied to reduce the future stream of rand amounts attributable to the company's export partners in respect of the long-term receivables to its net present value reflects the applicable risk free rate (being the Bond Exchange of South Africa yield curve rate for the appropriate term) adjusted for an appropriate risk premium (refer to note 34). An increase/decrease in the discount rate of 100 basis points would increase/decrease profit by R1 million (2010: R1 million).

31.7 Capital management

Capital is regarded as total equity. The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board 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	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Interest-bearing borrowings	**12 107**	5 815	**–**	–
Total equity	**6 982**	5 951	**696**	753
Ratio of interest-bearing borrowings to total equity	**173,4%**	97,7%	**–**	–

The increase in the ratio during 2011 resulted primarily from Textainer increasing its secured debt facility and the issuance of bonds, the proceeds of which have been utilised to finance capital expenditure during the year. The ratio was also affected by the weakening of the SA rand against the US dollar from US$1 = R6,61 to US$1 = R8,12 as at 31 December 2010 and 2011 respectively.

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

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

31.8 Guarantees

The group has provided guarantees in respect of obligations of certain group entities (refer to note 33.2). At 31 December 2011 the fair value of these guarantees was nil (2010: nil). These guarantees expose the group to credit and liquidity risk.

31.9 Fair values

The fair values of financial instruments have been arrived at after taking into account current market conditions (refer to note 31.1).

31.9.1 *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.

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

31.9 Fair values (continued)

31.9.1 *Fair value hierarchy (continued)*

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			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2011				
Assets				
Long-term receivables	**–**	**–**	**1 041**	**1 041**
Investment securities	**–**	**14**	**–**	**14**
	–	**14**	**1 041**	**1 055**
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	**–**	**–**	**226**	**226**
Interest rate swap contracts	**–**	**131**	**–**	**131**
	–	**131**	**226**	**357**
2010				
Assets				
Long-term receivables	–	–	977	977
Interest rate swap contracts	–	9	–	9
Investment securities	235	14	–	249
	235	23	977	1 235
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	245	245
Interest rate swap contracts	–	90	–	90
	–	90	245	335

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	Amounts attributable to third parties in respect of long-term receivables Rm	Total Rm
2010			
Balance at the beginning of the year	956	(225)	731
Total gains/(losses) in profit or loss	179	(49)	130
Settlements	(158)	29	(129)
Balance at the end of the year	977	(245)	732
2011			
Total gains/(losses) in profit or loss	**281**	**(16)**	**265**
Settlements	**(217)**	**35**	**(182)**
Balance at the end of the year	**1 041**	**(226)**	**815**

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

31.9 Fair values (continued)

31.9.1 *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:

	Group		
	Long-term receivables Rm	Amounts attributable to third parties in respect of long-term receivables Rm	Total Rm
2011			
Total gains or losses included in profit or loss for the year			
Operating profit	**281**	**(22)**	**259**
Associate tax credit	**–**	**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	**216**	**(12)**	**204**
2010			
Total gains or losses included in profit or loss for the year			
Operating profit	179	(52)	127
Associate tax credit	–	3	3
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	125	(46)	79

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
2011				
Long-term receivables	**9**	**(9)**	**–**	**–**
Amounts attributable to third parties in respect of long-term receivables	**1**	**(1)**	**–**	**–**
	10	**(10)**	**–**	**–**
2010				
Long-term receivables	10	(10)	–	–
Amounts attributable to third parties in respect of long-term receivables	1	(1)	–	–
	11	(11)	–	–

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 34. The discount rate applied to the long-term receivables (denominated in US$) is 8,5% p.a. (2010: 8,5% p.a.), and amounts attributable to third parties in respect of long-term receivables is 10% p.a. (2010: 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 = R8,12 (2010: US$1 = R6,61). The effects noted in the above table are as a result of a 100 basis point change in discount rates and a one per cent change in exchange rates.

32. **Related parties**

32.1 **Identity of related parties**

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

32.2 **Intra-group transactions and balances**

Amounts due by and to subsidiaries (refer to note 8).
Interest income from subsidiary (refer to notes 8 and 23).
Dividend income from subsidiaries (refer to notes 8 and 22).
Administration fee paid to subsidiary R3 million (2010: R3 million)

32.3 **Transactions with key management personnel**

Messrs D M Nurek and E Oblowitz are non-executive directors of certain South African listed companies, some of whose subsidiaries are partners in export partnerships with the group. No new export partnerships have been concluded with these companies since March 1999.

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 was received by way of a partial redemption and the balance of R1,3 million was included in trade and other receivables at 31 December 2010. During 2011, the put option that Mr H R van der Merwe had provided in favour of the subsidiary company in question was exercised and the aggregate remaining balance was fully settled in January 2012.

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

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

	Direct	Indirect	Total
2011			
C Jowell*	**159 831**	**5 262 929**	**5 422 760**
N I Jowell*	**47 832**	**5 579 018**	**5 626 850**
J E McQueen	**49 649**	**102 133**	**151 782**
D M Nurek	**–**	**10 000**	**10 000**
E Oblowitz	**10 000**	**–**	**10 000**
R J A Sparks	**–**	**4 000**	**4 000**
H Wessels	**–**	**2 859**	**2 859**
	267 312	**10 960 939**	**11 228 251**
2010			
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
R J A Sparks	–	4 000	4 000
	142 667	157 941	300 608

* Following the unbundling by Mobile Industries Limited of its entire interest in Trencor to Mobile shareholders and the subsequent specific repurchase of 50% of the unbundled Trencor shares in March 2011 held by Messrs C Jowell and N I Jowell and trusts of which they are among the beneficiaries.

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

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Short-term employee benefits	**33**	21	**1**	1
Equity compensation benefits	**14**	7	**–**	–
	47	28	**1**	1
Paid to:				
Directors	**15**	13	**1**	1
Executive officers (Textainer)	**32**	15	**–**	–
	47	28	**1**	1

The number of executive officers has increased to three in the current year due to changes in key management of Textainer. Only one officer's salary was reported in 2010.

32. **Related parties (continued)**

The remuneration paid to the directors during the years ended 31 December 2011 and 2010 was as follows:

	Guaranteed remuneration including allowances R'000	Contributions to Medical aid R'000	Contributions to Retirement funds R'000	Incentive bonuses R'000	Equity compensation benefits* R'000	Other R'000	Total remuneration R'000
2011							
Non-executive directors							
J E Hoelter	**803**	**–**	**–**	**–**	**133**	**–**	**936**
D M Nurek	**799**	**–**	**–**	**–**	**133**	**–**	**932**
E Oblowitz	**275**	**–**	**–**	**–**	**–**	**–**	**275**
R J A Sparks	**274**	**–**	**–**	**–**	**–**	**–**	**274**
H Wessels	**154**	**–**	**–**	**–**	**–**	**–**	**154**
	2 305	**–**	**–**	**–**	**266**	**–**	**2 571**
Executive directors							
C Jowell	**1 050**	**15**	**–**	**925**	**133**	**–**	**2 123**
N I Jowell	**2 185**	**30**	**–**	**2 316**	**133**	**35**	**4 699**
J E McQueen	**2 260**	**30**	**193**	**528**	**133**	**35**	**3 179**
H R van der Merwe	**1 633**	**33**	**154**	**–**	**133**	**–**	**1 953**
	7 128	**108**	**347**	**3 769**	**532**	**70**	**11 954**
Aggregate remuneration 2011	**9 433**	**108**	**347**	**3 769**	**798**	**70**	**14 525**
2010							
Non-executive directors							
J E Hoelter	733	–	–	–	–	–	733
D M Nurek	712	–	–	–	–	–	712
E Oblowitz	250	–	–	–	–	–	250
R J A Sparks	250	–	–	–	–	–	250
	1 945	–	–	–	–	–	1 945
Executive directors							
C Jowell	1 086	14	–	639	–	–	1 739
N I Jowell	2 190	27	–	1 672	–	–	3 889
J E McQueen	2 056	28	143	405	30	–	2 662
H R van der Merwe	2 176	30	198	522	30	–	2 956
	7 508	99	341	3 238	60	–	11 246
Aggregate remuneration 2010	9 453	99	341	3 238	60	–	13 191

* Award of shares by Textainer. 2010 relates to share-based payments in Trencor.

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

33.1 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 2011, 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 R319 million (2010: R359 million) (refer to note 9).

33.2 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 2011 was R183 million (2010: R149 million).

33.3 At 31 December 2011 the fair value of the above guarantees was nil (2010: nil).

34. **Accounting estimates and judgements**

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

34.1 Long-term receivables

34.1.1 ***Discount rate***

US dollar cash streams

The discount rate that is applied to reduce the future long-term dollar receivable stream to its net present value is determined by the board from time to time and reflects the applicable risk free rate (being the United States Daily Treasury yield curve rate for the appropriate term) 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 rate for the appropriate term) adjusted for an appropriate risk premium.

34.1.2 ***Fair value adjustment***

In calculating the amount of the fair value adjustment to the value of the net investment in long-term receivables that arose from the sale of marine cargo containers, mainly through export partnerships, management considers both the 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 used containers
- Container lease rates
- Container fleet utilisations
- Prevailing interest rates
- Past payment history

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

34. **Accounting estimates and judgements (continued)**

34.2 Marine cargo containers

34.2.1 *Residual values*

Marine cargo containers are depreciated over their estimated useful lives to their estimated residual values. The estimated useful 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.

34.2.2 *Impairment*

Impairment exists when the estimated future discounted cash flows to be generated by a cash-generating unit are less than the net book value of that cash-generating unit. At each reporting date management assesses whether there is evidence that the containers held for use in the leasing operation are impaired. Such evidence would include a decline in the results of operations or the container residual values. In estimating the future discounted cash flows to be generated by a cash-generating unit, management assesses the historical lease operating revenue and expenses and the historical residual values, which are adjusted to reflect current market conditions.

35. **Accounting standards and interpretations in issue but not yet effective**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements:

35.1 IFRS 9 *Financial Instruments* (effective for years commencing on or after 1 January 2015) – 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 retains the classification and measurement requirements in IAS 39 for financial liabilities. The standard however requires for financial liabilities designated under the fair value option (other than loan commitments and financial guarantee contracts), that the amount of change in fair value attributable to changes in the credit risk of the liability be presented in other comprehensive income. The remaining amount of the total gain or loss is included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value. IFRS 9 becomes mandatory for the group's 2015 consolidated financial statements. The impact on the financial statements has not yet been estimated.

35.2 IAS 1 *Presentation of Items of Other Comprehensive Income* (effective for years commencing on or after 1 July 2012) – this amendment requires that an entity present separately the items of other comprehensive income (OCI) that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; and change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. IAS 1 will be adopted for the first time for the year ending 31 December 2012. There is no significant impact on the financial statements as this amendment will only require additional disclosure.

35.3 IFRS 10 *Consolidated Financial Statements* (effective for years commencing on or after 1 January 2013) – this standard introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with that investee, it has the ability to affect those returns through its power over that investee and there is a link between power and returns. Control is reassessed as facts and circumstances change. IFRS 10 supersedes IAS 27 (2008) and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

35.4 IFRS 11 *Joint Arrangements* (effective for years commencing on or after 1 January 2013) – this standard focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures, and always requires the equity method for jointly controlled entities that are now called joint ventures. IFRS 11 supersedes IAS 31 and SIC-13 J*ointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

35. **Accounting standards and interpretations in issue but not yet effective (continued)**

35.5 IFRS 12 *Disclosure of Interests in Other Entities* (effective for years commencing on or after 1 January 2013) – this standard combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The required disclosures aim to provide information to enable the user to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard may impact the disclosure to be provided by the company, but will have to be assessed based on IFRS 10 and IFRS 11 conclusions.

35.6 IFRS 13 *Fair Value Measurement* (effective for years commencing on or after 1 January 2013) – this standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value as an exit price, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. IFRS 13 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.

35.7 IAS 27 *Separate Financial Statements* (2011) supersedes IAS 27 (2008) and is effective for years commencing on or after 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

35.8 IAS 28 *Investments in Associates and Joint Ventures* (2011) supersedes IAS 28 (2008) and is effective for years commencing on or after 1 January 2013. IAS 28 (2011) makes the following amendments: (i) IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (ii) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

35.9 Amendments to IFRS 7 Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities - The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position; or are subject to enforceable master netting arrangements or similar agreements. These amendments to IFRS 7 will be adopted for the first time for the year ending 31 December 2013 and there should be no significant impact on the financial statements.

35.10 Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities – The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. These amendments to IAS 32 will be adopted for the first time for the year ending 31 December 2014 and there should be no significant impact on the financial statements.

Company registration
Trencor Limited
Incorporated in the Republic
of South Africa on 28 September 1955
Registration number 1955/002869/06

Year listed
1955

Registered office and postal address
1313 Main Tower Standard Bank Centre
Heerengracht Cape Town 8001
Tel 021 421 7310 Fax 021 419 3692
International +27 21

Secretary
Trencor Services (Pty) Limited

Internet address
http://www.trencor.net

E-mail
info@trencor.net
investorrelations@trencor.net

Transfer secretaries
Computershare Investor Services
(Pty) Limited
70 Marshall Street
Johannesburg 2001
PO Box 61051 Marshalltown 2107
Tel 011 370 5000 Fax 011 688 7721
Call Centre 0861 100950 (within RSA)
or +27 11 370 5000 (outside RSA)
http://www.computershare.com

Auditor
KPMG Inc
MSC House
1 Mediterranean Street
Foreshore Cape Town 8001
PO Box 4609 Cape Town 8000

Designated auditor
L P Smith

Attorneys
Edward Nathan Sonnenbergs Inc

Sponsors
Rand Merchant Bank (A division of
FirstRand Bank Limited)

Industry classification benchmark (ICB)
Industry: Industrial
Supersector: Industrial goods & services
Sector: Industrial transportation
Subsector: Transportation services

Market name
Trencor

JSE share code
TRE

ISIN
ZAE000007506

	Number of holders	% of holders	Number of shares	% interest
Size of shareholding				
1 – 1 000 shares	2 233	63,6	462 735	0,3
1 001 – 10 000 shares	804	22,9	2 797 425	1,6
10 001 – 100 000 shares	321	9,1	10 878 316	6,1
100 001 – 1 000 000 shares	119	3,4	42 717 069	24,1
1 000 001 shares and over	35	1,0	120 212 466	67,9
Total	3 512	100,0	177 068 011	100,0
Distribution of shareholders				
Mutual funds	138	3,9	75 399 489	42,6
Banks and insurance companies	54	1,5	34 562 660	19,5
Retirement funds	144	4,1	36 721 155	20,8
Other corporate bodies	232	6,6	8 987 727	5,1
Individuals	2 529	72,0	5 297 738	3,0
Nominee companies and trusts	400	11,4	4 143 242	2,3
Investment companies	6	0,2	906 390	0,5
Jowell family	9	0,3	11 049 610	6,2
Total	3 512	100,0	177 068 011	100,0
Shareholder spread				
Public shareholders	3 496	99,5	142 855 894	80,7
Non-public shareholders	16	0,5	34 229 117	19,3
Directors and associates	15	0,5	11 228 251	6,3
Strategic holdings (more than 10%)	1	0,0	22 983 866	13,0
Total	3 512	100,0	177 068 011	100,0

MAJOR SHAREHOLDERS

The direct and indirect beneficial interests of shareholders who, in so far as is known, held 5% or more of the issued shares at 30 December 2011 were as follows:

	%
Old Mutual Life Assurance Company (Pty) Ltd	13,0
Corolife Special Opportunities Portfolio Fund	7,7
Nedbank Rainmaker Equity Fund	6,7
Jowell family	6,2
Government Employees Pension Fund	6,0
	39,6

DIRECTORATE: BRIEF RÉSUMÉS

Ages at 31 December 2011

Executive

Neil Ian Jowell (78)

B Com LLB (UCT) MBA (Columbia). Chairman of the board and of the executive committee. He is the elder son of Trencor's founder, Joe Jowell, and joined the company on 1 January 1956. He was appointed to the board on 30 December 1966 and, following the death of his father in 1973, as chairman. He is Chairman of Textainer Group Holdings Limited. In 1987 he was voted Cape Times Business Man of the Year and in 1991 as one of Business Times' Top Five Businessmen.

Cecil Jowell (76)

B Com LLB (UCT). The younger son of the company's founder, he joined Trencor on 1 November 1958 and was appointed as an executive director on 2 October 1962. He assumed a part-time executive role from 15 March 2002. He serves on the executive and social and ethics committees. He is a non-executive director of Textainer Group Holdings Limited. In 1991 he was voted as one of Business Times' Top Five Businessmen.

James (Jimmy) Ernest McQueen (67)

B Com (UCT) CA (SA). In charge of finance and is a member of the executive and social and ethics committees. He was appointed as an alternate director on 18 April 1984 and as a full director on 15 May 1996. Prior to joining Trencor on 10 June 1976, he was an accountant in public practice. He is a non-executive director of Textainer Group Holdings Limited.

Hendrik (Hennie) Roux van der Merwe (64)

BA Law LLB (Stellenbosch) LLM (Tax) (Wits). Member of the executive committee. He joined Trencor on 1 July 1997 and was appointed to the board on 20 May 1998 and as managing director on 4 April 2003. In April 2011 his role changed to that of a part-time executive director. He previously practised as an attorney at law followed by various senior executive positions in the banking sector and was deputy chairman of Waco International Limited before transferring to Trencor.

Non-executive

James (Jim) Edward Hoelter (72)

B Bus Admin (Wisconsin) MBA (Harvard). Was appointed as a non-executive director on 2 December 2002. He was President and CEO of Textainer Group Holdings Limited in the USA until his retirement in December 1998. He joined Textainer in 1987 and currently serves as a non-executive director on its board and on the boards and committees of various unlisted companies in the USA. He is chairman of Textainer's nominating and governance committees and a member of its compensation and audit committees. He is a member of Trencor's risk committee.

Independent non-executive

David Morris Nurek (61)

Dip Law (UCT) Grad Dip Company Law (UCT). Is an executive of Investec Bank Limited. He was appointed as an alternate director of Trencor on 30 November 1992 and as a full director on 24 July 1995. Prior to joining Investec in June 2000, he practised as an attorney at law with Sonnenberg Hoffmann Galombik for 32 years. He is the lead non-executive director and chairman of the remuneration, nomination and social and ethics committees and a member of the audit, risk and governance committees and serves on the boards of numerous listed and unlisted companies in a non-executive capacity. He is a non-executive director of Textainer Group Holdings Limited.

Edwin (Eddy) Oblowitz (54)

B Com (UCT) CA (SA) CPA (Isr). Was appointed as a non-executive director on 3 March 2004 and is chairman of the audit and risk committees. He was previously an international partner of Andersens in South Africa and now serves as the Chief Executive Officer of the Stonehage Group's operations in South Africa. He is a director of various listed and unlisted companies in a non-executive capacity and serves as a trustee of various trusts.

Roderick (Roddy) John Alwyn Sparks (52)

B Com Hons (UCT) CA (SA) MBA (UCT). Was appointed as a non-executive director on 27 July 2009 and is a member of the audit, risk and nomination committees and chairman of the governance committee. He was previously managing director of Old Mutual South Africa and Old Mutual Life Assurance Company (SA) and chairperson of Old Mutual Unit Trust Managers, Old Mutual Specialised Finance and Old Mutual Asset Managers (SA). He is a director of various listed and unlisted companies in a non-executive capacity and serves on the advisory board of the UCT Graduate School of Business.

Herman Wessels (67)

B Com CA (SA). Was appointed as a non-executive director on 1 April 2011. He serves on the audit and risk committees. He is a financial consultant having previously been a partner of PricewaterhouseCoopers in South Africa. He is a director of various listed and unlisted companies in a non-executive capacity.

DIARY

12 June 2012	Annual general meeting
31 December	Financial year-end
Announcements	February: reviewed annual results
	March/April: annual financial statements
	May: first quarter update
	August: interim report
	November: third quarter update
Dividends	April and October: dividend paid

Notice is hereby given that the fifty-sixth annual general meeting of shareholders of Trencor Limited ('Trencor' or 'the company') will be held at 1313 Main Tower, Standard Bank Centre, Heerengracht, Cape Town on Tuesday, 12 June 2012 at 15:00.

The board of directors of the company has determined that the record date for the purpose of determining which shareholders of the company are entitled to receive notice of the annual general meeting is Friday, 4 May 2012 and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 1 June 2012. Accordingly, only shareholders who are registered in the register of members of the company on Friday, 25 May 2012 will be entitled to participate in and vote at the annual general meeting.

Electronic participation in the annual general meeting

The company intends to make provision for shareholders of the company, or their proxies, to participate in the annual general meeting by way of electronic communication. In this regard, the company intends making video-conferencing facilities available at the following two locations:

- 1313 Main Tower, Standard Bank Centre, Heerengracht, Cape Town (which is the location for the annual general meeting); and
- Investec Bank Limited, 3rd floor M4, 100 Grayston Drive, Sandown, Sandton.

Should you wish to participate in the annual general meeting by way of electronic communication as aforesaid, you, or your proxy, will be required to attend at either of the above-mentioned locations arranged by the company at the time and on the date of the annual general meeting. The above-mentioned two locations will be linked to each other by means of a real-time video feed on the date of, and from the time of commencement of, the annual general meeting. The real-time video feed will enable all persons to participate electronically in the annual general meeting in this manner and to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the annual general meeting.

The cost of the video-conferencing facilities described will be for the account of the company.

Explanatory note:
Memorandum of incorporation
Until the Companies Act, No. 71 of 2008, as amended ('Companies Act') came into effect on 1 May 2011, the memorandum of incorporation ('MOI') of the company comprised its memorandum of association and its articles of association. On the date that the Companies Act came into effect, the memorandum of association and articles of association of the company automatically converted into the company's MOI. Accordingly, for consistency of reference in this notice of annual general meeting, the term 'MOI' is used throughout to refer to the company's memorandum of incorporation (which previously comprised the company's memorandum of association and its articles of association, as aforesaid).

All references to the company's MOI in this notice of annual general meeting (including all of the relevant ordinary and special resolutions contained herein) refer to provisions of that portion of the company's MOI that was previously called the company's articles of association.

The purpose of the annual general meeting is for the following business to be transacted and for the following ordinary and special resolutions to be proposed:

1. To present and consider the audited annual financial statements, the directors' report and the audit committee report of the company and the Trencor group for the year ended 31 December 2011.

   In terms of the Companies Act, the audited financial statements will be presented to the shareholders together with the directors' report and audit committee report. The audited annual financial statements, the directors' report and the audit committee report of the company and its subsidiaries, are set out on pages 22 to 75 of the document of which this notice of annual general meeting forms part (the integrated annual report).

2. To consider, and if deemed fit, to re-elect, on an individual basis, the following directors who retire in terms of the MOI but, being eligible, offer themselves for re-election: Messrs J E Hoelter, C Jowell and D M Nurek. Brief résumés of the directors of the company are presented on page 78 of the integrated annual report.

   Accordingly, shareholders are requested to consider and, if deemed fit, to re-elect the directors named above by way of passing the separate ordinary resolutions set out below:

Ordinary resolution number 1.1

Appointment of Mr J E Hoelter as director

"Resolved that Mr J E Hoelter be and is hereby elected as a director of the company."

Ordinary resolution number 1.2

Appointment of Mr C Jowell as director

"Resolved that Mr C Jowell be and is hereby elected as a director of the company."

Ordinary resolution number 1.3

Appointment of Mr D M Nurek as director

"Resolved that Mr D M Nurek be and is hereby elected as a director of the company."

Explanatory note:
Note that the board has recommended the re-election of Messrs J E Hoelter, C Jowell and D M Nurek as directors of the company. The election of each director who retires by rotation is required at the company's annual general meeting. The election will be conducted by a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% plus one of the voting rights to be cast on the resolution.

3. To place the 8 884 209 unissued authorised ordinary shares of the company, reserved for The Trencor Share Option Plan ('the Plan'), under the control of the directors and to specifically authorise the directors to issue such shares, if required, in accordance with the Plan until the next annual general meeting, subject to the provisions of the Companies Act, the MOI and the Listings Requirements of the JSE Limited ('JSE').

Ordinary resolution number 2

"Resolved that, subject to the provisions of section 41 of the Companies Act and the JSE Listings Requirements, the directors be authorised to allot and issue from the authorised but unissued ordinary share capital of the company, up to 8 884 209 shares in the authorised share capital of the company from time to time, in terms of the rules of the Trencor Share Option Plan ('the Plan') for the benefit of participants in the Plan, such authority to endure until the forthcoming annual general meeting of the company (whereupon this authority shall lapse, unless it is renewed at the aforementioned annual general meeting, provided that it shall not extend beyond 15 (fifteen) months after the date of this meeting)."

Explanatory note:
The Plan has been in place since it was initially approved by shareholders in 2002. This resolution confirms the authority of the directors to issue shares in terms of the Plan, but subject to the terms of the Plan.

The directors have decided to seek a renewal of the annual authority to issue shares in terms of the Plan as a matter of good corporate governance.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% plus one of the voting rights to be cast on the resolution.

4. To table the remuneration policy of the company (as set out on pages 13 to 15 of the integrated annual report) for consideration and submit same for a non-binding advisory vote by the shareholders.

Advisory vote

"Resolved that the remuneration policy of the company, as set out on pages 13 to 15 of the integrated annual report of which this notice of annual general meeting forms part, be and is hereby endorsed through a non-binding advisory vote as recommended in terms of the King Code on Governance for South Africa 2009."

Explanatory note:
In terms of principle 2.27 of the King Code on Governance for South Africa 2009, the company's remuneration policy should be tabled to the shareholders of the company for a non-binding advisory vote at the annual general meeting. Accordingly, the shareholders are requested to endorse the company's remuneration policy by way of a non-binding advisory vote in the same manner as an ordinary resolution.

The minimum percentage of voting rights that is required for this non-binding advisory vote to be adopted is 50% plus one of the voting rights to be cast on the resolution.

5. To reappoint KPMG Inc as independent auditor of the company for the ensuing year.

Ordinary resolution number 3

"Resolved that KPMG Inc is hereby reappointed as the auditor of the company for the ensuing year."

Explanatory note:
In compliance with section 90(1) of the Companies Act, a public company must each year, at its annual general meeting, appoint an auditor.

Note that the audit committee has recommended the reappointment of KPMG Inc as auditors of the company. Section 94(9) of the Companies Act entitles a company to appoint an auditor at its annual general meeting, other than one nominated by the audit committee, but if such an auditor is appointed, the appointment is valid only if the audit committee is satisfied that the proposed auditor is independent of the company.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% plus one of the voting rights to be cast on the resolution.

6. To appoint an audit committee to conduct the duties and responsibilities as outlined in section 94(7) of the Companies Act.

Ordinary resolution number 4.1

Appointment of Mr E Oblowitz as a member of the audit committee

"Resolved that Mr E Oblowitz be and is hereby elected as a member of the audit committee of the company."

Ordinary resolution number 4.2

Appointment of Mr D M Nurek as a member of the audit committee

"Resolved that Mr D M Nurek be and is hereby elected as a member of the audit committee of the company, subject to his re-election as a director of the company in terms of ordinary resolution number 1.3."

Ordinary resolution number 4.3

Appointment of Mr R J A Sparks as a member of the audit committee

"Resolved that Mr R J A Sparks be and is hereby elected as a member of the audit committee of the company."

Ordinary resolution number 4.4

Appointment of Mr H Wessels as a member of the audit committee

"Resolved that Mr H Wessels be and is hereby elected as a member of the audit committee of the company."

Explanatory note:
In terms of the Companies Act, the audit committee is not a committee of the board but a committee elected by the shareholders at each annual general meeting.

Section 94(2) of the Companies Act requires a public company, at each annual general meeting, to elect an audit committee.

Section 94(4)(a) of the Companies Act requires, among other things, that each member of the audit committee must be a director of the company. Brief résumés of the directors are presented on page 78 of the integrated annual report.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% plus one of the voting rights to be cast on the resolution.

7. To provide financial assistance to related or interrelated companies and others.

Special resolution number 1

"Resolved that in terms of and subject to the provisions of section 45 of the Companies Act, the shareholders of the company hereby approve, as a general approval, the provision by the company (subject to the requirements of the company's memorandum of incorporation, the Companies Act and the Listings Requirements of the JSE Limited ('JSE Listings Requirements') from time to time), at any time and from time to time, during the period of two years commencing on the date of passing of this special resolution, of any direct or indirect financial assistance contemplated in the Companies Act to any one or more related or interrelated companies or corporations of the company on such terms and conditions as the board of directors of the company, or any one or more persons authorised by the board of directors of the company from time to time for such purpose, deems fit."

Explanatory note:
The reason for special resolution number 1 is to obtain approval from the shareholders so as to enable the company to provide financial assistance, when the need arises, in accordance with the provisions of section 45 of the Companies Act. The effect of special resolution number 1 is that the company will have the necessary authority to provide such financial assistance to any one or more related or interrelated companies or corporations of the company as contemplated in special resolution number 1 as and when required to do so. The board of the company undertakes that, in so far as the Companies Act requires, it will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% plus one of the voting rights to be cast on the resolution.

8. To resolve as a special resolution that the non-executive directors' annual remuneration, in their capacity only as directors of the company, from 1 July 2012 until the next annual general meeting of the company, be approved.

Special resolution number 2

"Resolved that the non-executive directors' annual remuneration, in their capacities only as directors of the company, from 1 July 2012 until the next annual general meeting of the company, be paid in accordance with the following:

For services as:	
Basic remuneration as director	R177 375
Chairman of the audit/risk committee	R118 250
Member of the audit committee/risk committee	R64 500
Member of the governance committee	R17 738
Member of the remuneration committee	R17 738
Member of the nomination committee	R17 738
In the case of Mr J E Hoelter	US$40 971"

Explanatory note:
In terms of sections 66(8) and (9) of the Companies Act, remuneration may only be paid to directors for their service as directors in accordance with a special resolution approved by the shareholders within the previous two years.

It is noted that the remuneration payable to directors in their capacities as such and for their services as directors, as set out in the above special resolution, reflects an increase of 7,5% compared to the remuneration in respect of the 18 months ended 30 June 2012.

It is noted that the remuneration referred to in this resolution is only in respect of remuneration payable to directors of the company in their capacities as such and does not include salaries and other benefits payable to directors in other capacities.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% plus one of the voting rights to be cast on the resolution.

9. To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

Special resolution number 3

"Resolved that the company hereby approves, as a general approval contemplated in section 48 of the Companies Act, No 71 of 2008, as amended ('the Companies Act'), the acquisition by the company or any of its subsidiaries from time to time of the issued shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the memorandum of incorporation of the company, the provisions of the Companies Act and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that:

1. any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
2. at any point in time, the company may only appoint one agent to effect any repurchase(s) on its behalf;
3. this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing of this special resolution;
4. the board of directors pass a resolution authorising the repurchase, confirming that the company passes the solvency and liquidity test and that from the time that the test is done there are no material changes to the financial position of the Trencor group;
5. a paid press announcement containing full details of the acquisitions will be published as soon as the company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis, 3% of the number of shares of that class in issue at the time of granting of this general authority, and for each 3% in aggregate of the initial number of that class acquired thereafter;
6. acquisitions by the company and its subsidiaries of shares in the share capital of the company may not, in the aggregate, exceed in any one financial year 20% (or 10% where such acquisitions relate to the acquisition by a subsidiary) of the company's issued share capital of any class;
7. in determining the price at which the company's shares are acquired by the company or its subsidiaries in terms of this general authority, the maximum price at which such shares may be acquired may not be greater than 10% above the weighted average of the market price at which such shares are traded on the JSE, as determined over the five business days immediately preceding the date of the acquisition of such shares by the company or its subsidiaries;
8. the company or its subsidiaries are not acquiring shares during a prohibited period as defined in the Listings Requirements of the JSE unless they have in place a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
9. the company only appoints one agent to effect any acquisition/s on its behalf; and
10. any acquisitions are subject to Exchange Control approval at that point in time."

Explanatory note:
The reason for this special resolution is to grant the company a general authority in terms of the Companies Act for the acquisition by the company or any of its subsidiaries of shares issued by the company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not exceed beyond fifteen months from the date of this annual general meeting. The effect of the passing of this special resolution will be to authorise the company or any of its subsidiaries to acquire shares issued by the company.

The directors are of the opinion that it would be in the best interests of the company to extend the current authority for the repurchase of shares by the company or its subsidiaries, allowing the company or any of its subsidiaries to be in a position to repurchase or purchase, as the case may be, the shares issued by the company through the order book of the JSE, should the market conditions and price, as well as the financial position of the company, justify such action, as determined by the directors.

Repurchases or purchases, as the case may be, will only be made after careful consideration, where the directors consider that such repurchase or purchase, as the case may be, will be in the best interests of the company and its shareholders.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% plus one of the voting rights to be cast on the resolution.

STATEMENT BY THE BOARD OF DIRECTORS OF THE COMPANY REGARDING SPECIAL RESOLUTION NUMBER 3

Pursuant to and in terms of the JSE Listings Requirements, the board of directors of the company hereby states that:

(a) the intention of the directors of the company is to utilise the general authority to acquire shares in the company if at some future date the cash 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 of the company, and the interests of the company;

(b) in determining the method by which the company intends to acquire its shares, the maximum number of shares to be acquired and the date on which such acquisition will take place, the directors of the company will only make the acquisition if at the time of the acquisition they are of the opinion that:

- the company and the group will be able to pay their debts as they become due in the ordinary course of business for the next twelve months after the date of the general repurchase;
- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and recognised and measured in accordance

with the accounting policies used in the latest audited financial statements will be in excess of the liabilities of the company and the group for the next twelve months after the date of the general repurchase;

- the issued share capital and reserves of the company and the group will be adequate for ordinary business purposes of the company or any acquiring subsidiary for the next twelve months after the date of the general repurchase;
- the working capital available to the company and the group will be sufficient for ordinary business purposes for the next twelve months after the date of the general repurchase; and
- a working capital statement will be obtained from the company's sponsors as and when any acquisition of its shares is contemplated.

10. To transact such other business as may be transacted at an annual general meeting.

OTHER DISCLOSURES IN TERMS OF SECTION 11.26 OF THE JSE LISTINGS REQUIREMENTS

The integrated annual report to which this notice of this annual general meeting is attached provides details of:

- the directors and secretary of the company on pages 2 and 76 respectively;
- the major shareholders of the company on page 77;
- the directors' interests in shares in the company on page 10; and
- the share capital of the company in note 18 on page 48, and an analysis of the shareholders (including beneficial shareholders who hold 5% or more of the issued share capital of the company and of which the company is aware, but who are not registered shareholders) on page 77.

There have been no material changes to the company and the group's financial or trading position (other than as disclosed in the accompanying integrated annual report) nor are there any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had, a material effect on the financial position of the group between 29 April 2011 and the date of publication hereof.

The directors, whose names are given on page 2 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

GENERAL INSTRUCTIONS AND INFORMATION

All shareholders are encouraged to attend, speak and vote at the annual general meeting. On a show of hands, every shareholder of the company present in person or represented shall have one vote only. On a poll, every shareholder present in person, by proxy or represented shall have one vote for every share held.

If you hold certificated shares (i.e. have not dematerialised your shares in the company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your Central Security Depository Participant ('CSDP') to hold your shares in your own name on the company's sub-register), then:

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy (who need not also be a shareholder of the company) to represent you at the annual general meeting by completing the attached form of proxy and, for administrative reasons, returning it to the office of the company's transfer secretaries not less than 24 hours before the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays). Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy as stipulated in section 58(3)(b) of the Companies Act. Please also note that the attached form of proxy may be delivered to the company at any time before the annual general meeting and must be so delivered before your proxy may exercise any of your rights as a shareholder at the annual general meeting.

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Strate Limited ('Strate'), held through a CSDP or broker and are not registered as an 'own name' dematerialised shareholder you are not a registered shareholder of the company, but appear on the sub-register of the company held by your CSDP. Accordingly, in these circumstances subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from them; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish them with your voting instructions in respect of the annual general meeting and/or request them to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by them.

CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strate should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the company's transfer secretaries not less than 24 hours before the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

Shareholders of the company that are companies, that wish to participate in the annual general meeting, may authorise any person to act as its representative at the annual general meeting.

Section 63(1) of the Companies Act requires that persons wishing to participate in the annual general meeting (including any representative or proxy) must provide satisfactory identification (such as identity documents, driver's licences or passports) before they may attend or participate at such meeting.

By order of the board

Trencor Services (Pty) Limited
Secretaries
Per: G W Norval

Cape Town
30 April 2012

Trencor Limited
(Incorporated in the Republic of South Africa) (Registration number 1955/002869/06) ('the company')
Share code: TRE ISIN: ZAE000007506

For use at the annual general meeting of shareholders of the company to be held at 1313 Main Tower, Standard Bank Centre, Heerengracht, Cape Town on Tuesday, 12 June 2012 at 15:00.

Not to be used by beneficial owners of shares who have dematerialised their shares ('dematerialised shares') through a Central Securities Depository Participant ('CSDP') or broker, as the case may be, unless they are recorded on the sub-register as 'own name' dematerialised shareholders ('own name dematerialised shareholders'). Generally, you will not be an own name dematerialised shareholder unless you have specifically requested the CSDP to record you as the holder of the shares in your own name in the company's sub-register.

Only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the company's sub-register as the holder of dematerialised shares.

Each shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting and any adjournment or postponement thereof.

Please note the following:

- **the appointment of your proxy may be suspended at any time and to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the annual general meeting;**
- **the appointment of the proxy is revocable; and**
- **you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the company.**

Please note that any shareholder of the company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act, No. 71 of 2008, as amended, ('Companies Act') requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may attend or participate at such meeting.

Note that voting will be performed by way of a poll so that each shareholder present or represented by way of proxy will be entitled to vote the number of shares held or represented by them.

My/our proxy may delegate to another person his/her authority to act on my/our behalf at the annual general meeting, provided that my/our proxy:

- **may only delegate his/her authority to act on my/our behalf at the annual general meeting to a director of the company;**
- **must provide written notification to the transfer secretaries of the company, namely Computershare Investor Services (Pty) Limited of the delegation by my/our proxy of his/her authority to act on my/our behalf at the annual general meeting by no later than 15:00 on Monday, 11 June 2012, being 24 hours before the annual general meeting to be held at 15:00 on Tuesday, 12 June 2012; and**
- **must provide to his/her delegate a copy of his/her authority to act on my/our behalf at the annual general meeting.**

Refer to notes on page 87.

To be returned to:

The Transfer Secretaries of Trencor Limited, namely
Computershare Investor Services (Pty) Limited
70 Marshall Street Johannesburg 2001
PO Box 61051 Marshalltown 2107

as soon as possible to be received, for administrative reasons, not later than 24 hours before the meeting.

I/we (full names)

of (address)

Telephone: Work Home Mobile

being a shareholder(s) of the company, holding shares in the company

hereby appoint (refer note 1):

or failing him/her

or failing him/her

or failing him/her the chairperson of the annual general meeting as my/our proxy to act for me/us on my/our behalf at the aforementioned annual general meeting of shareholders of the company and at any adjournment or postponement thereof in accordance with the following instructions:

Insert an 'X' in the relevant spaces according to how you wish your votes to be cast. If you wish to cast less than all the votes in respect of the shares held by you, insert the number of votes in respect of which you desire to vote (see note 2). Unless otherwise instructed my/our proxy can vote as he/she deems fit.

FORM OF PROXY

	For	Against	Abstain
Election of directors:			
Ordinary resolution number 1.1: Election of J E Hoelter as director.			
Ordinary resolution number 1.2: Election of C Jowell as director.			
Ordinary resolution number 1.3: Election of D M Nurek as director.			
Ordinary resolution number 2: Placing the 8 884 209 unissued shares of the company reserved for The Trencor Share Option Plan ('the Plan') under the control of the directors and granting them authority to allot and issue such shares in terms of the Plan.			
Non-binding advisory vote: Endorsement of the remuneration policy of the company.			
Ordinary resolution number 3: Reappointment of KPMG Inc as independent auditor.			
To appoint an audit committee with the following members:			
Ordinary resolution number 4.1: Election of E Oblowitz as audit committee member.			
Ordinary resolution number 4.2: Election of D M Nurek as audit committee member.			
Ordinary resolution number 4.3: Election of R J A Sparks as audit committee member.			
Ordinary resolution number 4.4: Election of H Wessels as audit committee member.			
Special resolution number 1: To approve and authorise the provision of financial assistance, as contemplated in section 45 of the Companies Act, by the company to related or interrelated companies and others.			
Special resolution number 2: To approve the non-executive directors' remuneration, in their capacities as directors only, from 1 July 2012 until the next annual general meeting.			
Special resolution number 3: To approve the granting of a general authority to the company or its subsidiaries to acquire the issued shares of the company upon such terms and conditions and in such amounts as the directors may from time to time determine.			

Signed at on this day of 2012

Signature Assisted by (where applicable) signature

Name of signatory Name of assistant

Capacity Capacity

(Authority of signatory to be attached if applicable – see note 6)

Summary of shareholders' rights in respect of proxy appointments as contained in section 58 of the Companies Act

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the company, to participate in and speak and vote at a shareholders' meeting on your behalf and may appoint more than one proxy to exercise voting rights attached to different securities held by you;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the company, or to the transfer secretaries of the company, namely Computershare Investor Services (Pty) Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy or proxies will be suspended at any time and to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy, and to the company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the company and the proxy as aforesaid;
- if this proxy form has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation be delivered by the company to you will be delivered by the company to you or your proxy or proxies, if you have directed the company to do so, in writing and paid any reasonable fee charged by the company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the annual general meeting, but only as directed by you on this proxy form; and
- the appointment of your proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of six months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

Please also read the notes opposite.

NOTES TO THE FORM OF PROXY

1. A certificated or own name dematerialised shareholder or nominee of a CSDP or broker registered as a shareholder in the company's sub-register may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the chairperson of the annual general meeting', but any such deletion must be initialled by the shareholder. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, then the chairperson shall be deemed to be appointed as the proxy.

2. A shareholder's instructions to the proxy must be indicated in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy will be deemed to be authorised to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable by the shareholder.

3. Proxy forms should be lodged with the company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 or posted to Computershare Investor Services (Pty) Limited, PO Box 61051, Marshalltown, 2107. Forms of proxy should, for administrative reasons, be received or lodged by no later than 24 hours (excluding Saturdays, Sundays and public holidays) before the annual general meeting (i.e. 15:00 on Monday, 11 June 2012).

4. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.

5. Where there are joint holders of shares, the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the register of shareholders, will be accepted.

6. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the company's transfer secretaries or waived by the chairperson of the annual general meeting. CSDPs or brokers registered as shareholders in the company's sub-register voting on instructions from owners of shares registered in the company's sub-sub-register, are requested that they identify the owner in the sub-sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the company's transfer secretaries together with this form of proxy.

7. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but may not be accepted by the chairperson.

8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.

9. Certificated shareholders which are a company or body corporate may by resolution of their directors, or other properly authorised body, in terms of section 57 of the Companies Act, authorise any person to act as their representative.

10. The chairperson of the annual general meeting may, in his/her discretion, accept or reject any form of proxy which is completed other than in accordance with these notes.

11. If required, additional forms of proxy are available from the company's transfer secretaries or the registered office of the company.

12. If you are the owner of dematerialised shares held through a CSDP or broker (or its nominee) and are not an own name dematerialised shareholder, then you are not a shareholder of the company, but appear as the holder of a beneficial interest on the relevant sub-register of the company held by your CSDP. Accordingly, in these circumstances, do NOT complete this proxy form. Subject to the mandate between yourself and your CSDP or broker:
    - if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from them; alternatively
    - if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish them with your voting instructions in respect of the annual general meeting and/or request them to appoint a proxy. You must not complete the attached form of proxy. Your instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strate should, when authorised in terms of their mandate or instructed to do by the person on behalf of whom they hold the dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the company's transfer secretaries to be received, for administrative reasons, not less than 24 hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

NOTES

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