

TRENCOR

Trencor Limited
Integrated Annual Report 2013



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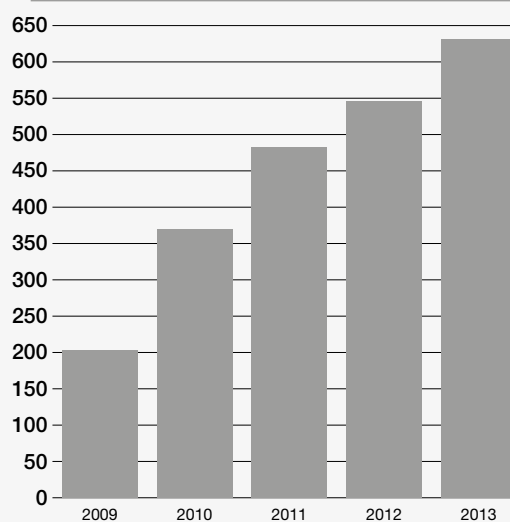
Trencor Limited is an investment holding company listed on the JSE. The group's core business focus is owning, leasing, managing and trading marine cargo containers worldwide, and related financing activities.

HIGHLIGHTS

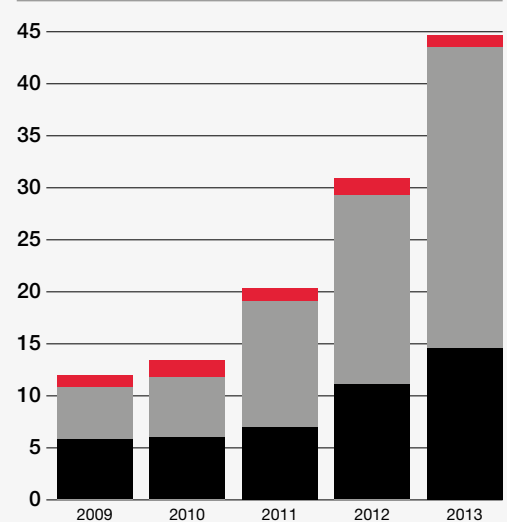
		2013	2012
Trading profit after net finance costs	Rm	2 038	1 636
	US\$m	211	201
Profit before tax	Rm	2 486	1 834
	US\$m	242	221
Headline earnings	Rm	1 404	991
	US\$m	134	119
Headline earnings per share	SA cents	793	560
	US cents	76	67
Adjusted headline earnings per share*	SA cents	631	546
	US cents	65	67
Dividends per share	SA cents	230	215
Net asset value per share	SA cents	4 469	3 622
	US cents	427	427
Ratio of interest-bearing borrowings to total equity	%	198	165

* Refer to note 25 to the financial statements.

Adjusted Headline Earnings
(SA cents per share)



Funding of Total Assets
(R billion)



■ Non-interest-bearing liabilities
■ Interest-bearing borrowings
■ Total equity

Directors and Committees

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	Independent
*Executive	

Executive committee

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

Audit committee

E Oblowitz	Chairman
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

D M Nurek	Chairman
C Jowell	
J E McQueen	

Brief résumés of the directors are presented on page 74.

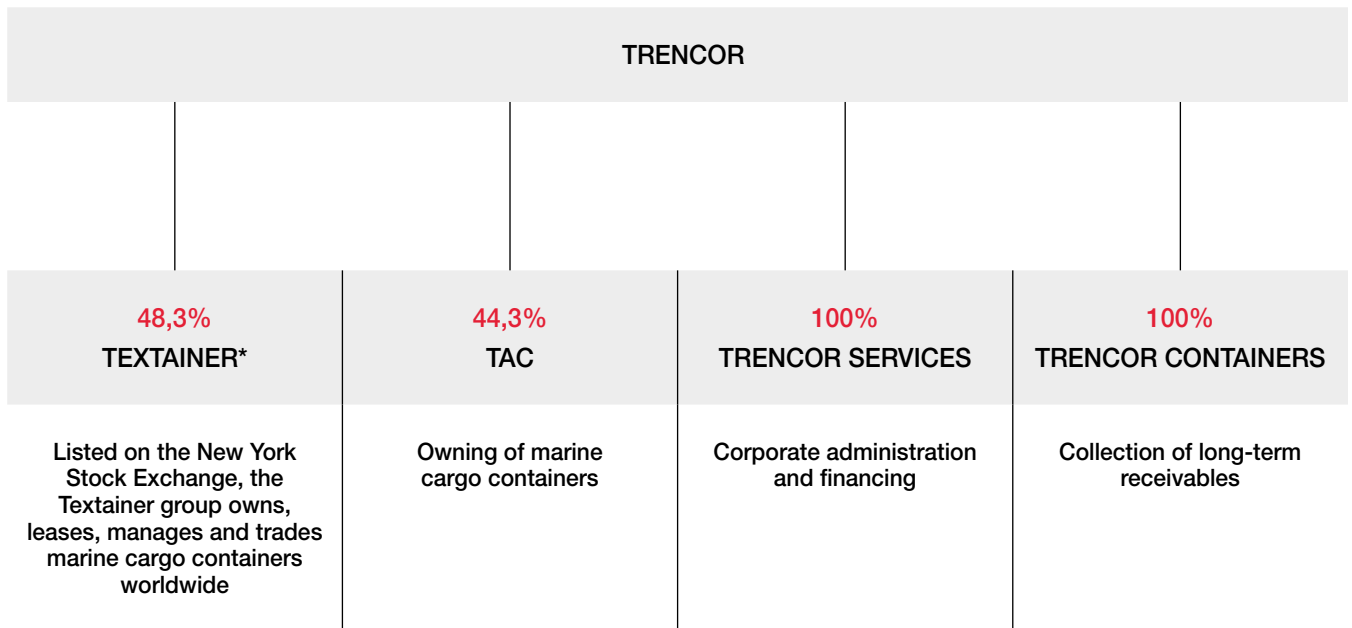
Textainer Group Holdings Limited

P K Brewer (USA) President and Chief Executive Officer

Textainer Equipment Management Limited

R D Pedersen (Denmark) President and Chief Executive Officer

Group Chart



* Reduced to 48,2% subsequent to the year-end following the issue of restricted share units.

Five Year Review

	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm
Operating results					
Revenue	6 590	4 553	4 649	2 353	1 958
Profit before tax	2 486	1 834	1 745	1 091	635
Headline earnings attributable to shareholders	1 404	991	1 001	629	253
Statement of financial position summary					
Shareholders' equity	7 912	6 414	4 794	3 895	3 841
Non-controlling interests	6 647	4 628	2 188	2 056	1 905
Total equity	14 559	11 042	6 982	5 951	5 746
Interest-bearing borrowings	28 879	18 222	12 107	5 815	5 038
Funding of total net assets	43 438	29 264	19 089	11 766	10 784
Property, plant and equipment	36 505	24 798	15 600	9 604	7 858
Other non-current assets	3 027	2 183	1 989	1 752	2 204
Current assets	5 096	3 929	2 729	2 008	1 893
Total assets	44 628	30 910	20 318	13 364	11 955
Non-interest-bearing liabilities	1 190	1 646	1 229	1 598	1 171
Total net assets	43 438	29 264	19 089	11 766	10 784
Statistics					
Number of issued shares (million)	177	177	177	187	187
Equity book value per share (cents)	4 469	3 622	2 707	2 078	2 049
Headline earnings per share (cents)	793	560	559	336	135
Adjusted headline earnings per share (cents)	631	546	482	369	204
Ordinary dividends per share (cents)	230	215	175	140	120
Dividend cover based on adjusted headline earnings (times)	2,7	2,5	2,8	2,6	1,7
Liquidity (%)					
Ratio to total equity					
Total liabilities	207	180	191	125	108
Interest-bearing borrowings	198	165	173	98	88
Current ratio (times)	1,9	1,7	1,5	1,5	1,7
Profitability (%)					
Taxed profit to average total equity ¹	19	20	25	19	11
Taxed profit before interest to average total assets ²	6	9	12	10	6
Headline earnings attributable to shareholders to average shareholders' equity	20	18	23	16	6
Number of employees	183	187	190	193	188

¹ Profit after tax divided by average total shareholders equity.

² Profit after tax plus interest after tax divided by average total assets.



In December 2013 Textainer's container fleet surpassed 3 million TEU representing a major milestone for the company as well as the industry. To appreciate the magnitude of this feat and put that quantity in perspective, if laid end-to-end, these containers would stretch from Los Angeles to Tokyo and back.

Chairman's Statement

Trencor's results for 2013 are satisfactory and largely reflect the performance of Textainer, the container leasing business in which Trencor has a beneficiary interest, which operates worldwide and is listed on the New York Stock Exchange and headquartered in Bermuda.

Trading profit after net financing costs increased by 25% from R1 636 million in 2012 to R2 038 million.

Headline earnings per share (including the effect of net realised and unrealised foreign exchange translation gains) were 792,6 cents (2012: 559,6 cents).

Adjusted headline earnings per share (which excludes the effect of net unrealised foreign exchange translation gains and the gain arising from the modification of debt terms) at 630,7 cents (2012: 546,1 cents) were up by 15,5%.

The option held by Halco Holdings to acquire the remaining 55,7% of TAC which it does not already own for approximately US\$5 million became exercisable with effect from 1 July 2013 and, in accordance with International Financial Reporting Standards, TAC has been consolidated in Trencor's results for the first time, notwithstanding that Halco has not yet exercised the option. Earnings now include:

- R29,5 million (16,7 cents per share), being 44,3% of TAC's profit for the six months to 31 December 2013;

- R146,8 million (82,9 cents per share), being the value of the option at that date; and
- R172,2 million (97,2 cents per share) gain arising from the modification of debt terms.

Net unrealised foreign exchange gains arising on translation of net dollar receivables and the related valuation adjustments, not included in adjusted headline earnings per share, were R159 million or 64,7 cents per share (2012: R33 million or 13,5 cents per share).

These various earnings are better reflected in tabular form:

	2013	2012
	Cents per share	Cents per share
Headline earnings including, in 2013, the value placed on the option to acquire the remaining 55,7% of the shares in TAC (82,9 cents per share)	792,6	559,6
Deduct: Net unrealised foreign exchange translation gains	64,7	13,5
Deduct: Gain on modification of debt terms	97,2	-
Adjusted headline earnings	630,7	546,1

TEXTAINER

The 48.2% beneficiary interest in Textainer remains the core of Trencor and its future. I am again including a direct quote of the annual letter sent by the President & CEO of Textainer and myself as Chairman to the shareholders of Textainer:

“To Our Shareholders:

Textainer achieved a major milestone in 2013: we became the first and only lessor with a fleet size surpassing 3 million TEU. We grew our fleet size by 10% as a result of investing \$752 million in new and used containers during the year. Total revenues increased 9% to a record level of \$529 million and lease revenue increased an even more impressive 22% to \$469 million. We are pleased to have provided our shareholders with a return on average equity of 17.3%.

Year in Review

The container leasing industry underwent a period of unprecedented growth from 2010 to 2012. We expected to see the rate of growth slow during 2013, but the year turned out to be more challenging than anticipated. We invested almost \$200 million in new containers during the fourth quarter of 2012 which we expected to lease-out in early 2013. However, demand for these containers took longer to materialize than planned. As the year progressed, container prices, rental rates, and utilization all declined. We saw a pickup in demand leading into the traditional third quarter peak season, but the increase was less pronounced than in prior years. By year end, our utilization stood at 93.6%, a reduction of 2.7 percentage points since the beginning of the year.

The primary macro-economic factors which caused this decline in container demand were the economic malaise in Europe and a deceleration in the annual growth of China's GDP. In addition, container leasing was affected by the following industry specific factors.

The price of a new 20 foot standard container declined during 2013 from more than \$2,400 to below \$2,000. This fall in new container prices affected us in several ways. First, new container rental rates declined which led to similar declines in the rates received for depot container lease-outs. Second, used container prices fell approximately 20% from January to December which led to reduced gains on container sales. Third, shipping lines bought a higher percentage of total new container production than they had during 2010 to 2012. Manufacturers produced 2.3-2.4 million TEU of dry freight containers in 2013, slightly below the quantity produced in 2012. We estimate shipping lines purchased slightly less than 50% of all new containers in 2013, compared to approximately 35% in 2012.

Container lessors had easy access to financing. From 2005 to 2011, four container lessors, including Textainer, raised a total of \$1.9 billion in the asset-backed markets in the US. During just the last two years, nine lessors raised almost \$5 billion in the same markets. This increase in liquidity strengthened the competition among lessors for each lease-out opportunity.

Perhaps even more surprising than the significant increase in the quantity of funds raised is that the credit spread achieved by large, established lessors like Textainer was similar to the spread obtained by smaller, newer lessors. We believe the financial stability and experience of the manager is critical to the credit quality of asset-based financings and

should be taken into account by lenders and investors. This is especially true for assets like containers which are subject to operating leases with terms shorter than their useful lives.

Another factor affecting our industry is that many shipping lines have increased the average age at which they dispose of containers in their fleets to 13 or more years old. We have also seen a similar increase in the average age of our disposals. For this reason, last year we extended the depreciable life of dry freight containers in our fleet from 12 to 13 years.

These factors combined to reduce container demand, rental rates, utilization, and used container prices. As utilization declined, storage and maintenance costs increased. Additionally, our depreciation expense rose for several reasons including: a) an increase in the size of our owned fleet; b) old fully depreciated containers were disposed and replaced with new higher-priced containers; and c) the percentage of refrigerated containers in our fleet grew. Compared to dry freight containers, refrigerated containers have a shorter life and lower residual value as a percentage of the original cost. As a result, they have relatively higher depreciation expense. Furthermore, purchase leaseback transactions have replaced outright sales as the shipping lines' preferred method of disposing of old containers. Purchase leaseback containers may remain on lease for several years during which time they are depreciated, unlike trading containers which are generally sold shortly after they are purchased and are not depreciated. Although extending the depreciable life of dry freight containers partially offset these factors, our depreciation expense nonetheless increased from 3.8% of average original equipment cost of owned assets in 2012 to 4.2% in 2013.

During 2013, we also saw an increase in bad debt expense and took an asset impairment relating to containers on lease to several small lessees which are in default. These lessees accounted for less than 0.5% of our fleet.

Notwithstanding these headwinds, we continued to maximize the cash flow from our fleet. Our total revenue of \$529 million set a new record as did adjusted EBITDA of \$430 million. Adjusted net income for 2013 was \$175 million.

Textainer purchased 195,000 Twenty Foot Equivalent Units ("TEU") of dry freight and special containers and 12,000 TEU of refrigerated containers for delivery during 2013. Refrigerated containers now account for 12% of our fleet on a Cost Equivalent Unit ("CEU") basis. We believe among lessors we were the largest buyer of dry freight containers in 2013 and among the top investors in dry specials and refrigerated containers.

At year end our fleet totaled 3 million TEU. We are the first and only lessor with a 3 million TEU fleet. To put 3 million TEU in perspective, if the containers in our fleet were lined up end-to-end they would stretch from Los Angeles to Tokyo and back again. The percentage of our fleet which we own grew by 4 percentage points from the end of 2012 to 76% currently, the highest level in our history. At 2.3 million TEU, we believe our owned fleet itself is as large as or larger than the total fleet of any of our competitors. Our size, operating efficiency and industry-lowest cost/CEU/day provides us a competitive advantage.

We have had a sole supplier contract with the U.S. Department of Defense since 2003 covering the program management, leasing, transportation and repair of intermodal equipment. The contract was subject to renewal and open for bids last year. Textainer won the bidding and in December entered into a new contract with the U.S. military.

Our joint venture with Trifleet, one of the leading lessors of tank containers, continues to grow. We have committed to invest more than \$10 million in tanks to be managed by Trifleet.

Liquidity

In order to remain the most reliable supplier of new containers and to have the flexibility to take advantage of investment opportunities when they arise, such as the purchase of a managed fleet or other acquisition, we continue to maintain a strong and flexible balance sheet. Our financial results and relatively low leverage, our debt-to-equity ratio is 2.3:1, have allowed us access to the capital markets when and as needed and at very competitive terms.

During 2013, we executed \$870 million in debt financings. We significantly lowered our funding costs and further optimized our capital structure. We introduced a more flexible asset-backed financing structure and put in place a low cost borrowing facility to finance older containers. We were able to lower our overall funding costs by almost 100 basis points.

Dividends

We continued our tradition of maintaining or increasing our dividend every quarter since going public in 2007. We paid a total of \$1.85 per share in dividends in 2013, an increase of more than 13% over the \$1.63 per share paid in 2012. Our policy is to pay a dividend which is sustainable over the long term taking into account the appropriate mix between investing in our business and rewarding our shareholders. We consider dividends to be an important part of the total return we provide.

Outlook

January started on a positive note. Prior to Chinese New Year, we saw an increase in utilization and an improvement in lease terms, with higher rental rates and fewer free days for new container lease-outs. New container prices increased 10% to approximately \$2,300 for a 20 foot standard container. We had anticipated this increase and have already invested \$165 million in new and used containers in 2014, including 30,000 TEU purchased from our managed fleet for \$35 million. New container inventories at factories today are estimated to total less than 500,000 TEU, a level we consider reasonable. Approximately 80% of these containers are owned by leasing companies.

The container manufacturers are continuing to push for higher prices but it is too early to tell whether these new prices will stick. Higher new container prices and/or higher interest rates should lead to increased rental rates and used container prices, improving returns earned on depot container lease-outs and gains on sale of disposal and trading containers.

Growth in containerized trade of 4%-5% is predicted for 2014, higher than the approximately 3% growth witnessed last year. This increase in growth should stimulate the demand for containers. However, as containership fleet growth of 7%-8% is expected during 2014, trade growth will not be sufficient to absorb the increase in containership capacity without increased vessel scrapping or lay-ups. Shipping lines will find it difficult to maintain increases in freight rates and are likely to turn to lessors to provide at least half of their container needs.

We believe margins on new container lease-outs will remain under pressure due to the financial challenges faced by shipping lines and container lessors' easy access to liquidity. We will remain selective in the deals that we pursue, but we also remain focused on maintaining

or growing our market share. We expect to continue to see attractive purchase leaseback opportunities. Overall, the market environment for container leasing companies in 2014 is projected to be similar to last year. With 84% of our fleet subject to long-term and finance leases and only 4% of our leases expiring in 2014, we believe utilization will remain at or near its current level. We are conservatively levered and believe we have sufficient access to financing to pursue any compelling investment opportunity. Achieving economies of scale are critical to success in the container leasing industry. We have the largest fleet, at more than 3 million TEU, and the lowest operating costs/CEU in the industry. We are well positioned to take advantage of market developments during 2014.

Without the support, trust and dedication of our shareholders, customers, suppliers and employees, we would not be the world's leading container leasing company. We would like to take this opportunity to thank all of you."

CASH FLOW AND DIVIDEND

As detailed in the letter to Textainer shareholders, liquidity in and the competitive structure of the market are in a fairly fluid situation after some years of steady growth. Textainer continues to seek growth opportunities and to the extent that this may require raising of fresh capital, we believe it is to Trencor's advantage that Halco maintain its present approximate percentage holding in Textainer. Last year we paid a significant special dividend and believe that, going forward, our ongoing cash holding should take into consideration these potential cash requirements.

Accordingly, the board has declared a final dividend of 158 cents per share, bringing the total for the year (excluding the said special dividend) to 230 cents, compared to 215 cents for 2012.

STRATEGY

As detailed in the Textainer letter increased liquidity and tighter margins are putting pressure on companies in the container leasing industry. Textainer has handled these pressures well and we continue to pursue growth in the container leasing industry, both organic and through acquisitions. Textainer continues to seek growth in its traditional business as well as sections of the leasing industry in which it has hitherto not been involved. Current tighter market conditions may bring opportunities to the fore.

APPRECIATION

It is a pleasure to once again express my appreciation to the effective and dedicated staff in corporate head office who, under the leadership of our financial director, Jimmy McQueen, are responsible for the outstanding administration of Trencor's business.

And finally, our board of directors – we value the wide range of experience and expertise they bring to our business and the great responsibility they assume in the overall leadership in the conduct of our affairs.



N I Jowell

24 April 2014

Review of Operations

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 listed on the New York Stock Exchange (NYSE: TGH) in October 2007. At 31 December 2013, Trencor had a 48,3% (2012: 48,9%) beneficiary interest in the company. Textainer's net profit attributable to its shareholders in 2013 was US\$186,2 million (2012: US\$200,2 million). Textainer paid dividends totalling US\$1,85 per share in 2013 compared to US\$1,63 per share in 2012.

The year proved to be more challenging than anticipated; the company invested US\$198 million in new containers in the fourth quarter of 2012, much of which was expected to be leased out in the first quarter of 2013. However, demand for containers took longer to materialise than expected. While there was an increase in demand leading into the traditional third quarter peak season, the increase was less pronounced than the company had come to expect during that time of the year and utilisation continued to decline. By the end of 2013, utilisation had declined to 93,6% from 96,3% in 2012. Average fleet utilisation for the year was 94,5% (2012: 97,2%). The primary macro-economic factors which caused this decline in container demand were the economic malaise in Europe and a reduction in the annual growth of China's GDP. In addition, Textainer's performance was affected by several industry specific factors:

- The price of a new 20 foot standard container ('TEU') declined during 2013 from more than US\$2 400 to below US\$2 000; the decline in new container prices also depressed used container prices and led to reduced gains from container sales. Used container prices dropped approximately 20% from January to December.
- Lower new container prices also resulted in shipping lines purchasing a higher percentage of total annual production than they had done during the period from 2010 to 2012.
- Container lessors found it much easier to raise financing; the resulting increase in liquidity increased the competitiveness of all lessors.

The above factors combined to depress container demand, rental rates and utilisation; as utilisation declined, operating costs like storage and repair costs increased.

During 2013 Textainer grew the owned and managed fleet to a total size of 3 040 000 TEU with the acquisition of 195 000 TEU of new standard dry-freight containers, 12 000 TEU of new refrigerated containers and 218 000 TEU of used containers, for a total investment of US\$752 million. This followed the acquisition of 91 000 TEU of new containers at a cost of US\$198 million in the fourth quarter of 2012 for lease out in 2013.

The following significant events occurred during the year:

- During 2013, Textainer executed US\$870 million in debt financings, funding costs were significantly lowered and the capital structure was further optimised. A more flexible

asset-backed financing structure was introduced and a low cost facility put in place to assist with the financing of older containers. Overall funding costs were reduced by almost 100 basis points.

- On 5 June 2013, an agreement was signed with Trifleet Leasing (The Netherlands) B.V. ('Trifleet') under which Textainer will invest in new intermodal tank containers to be managed by Trifleet, marking the company's entry into the tank container market. Trifleet will acquire and lease out the containers on behalf of Textainer, serving as its exclusive manager in the intermodal tank container market. Textainer has invested or committed to invest more than US\$10 million in tank containers under this arrangement.
- On 12 December 2013, Textainer was awarded a master lease contract with the US military after having successfully completed ten years of the previous contract with the US military. The new contract covers a base year which started on 24 December 2013, with the potential for one year renewals that may extend the contract to 24 December 2018.

Textainer remains the world's largest lessor of intermodal containers based on fleet size, with a total fleet of more than 2 million containers, representing more than 3 million TEU. The company leases containers to more than 400 shipping lines and other lessees, including each of the world's top 20 container lines, as measured by the total TEU capacity of their container vessels. Textainer has provided an average of almost 200 000 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 to more than 1 200 customers. Textainer provides its services worldwide via an international network of 14 regional and area offices and over 470 independent depots. 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. The company's senior management has an average of 16 years service with the company and has a long history in the container industry.

In addition to its own fleet, Textainer manages containers on behalf of 16 affiliated and unaffiliated owners, including TAC Limited ('TAC'), 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 2013 numbered 3 040 000 TEU of which Textainer itself owned 76%, up 3% from 2012. 83,5% of the total on-hire lease fleet was on long-term and finance lease compared to approximately 62% a decade ago and 82,2% one year ago. As at 31 December 2013, long-term leases had an average remaining duration of 3,4 years, assuming no leases are renewed.

The ratio of interest-bearing debt to total equity was 233% (2012: 216%) which is conservative by industry standards.

Textainer's website can be viewed at www.textainer.com.

Textainer: Salient information

	2013	2012	Change
Financial (US\$ million)			
Total revenue	626,9	549,4	+14,2%
Profit before tax	195,0	202,0 ¹	-3,4%
Net profit	186,2	200,2	-7,0%
Profit attributable to Halco ²	90,2	113,8	-20,7%
Operational			
Average fleet utilisation	94,5%	97,2%	-2,7%
Fleet under management (TEU '000s)	3 040	2 775	+265
Owned	2 299	2 016	+283
Managed	741	759	-18
Long-term lease fleet	2 302	2 113	+189
Short-term lease fleet	555	511	+44
Finance leases	183	151	+32

¹ Excludes bargain purchase gain of US\$9,4 million arising from the acquisition of a 50,1% interest in TAP, a container owning company.

² Halco's average effective interest declined from 56,9% in 2012 to 48,5% in 2013.

NET INVESTMENT IN LONG-TERM RECEIVABLES

The aggregate amount of outstanding long-term receivables denominated in US dollars at 31 December 2013 was US\$112 million (2012: US\$134 million). The discount rate applied in the valuation of the long-term receivables is unchanged from 2012 at 8,5% per annum and the net present value of these receivables, before fair value adjustments, totalled R1,2 billion (2012: R1,1 billion). An exchange rate of US\$1=R10,46 was used to translate dollar amounts into rand at 31 December 2013 (2012: US\$1=R8,48). In compliance with International Financial Reporting Standards, the resulting unrealised translation gain, amounting to R217 million at net present value (2012: R46 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-collectability of the receivables, and the related effect on the portion attributable to third parties. The net fair value adjustment was reduced by R9 million (2012: R81 million). This increased earnings by 4 cents per share (2012: 33 cents per share). The net fair value adjustment at 31 December 2013 was R249 million (2012: R226 million). Approximately 98% (2012: 98%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income and 2% (2012: 2%) relates to the possible non-collectability of receivables.

The decrease in the value of the rand against the US dollar resulted in an unrealised loss of R58 million (2012: R13 million) on translation of the dollar-denominated fair value adjustment against the receivables. At 31 December 2013, the net present value of long-term receivables after fair value adjustments amounted to R867 million (2012: R832 million).

The discount rate applied to reduce the rand amounts attributable to third parties to their net present values is unchanged from 2012 at 10% per annum.

TAC

TAC and its wholly-owned subsidiary Leased Assets Pool Company Limited ('LAPCO') owned 174 119 TEU (2012: 161 942 TEU) of dry freight containers of various types and 2 073 (2012: 2 171) stainless steel tank containers at 31 December 2013, 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. 66,9% of the fleet is on long-term lease.

44,3% of the issued share capital of TAC is owned by Halco Holdings Inc ('Halco'), a company incorporated in British Virgin Islands and wholly owned by the Halco Trust. These shares were originally issued by way of a rights issue at zero cost. Halco has an option to acquire the 55,7% of the issued shares of TAC that it does not presently own for US\$4 million plus a holding cost; the option became exercisable with effect from 1 July 2013 and may be exercised by Halco at any time before 31 December 2015. In accordance with International Financial Reporting Standards, TAC has been consolidated into Trencor for the first time, notwithstanding that Halco has not yet exercised the option; previously, the results of TAC were equity accounted by Trencor. For the purposes of the consolidation of the results into Trencor, the fair values of the assets and liabilities of the company were determined as at 1 July 2013. The net adjustment to the fair values attributable to Halco's 44,3% investment in TAC amounted to R200 million, of which R172 million has been included in earnings.

Amounts owing by TAC for containers acquired by it on extended credit terms in past years account for a major portion of the remaining long-term receivables (refer to 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.

Average utilisation across the whole TAC fleet was 90,7% compared to 96,2% in 2012.

In November 2013, LAPCO refinanced its bank facility with its existing syndicate of banks. The new facility has three main improvements over the previous facility: a lower interest rate of LIBOR plus 235 basis points during the revolving period (previously LIBOR plus 300 basis points), the facility amount increased from US\$150 million to US\$170 million and a more favourable advance rate.

During the year, the company committed to the purchase of 26 133 TEU of containers of varying types at a total cost of US\$50 million. 13 486 TEU of TAC's older containers were disposed of during the year (12 704 TEU in 2012).

TAC: Salient information

	2013	2012	Change
Financial (US\$ million)			
Total revenue	57	60	-5%
Trading profit after net finance cost	21	22	-5%
Net profit	21	22	-5%
Profit attributable to Halco	4	-	-
Comprising:			
Operational			
Average fleet utilisation	90,7%	96,2%	-5,5%
Total fleet (TEU '000s)	174	162	+12
Long-term lease fleet	123	110	+13
Short-term lease fleet	51	52	-1

PROPERTY INTEREST

Trencor has a 15% interest in the companies that own and operate Grand Central Airport in Midrand, Gauteng, which continues to provide satisfactory returns. Our exposure to these investments is R3 million. These investments are regarded as non-core and will be disposed of when a suitable opportunity arises.

Corporate Governance

Trencor endorses the principles underlying the Code of Corporate Practices and Conduct in the King III Report on Corporate Governance ('the Code' or 'the King Report'). 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 75 principles recommended by the King Report have been assessed and the disclosure on how each has been applied or an explanation why or to what extent they were not applied is disclosed in a register available on the company's website.

Save as may be indicated in that register and in this report, the board is not aware of any non-compliance with the Code during the year under review.

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 74.

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 are undertaken on an annual basis and the board is satisfied with the results of this process.

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, in effect, separate. The CEO of Textainer, being the group's main operating entity, reports to the Textainer board and its chairman, who in turn reports to the Trencor board. Trencor itself has an executive chairman and currently does not require a CEO, due to its small head office and the limited nature of its activities as an investment holding company.

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 influence 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.

COMPANY SECRETARY

The company secretary is Trencor Services (Pty) Limited, a wholly-owned subsidiary of the company, which is mainly responsible for corporate administration of the company's head office functions. The board is of the opinion that, in view of the fact that the company secretary is a wholly-owned subsidiary, an arms-length relationship is not feasible. However, the board has conducted an annual evaluation and is satisfied that the specific individual employed by Trencor Services (Pty) Limited has the requisite competence, knowledge and experience to carry out the duties of a secretary of a public company.

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 2013, four meetings were held and these were attended by all directors in person or by telephone/video link, save that Mr R J A Sparks attended 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 businesses. 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 may hold separate meetings as and when they deem it appropriate.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service agreement. 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 2013 and 2012 was as follows:

	Beneficial		Total
	Direct	Indirect	
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	-	27 859	27 859
	267 312	10 985 939	11 253 251

The number of shares held by the directors and their associates in the issued common stock of Textainer Group Holdings Limited at 31 December 2013 and 2012 was as follows:

	Beneficial		Total
	Direct	Indirect	
2013			
J E Hoelter	-	1 005 628	1 005 628
C Jowell	2 982	-	2 982
N I Jowell	2 982	62 981	65 963
J E McQueen	2 982	-	2 982
D M Nurek	2 982	-	2 982
E Oblowitz	-	-	-
R J A Sparks	-	-	-
H R van der Merwe	694	-	694
H Wessels	-	-	-
	12 622	1 068 609	1 081 231
2012			
J E Hoelter	-	1 004 471	1 004 471
C Jowell	1 825	-	1 825
N I Jowell	1 825	62 981	64 806
J E McQueen	1 825	-	1 825
D M Nurek	1 825	-	1 825
E Oblowitz	-	-	-
R J A Sparks	-	-	-
H R van der Merwe	694	-	694
H Wessels	-	-	-
	7 994	1 067 452	1 075 446

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

AUDIT COMMITTEE

The audit committee, appointed by shareholders at each annual general meeting, consisted of four independent non-executive directors until Mr D M Nurek resigned from the committee on 19 February 2013. 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. In addition, the committee chairman meets separately with the external auditors on an ad-hoc basis.

During the year, the committee met on two occasions. The meetings were attended by all members, save that Mr R J A Sparks attended one meeting.

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 chairman.

Textainer has its own audit committee comprising Textainer board members who are not executives of that entity. 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 three 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 2013 financial year.

Shareholders will be requested to vote on and approve the appointment of the members of the audit committee for the 2014 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 of South Africa 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 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 Inc to the shareholders for appointment as external auditor for the financial year ended 31 December 2013, 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 pre-approved all non-audit services undertaken.
- In respect of the financial statements, the committee amongst other matters:
 - confirmed the going concern status 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, 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 Inc 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 2013 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 one meeting which was attended by both members.

DIRECTORS' INDEPENDENCE

The committee has conducted the necessary annual assessment and is satisfied as to the independence of each of the independent non-executive directors of the company and, in particular, 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 of South Africa.

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, met formally on a regular basis throughout the year and informally on a weekly basis. During the year, ten formal meetings were held which were attended by all members. 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 of the company. Textainer has its own compensation committee. The chairman of the board is usually invited to attend meetings of the committee, but does not participate in any discussion relating to his own remuneration.

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

The committee, in assessing base salaries and other forms of guaranteed remuneration, takes into account appropriate benchmarking including, where required, input from independent remuneration consultants.

REMUNERATION POLICIES AND PRACTICES

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.

• EXECUTIVE DIRECTORS

Executive directors are paid a guaranteed amount on a cost to company basis, which includes salaries as well as medical aid and pension fund contributions.

They are also paid an annual performance bonus based on the adjusted headline earnings of the group. The adjusted headline earnings excludes, inter alia, the effect of any unrealised translation gains or losses arising as a result of changes in the rand/US dollar exchange rate. Accordingly, the annual performance bonus payments are directly correlated to the performance of the company.

Remuneration is pro-rated in respect of executives who are employed on a part-time basis.

• MEMBERS OF MANAGEMENT WHO ARE NOT EXECUTIVE DIRECTORS

The company's policy in respect of these executives is that their guaranteed pay, determined on a cost to company basis, together with a performance bonus paid should be attractive compared to levels paid in equivalent positions in other companies. The policy provides a short-term discretionary incentive bonus to more closely align the payment to the actual performance of the company.

• NON-EXECUTIVE DIRECTORS

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 reference to appropriate benchmarking against comparable companies.

Shareholders will be asked at the forthcoming annual general meeting to approve the proposed remuneration payable from 1 July 2014 until the next annual general meeting, which represents an increase of 8%.

The US-based non-executive director is paid in US dollars which takes into account time expended on travel. Other non-executives are compensated for special services to the group.

DIRECTORS' REMUNERATION

The remuneration paid to the directors during the years ended 31 December 2013 and 2012 was as follows:

	Guaranteed remuneration R'000	Contributions to		Incentive bonuses R'000	Equity compensation benefits* R'000	Other R'000	Total remuneration R'000
		Medical aid R'000	Retirement funds R'000				
2013							
NON-EXECUTIVE DIRECTORS							
J E Hoelter	1 124	-	-	-	333	-	1 457
D M Nurek	942	-	-	-	333	-	1 275
E Oblowitz	307	-	-	-	-	-	307
R J A Sparks	307	-	-	-	-	-	307
H Wessels	252	-	-	-	-	-	252
	2 932	-	-	-	666	-	3 598
EXECUTIVE DIRECTORS							
C Jowell	1 215	19	-	1 191	333	-	2 758
N I Jowell	2 646	24	-	2 947	333	-	5 950
J E McQueen	2 782	36	235	707	333	-	4 093
H R van der Merwe	781	37	82	-	-	-	900
	7 424	116	317	4 845	999	-	13 701
AGGREGATE REMUNERATION 2013	10 356	116	317	4 845	1 665	-	17 299
2012							
NON-EXECUTIVE DIRECTORS							
J E Hoelter	917	-	-	-	291	-	1 208
D M Nurek	864	-	-	-	291	-	1 155
E Oblowitz	285	-	-	-	-	-	285
R J A Sparks	285	-	-	-	-	-	284
H Wessels	233	-	-	-	-	-	233
	2 584	-	-	-	582	-	3 166
EXECUTIVE DIRECTORS							
C Jowell	1 091	17	-	1 031	291	-	2 430
N I Jowell	2 380	32	-	2 578	291	-	5 281
J E McQueen	2 440	32	208	586	291	-	3 557
H R van der Merwe	903	36	95	200	-	10	1 244
	6 814	117	303	4 395	873	10	12 512
AGGREGATE REMUNERATION 2012	9 398	117	303	4 395	1 455	10	15 678

* Award of shares in Textainer Group Holdings Limited.

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

THE TRENCOR SHARE OPTION PLAN

In terms of The Trencor Share Option Plan, options were previously granted to certain executive directors and employees. All of these options have been exercised and there are no options currently outstanding.

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

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 and making recommendations to the board on revisions thereto from time to time as appropriate.

During the year, one committee meeting was held, which was attended by both members.

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

The social and ethics committee comprises an independent non-executive director as chairman and two executive directors.

During the year, one committee meeting was held, which was attended by all members.

The main objective of the committee is to assist the board in monitoring the company's performance as a good and responsible corporate citizen by monitoring sustainable development practices.

The committee is responsible for developing and reviewing policies with regard to the commitment, governance and reporting of the company's sustainable development performance and for making recommendations to management and/or the board in this regard.

Its role also includes the monitoring of any relevant legislation, other legal requirements or prevailing codes of best practice, specifically with regard to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, as well as labour and employment. Refer to sustainability report on pages 19 and 20.

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. This code is signed by all directors, managers and employees on an annual basis.

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

RISK COMMITTEE

The risk committee comprises the members of the audit committee and Messrs J E Hoelter and D M Nurek. During the year, two committee meetings were held, which were attended by all members, save that Mr R J A Sparks attended one meeting.

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 interests are 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 doing so would enhance the rand receipts. 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 2013 and 2012, 32% and 36% 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 enables 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 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 underway, 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, 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 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 and TAC have various borrowing facilities, all of which are denominated in US dollars and may be subject to variable interest rates. Textainer and TAC have firm policies 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 and TAC have 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 InterBank 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 and TAC are 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. Neither Textainer nor TAC apply hedge accounting to the interest rate swaps, notwithstanding that such swaps may be economically effective; they account 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 38,0% of its total owned and managed fleet's 2013 lease billings (2012: 37,2%). Lease billings from Textainer's 25 largest container lessees by lease billings represented 78,1% and 77,3% of total owned and managed fleet's container lease billings in 2013 and 2012 respectively.

A single lessee accounted for 10,5% of Textainer's owned lease billings for 2013 (2012: 11,7%). One single lessee accounted for 12,7% and 11,9% of Textainer's net accounts receivable as at 31 December 2013 and 2012 respectively.

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

- **CONTAINER OWNERSHIP**

Ownership of containers entails greater risk than management of containers for container investors. In 2013, Textainer increased the percentage of containers in its fleet that it owns from 73% at the beginning of the year to 76% at the end of the year. The increased number of containers in Textainer's owned fleet, increases its exposure to financing costs, financing risks, changes in per diem rates, re-leasing risk, changes in utilisation rates, lessee defaults, repositioning costs, storage expenses, impairment charges and changes in sales price upon disposition of containers. The number of containers in the owned fleet fluctuates over time as new containers are purchased, containers are sold into the secondary resale market, and other fleets are acquired. As part of its strategy, Textainer focuses on increasing the number of owned containers in its fleet and therefore ownership risk may be expected to increase correspondingly.

- **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, 83,5% (2012: 82,2%) 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.

- **VALUE 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.

Sustainability Report

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

STRATEGY

The group's strategy is to invest in operations that have as their business the provision, management and integration of equipment, services, knowledge and information to facilitate the movement of goods by customers.

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

BUSINESS STRATEGIES

The group intends to grow its business profitably by pursuing the following strategies:

- Gain further leverage off the group's position as the largest intermodal container lessor based on fleet size and consistent container purchaser in its industry;
- Pursue attractive acquisitions in its chosen industry;
- Offer purchase and leaseback transactions;
- Renew expiring leases of in-fleet containers as far as possible;
- Grow container resales;
- Continue to focus on further increasing operating efficiency; and
- Ensure adequate access to appropriate sources of capital.

ORIGINS AND HISTORY

Trencor started life in 1929 as a General Motors dealership. In 1929 Trencor's founders converted a Buick sedan to a small 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 of 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 from South Africa exceeded US\$1 billion.

With the advent of globalisation and the freeing up of the South African economy, the focus shifted to the current core activities of the group described above. Today, Textainer, the group company operating since 1979 and listed on the New York Stock Exchange in 2007, is the world's largest lessor on intermodal containers based on fleet size. Textainer leases containers to approximately 400 shipping lines and other lessees, sells containers to more than 1 100 customers and provides services worldwide via a network of regional and area offices, as well as independent depots.

During 2012, as part of a series of transactions implemented by the group over time to restructure the group with the ultimate objective of maximising shareholder value, Trencor's beneficiary interest in Textainer reduced from 60,1% to 48,9% with a view, inter alia, to creating greater liquidity in Textainer's shares (listed on the NYSE). At 31 December 2013 Trencor's beneficiary interest in Textainer was 48,3%.

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 target areas, specific objectives and key performance indicators for each functional area within the group.

MANAGING SUSTAINABILITY

The Trencor board as a whole assumes responsibility for the management of the group in a sustainable and socially responsible manner, relying on report backs from other board committees and management.

SUSTAINABILITY RISK AREAS

The main areas which the group believes it should focus on to ensure its long-term success and sustainability are shareholders, employees, customers, suppliers, regulatory issues, environment and community.

MEASURING PERFORMANCE

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

Wealth created and distributed during the year ended 31 December 2013 was as follows:

	Rm
Wealth created:	
Total revenue	6 590
Less: costs of goods and services	(2 420)
	<u>4 170</u>
Wealth distributed:	
Employees' compensation	246
Government (direct taxes)	83
Shareholders (dividends)	1 566
Depreciation and amortisation	1 438
Net earnings retained	837
	<u>4 170</u>
Cents per share	
Shareholders	
Growth of shareholder wealth and returns	
Earnings	785
Dividends	230
Trencor share price at year-end	6 900

EMPLOYEES

Trencor and Textainer both have succession plans approved by their respective corporate governance and nomination committees, as well as by 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 the 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 Corporate Governance section of the integrated annual report.

CUSTOMERS

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

Our customers are mainly international shipping lines, but we also lease containers to freight forwarding companies and the US military.

A global sales and customer service force is responsible for developing and maintaining relationships with senior management at our customers. Our senior sales people have considerable industry experience and we believe that the quality of our customer relationships and level of communication with our customers represent an important advantage.

SUPPLIERS

Trencor acknowledges that to remain competitive and offer a comprehensive product range, goods also need to be sourced internationally. This includes 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 MATTERS

Both Trencor and Textainer, as public listed companies, are subject to rules and regulations established and monitored 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 2013 comprised the employees of Trencor Services (Pty) Ltd at the group's corporate head office consisting of 18 persons: four executive white male directors, four white males in senior 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 one unskilled African woman.

PROPRIETARY INFORMATION TECHNOLOGY

Textainer has developed proprietary IT systems that allow for the monitoring of container status offering its customers a high level of service. The systems include internet based updates regarding container availability and booking status.

ENVIRONMENT

Textainer is subject to federal, state, local and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants to air and water, the management of hazardous substances and wastes and the cleanup of contaminated sites.

In addition to environmental regulations affecting container movement, shipping, movement and spillage, environmental regulations also impact container production and operation, including regulations on the use of chemical refrigerants due to their ozone depleting and global warming effects.

Containers are made essentially of steel and timber and are constantly re-usable for 10-13 years per container. This contrasts with break-bulk where packaging material is typically only used once resulting in much more depletion of natural resources such as timber, for crates and cardboard, and other packaging material. Furthermore, break-bulk results in the damage and deterioration of the environment because of the indiscriminate discarding of waste and packaging material. Huge quantities of world trade are involved and so the benefit to the environment and the preservation of natural resources resulting from the use of containers is immense.

It is accepted that the use of shipping containers has promoted world trade because of the efficiency and effective logistics of their deployment as opposed to break-bulk. As the world's largest lessor of shipping containers we believe that we make a major contribution to the growth in world trade.

The factors mentioned above not only benefit the world community but because of their extensive benefits to our customers and their customers, in turn, all the way down the supply chain and the logistic framework, the company and its shareholders are strengthened and sustainability enhanced.

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, the Make a Difference Foundation, Business Against Crime, SPCA, Bicycling Empowerment Network and the Bird Life Society. 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.

EXTERNAL ASSURANCE

No external assurance has been sought on any of the elements of this report. The board confirms, to the best of its knowledge and belief, the accuracy and integrity of the information provided in this report. The group anticipates providing independent assurance of the material aspects of this report in the future.

Trencor Limited and Subsidiaries

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 12 and 13.

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 2013, 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, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

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

23	Directors' report
26	Statements of financial position
27	Statements of comprehensive income
28	Statements of changes in equity
30	Statements of cash flows
31	Notes to the financial statements

Signed on behalf of the board



N I Jowell
Chairman



E Oblowitz
Director and chairman
of the audit committee

Cape Town
24 April 2014

Declaration by the Company Secretary

It is hereby certified that for the year ended 31 December 2013, 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
Company Secretary

Cape Town
24 April 2014

Directors' Report

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 72.

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

	2013 Rm	2012 Rm
Container operations		
Container finance	23	15
Textainer/TAC	1 113	968
Exchange translation gains	121	48
Net long-term receivable adjustment	6	39
Interest and other corporate items	128	(43)
	1 391	1 027

Directors and secretary

The names of the directors appear on page 2 and that of the secretary on page 84.

In terms of the memorandum of incorporation Messrs J E McQueen, H R van der Merwe and H Wessels 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 74.

Directors' interests

The aggregate of the direct and indirect beneficial interests of the directors in the issued shares of the company at 31 December 2013 was 6,4% (2012: 6,4%).

The direct and indirect beneficial interests of each director who held in excess of 1% of the issued shares at 31 December 2013 and 2012 were as follows:

	2013 %	2012 %
C Jowell	3,0	3,0
N I Jowell	3,2	3,2

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

Cash dividends

	Payment number	Record date	Payment date	Cents per share (gross)	Total Rm
2012					
Interim	93	14/09/12	17/09/12	65	115
Final	94	22/03/13	25/03/13	150	266
2013					
Special*	95	26/04/13	29/04/13	360	637
Interim	96	13/09/13	16/09/13	72	128
Final	97	28/03/14	31/03/14	158	230

*On 19 September 2012, Halco Holdings Inc ('Halco') sold 2,5 million shares in Textainer, realising net proceeds of approximately US\$75 million. Subsequent to the end of the 2012 financial year, Halco declared and paid a dividend of US\$95 million, the proceeds of which were distributed by the trustee of the Halco Trust to Trencor. On 25 March 2013, the board of Trencor declared a special gross cash dividend.

The Trencor Share Option Plan

In terms of The Trencor Share Option Plan, options were previously granted to certain executive directors and employees amounting in aggregate to 6 740 000 shares (2012: 6 740 000 shares) in the unissued share capital of the company. The maximum number of shares available for utilisation under the Plan is 8 884 209 (2012: 8 884 209). All of the options have been exercised and there are no options currently outstanding.

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

Interest in significant subsidiaries

	Currency	Share capital & premium	Effective interest		Shares at cost		Amount owing to company	
			2013 %	2012 %	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Indirect:								
Textainer Group Holdings Ltd ¹ (Incorporated in Bermuda) Owning, leasing, managing and trading of marine cargo containers	US\$m	US\$367	48,3 ²	48,9	-	-	-	-
TAC Ltd ¹ (Incorporated in Bermuda) Owning of marine cargo containers	US\$000's	69	44,3	-	-	-	-	-
Halco Holdings Incorporated Inc ¹ (Incorporated in the British Virgin Islands) Shareholder in Textainer and TAC	US\$	500	100	100	-	-	-	-
Leasecon International Inc (Incorporated in the British Virgin Islands) Container financing	US\$	500	100	100	-	-	-	-
Direct:								
Trencor Container Holdings (Pty) Ltd (Incorporated in the Republic of South Africa) Collection of long-term receivables	Rm	4	100	100	51	51	-	-
Trencor Services (Pty) Ltd (Incorporated in the Republic of South Africa) Corporate administration and financing	Rm	1 012	100	100	1 017	1 017	(672)	(499)
					1 068	1 068	(672)	(499)
Aggregate of all other subsidiaries					353	353	-	-
					1 421	1 421	(672)	(499)
Less impairment loss					(351)	(367)	-	-
					1 070	1 054	(672)	(499)

¹ 48,3% of the issued shares of Textainer and 44,3% of the shares in TAC at 31 December 2013 were owned by Halco Holdings Inc ('Halco'). Halco 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 48,2% subsequent to the year-end following the issue of restricted share units.

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

	2013 Rm	2012 Rm
Profits	1 403	1 064
Losses	(3)	-
	1 400	1 064

Special resolutions

At the annual general meeting held on 10 June 2013, shareholders passed special resolutions to approve the following:

- the provision of financial assistance, as contemplated in section 45 of the Companies Act, by the company to related or inter-related companies and others;
- the non-executive directors' remuneration, in their capacities as directors of the company, from 1 July 2013 until the next annual general meeting of the company;
- 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; and

- the replacement in its entirety of the company's existing memorandum of incorporation with a new memorandum of incorporation.

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 5% or more of the issued shares at 27 December 2013 is presented on page 73.

Independent Auditor's Report

to the shareholders of Trencor Limited

Report on the financial statements

We have audited the consolidated and separate financial statements of Trencor Limited, which comprise the statements of financial position at 31 December 2013, 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, as set out on pages 26 to 72.

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 2013 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.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc
Registered Auditor



Per G M Pickering
Chartered Accountant (SA)
Registered Auditor
Director
24 April 2014

MSC House
1 Mediterranean Street
Foreshore
Cape Town 8001

Statements of Financial Position

at 31 December 2013

	Notes	Group		Company	
		2013 Rm	2012 Rm	2013 Rm	2012 Rm
Assets					
Property, plant and equipment	4	36 505	24 798	-	-
Intangible assets	5	305	283	-	-
Investment in equity accounted investee	6	57	40	-	-
Other investments	7	66	66	-	-
Investment in subsidiaries	8	-	-	1 070	1 054
Long-term receivables	9	637	699	1	1
Net investment in finance leases	10	1 305	627	-	-
Derivative financial instruments	11	12	-	-	-
Deferred tax assets	12	16	20	-	-
Restricted cash	13	629	448	-	-
Total non-current assets		39 532	26 981	1 071	1 055
Inventories	14	471	195	-	-
Trade and other receivables	15	1 201	885	-	1
Current portion of long-term receivables	9	230	133	-	-
Current portion of net investment in finance leases	10	447	201	-	-
Current tax assets	16	3	2	-	-
Cash and cash equivalents	17	2 744	2 513	-	-
Total current assets		5 096	3 929	-	1
Total assets		44 628	30 910	1 071	1 056
Equity					
Issued capital	18	1	1	1	1
Share premium		43	43	43	43
Reserves	18	7 868	6 370	351	510
Equity attributable to equity holders of the company		7 912	6 414	395	554
Non-controlling interests		6 647	4 628	-	-
Total equity		14 559	11 042	395	554
Liabilities					
Interest-bearing borrowings	19	26 936	17 107	-	-
Amounts attributable to third parties in respect of long-term receivables	9	119	156	-	-
Amount due to subsidiary	8	-	-	672	499
Derivative financial instruments	11	43	89	-	-
Deferred revenue	20	34	27	-	-
Deferred tax liabilities	12	284	218	1	1
Total non-current liabilities		27 416	17 597	673	500
Trade and other payables	21	594	1 029	3	2
Current tax liabilities	16	76	83	-	-
Current portion of interest-bearing borrowings	19	1 943	1 115	-	-
Current portion of amounts attributable to third parties in respect of long-term receivables	9	36	30	-	-
Current portion deferred revenue	20	4	14	-	-
Total current liabilities		2 653	2 271	3	2
Total liabilities		30 069	19 868	676	502
Total equity and liabilities		44 628	30 910	1 071	1 056

Statements of Comprehensive Income

for the year ended 31 December 2013

	Notes	Group		Company	
		2013 Rm	2012 Rm	2013 Rm	2012 Rm
Revenue	22, 30	6 590	4 553	864	231
Other operating income		204	86	16	-
Changes in inventories		(1 182)	(841)	-	-
Direct leasing expenses		(463)	(203)	-	-
Staff costs		(246)	(252)	-	-
Depreciation		(1 397)	(839)	-	-
Other operating expenses		(336)	(151)	(11)	(15)
Net long-term receivable fair value adjustment		(49)	68	-	-
Operating profit before net finance (expenses)/income	22	3 121	2 421	869	216
Net finance (expenses)/income	23	(817)	(589)	4	1
Finance expenses					
Interest expense		(829)	(571)	-	-
Realised and unrealised losses on derivative financial instruments		(6)	(34)	-	-
Finance income					
Interest income		18	16	4	1
Share of profit of equity accounted investees (net of tax)		182	2	-	-
Profit before tax		2 486	1 834	873	217
Income tax expense	24	(83)	(61)	(1)	(23)
Profit for the year		2 403	1 773	872	194
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		2 434	389	-	-
Change in fair value of available-for-sale financial asset		-	52	-	-
Income tax expense on other comprehensive income		-	(10)	-	-
Total comprehensive income for the year		4 837	2 204	872	194
Total comprehensive income for the year attributable to:					
Equity holders of the company		2 666	1 282	872	194
Non-controlling interests		2 171	922	-	-
		4 837	2 204	872	194
Profit for the year attributable to:					
Equity holders of the company		1 391	1 027	872	194
Non-controlling interests		1 012	746	-	-
		2 403	1 773	872	194
Basic earnings per share (cents)	25	785,7	579,9		
Diluted earnings per share (cents)	25	785,7	579,9		

Statements of Changes in Equity

for the year ended 31 December 2013

	Attributable to		
	Share capital Rm	Share premium Rm	Fair value reserve Rm
Group			
Balance at 31 December 2011	1	43	10
Total comprehensive income for the year			
Profit for the year	-	-	-
Other comprehensive income for the year			
Foreign currency translation differences	-	-	-
Net change in fair value of available-for-sale financial asset	-	-	42
Total other comprehensive income for the year	-	-	42
Total comprehensive income for the year	-	-	42
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	-	-	-
Share options exercised	-	-	-
Issue of shares by subsidiary	-	-	-
Acquisition of controlling interest of a subsidiary	-	-	-
Dividends paid to equity holders	-	-	-
Sale of shares of subsidiary without loss of control	-	-	-
Total contributions by/(distributions to) owners	-	-	-
Changes in ownership interests in subsidiaries	-	-	-
Total transactions with owners	-	-	-
Balance at 31 December 2012	1	43	52
Total comprehensive income for the year			
Profit for the year	-	-	-
Other comprehensive income for the year			
Foreign currency translation differences	-	-	-
Total comprehensive income for the year	-	-	-
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	-	-	-
Share options exercised	-	-	-
Acquisition of controlling interest of a subsidiary	-	-	-
Dividends paid to equity holders	-	-	-
Total contributions by/(distributions to) owners	-	-	-
Fair value adjustment on option to acquire non-controlling interest	-	-	-
Changes in ownership interests in subsidiaries	-	-	-
Total transactions with owners	-	-	-
Balance at 31 December 2013	1	43	52

	Attributable to		
	Share capital Rm	Share premium Rm	Preference share amortisation adjustment Rm
Company			
Balance at 31 December 2011	1	43	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	-	-	-
Total distributions to owners	-	-	-
Transfer between reserves	-	-	(600)
Balance at 31 December 2012	1	43	-
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	-	-	-
Total distributions to owners	-	-	-
Balance at 31 December 2013	1	43	-

equity holders of the company							
	Foreign currency translation reserve Rm	Equity compensation reserve Rm	Gain/(Loss) on changes in ownership interests in subsidiaries Rm	Retained income Rm	Total Rm	Non- controlling interest Rm	Total equity Rm
	495	189	83	3 973	4 794	2 188	6 982
	-	-	-	1 027	1 027	746	1 773
	213	-	-	-	213	176	389
	-	-	-	-	42	-	42
	213	-	-	-	255	176	431
	213	-	-	1 027	1 282	922	2 204
	-	52	-	-	52	36	88
	-	-	-	-	-	37	37
	-	-	-	-	-	1 519	1 519
	-	-	-	-	-	234	234
	-	-	-	(336)	(336)	(302)	(638)
	-	-	-	292	292	324	616
	-	52	-	(44)	8	1 848	1 856
	-	-	330	-	330	(330)	-
	-	52	330	(44)	338	1 518	1 856
	708	241	413	4 956	6 414	4 628	11 042
	-	-	-	1 391	1 391	1 012	2 403
	1 275	-	-	-	1 275	1 159	2 434
	1 275	-	-	1 391	2 666	2 171	4 837
	-	40	-	-	40	42	82
	-	-	-	-	-	34	34
	-	-	-	-	-	277	277
	-	-	-	(1 031)	(1 031)	(535)	(1 566)
	-	40	-	(1 031)	(991)	(182)	(1 173)
	-	-	-	(147)	(147)	-	(147)
	-	-	(30)	-	(30)	30	-
	-	40	(30)	(1 178)	(1 168)	(152)	(1 320)
	1 983	281	383	5 169	7 912	6 647	14 559

	Equity compensation reserve Rm	Retained income Rm	Total Rm
	2	50	696
	-	194	194
	-	(336)	(336)
	-	(336)	(336)
	-	600	-
	2	508	554
	-	872	872
	-	(1 031)	(1 031)
	-	(1 031)	(1 031)
	2	349	395

Statements of Cash Flows

for the year ended 31 December 2013

	Notes	Group		Company	
		2013 Rm	2012 Rm	2013 Rm	2012 Rm
Cash flows from operating activities					
Cash generated from operations	26	5 104	3 510	855	219
Increase in container leasing equipment		(7 595)	(8 036)	-	-
Finance income received		18	16	4	1
Finance lease income		139	70	-	-
Finance expenses paid		(795)	(559)	-	-
Decrease in finance leases		392	186	-	-
Receipts from long-term receivables		202	368	-	-
Payments to third parties in respect of long-term receivables		(39)	(60)	-	-
Dividends paid to shareholders of the company		(1 031)	(336)	(1 031)	(336)
Dividends paid to non-controlling interest		(535)	(302)	-	-
Income taxes paid	16	(54)	(64)	(1)	(23)
Net cash outflow from operating activities		(4 194)	(5 207)	(173)	(139)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(9)	(7)	-	-
Increase in equity accounted investee		(8)	(33)	-	-
Amounts repaid by subsidiary		-	-	-	39
Acquisition of subsidiary		62	(175)	-	-
Increase in restricted cash		(71)	(43)	-	-
Sale of shares in subsidiary to non-controlling interest without a change in control		-	616	-	-
Net cash (outflow)/inflow from investing activities		(26)	358	-	39
Cash flows from financing activities					
Interest-bearing borrowings repaid		(5 753)	(8 969)	-	-
Interest-bearing borrowings raised		9 832	13 560	-	-
Debt issuance costs incurred		(144)	(202)	-	-
Proceeds on issue of shares by subsidiary		34	1 556	-	-
Amounts advanced by subsidiary		-	-	173	100
Net cash inflow from financing activities		3 969	5 945	173	100
Net (decrease)/increase in cash and cash equivalents before exchange rate fluctuations					
		(251)	1 096	-	-
Cash and cash equivalents at the beginning of the year		2 513	1 333	-	-
Effect of exchange rate fluctuations on cash and cash equivalents		482	84	-	-
Cash and cash equivalents at the end of the year	17	2 744	2 513	-	-

Notes to the Financial Statements

for the year ended 31 December 2013

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 2013 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 trading marine cargo containers worldwide, and related financing activities.

2. Basis of preparation

2.1 Statement of compliance

The group (consolidated) and company (separate) financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa 2008 and the JSE Listings Requirements.

The financial statements were authorised for issue by the board of directors on 24 April 2014.

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.

2.5 Adoption of new accounting standards

2.5.1 The group early adopted IAS 1 Presentation of Items of Other Comprehensive Income during the financial year end 31 December 2012. This amendment requires that an entity present separately the items of other comprehensive income 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 changes 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. There was no impact on the group's financial statements and the name of the statement was not changed.

2.5.2 The group adopted IFRS 10 Consolidated financial statements (2011) which introduces a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement and ability to use its power to affect those returns.

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.

In assessing control, the evaluation of consolidation requirements should take into account de facto circumstances. De facto control arises when the group holds a significant minority interest and can control another entity without legal arrangements that give it majority voting power. De facto control could exist because the balance of holdings with other shareholders is dispersed and the other shareholders have not organised their interests in such a way that they commonly exercise more votes than the significant minority shareholder. Under a de facto control model, the power to govern an entity through a majority of the voting rights or other legal means is not essential for consolidation. Instead, the ability in practice to control – e.g. by casting a majority of the votes actually cast – in the absence of legal control may be enough if no other party has the power to govern. Under this view, in de facto control circumstances, which is evaluated based on all evidence available, the significant minority shareholder is required to consolidate.

In accordance with IFRS 10, the group consolidated TAC as a subsidiary effective 1 July 2013 (refer to note 8).

2.5.3 The group adopted IFRS 12 Disclosure of interests in other entities, and the group has disclosed its interests in subsidiaries (refer to note 8) and equity accounted investees (refer to note 6).

2.5.4 The group adopted IFRS 13 Fair value measurement, which establishes a single framework for measuring fair value and making disclosures about fair value measurement when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result the group has included additional disclosure in this regard (refer to note 31).

In accordance with the transitional provisions of IFRS 13, the group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the group's assets and liabilities.

3. Significant accounting policies

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

3.1 Basis of consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group (see 3.1.2). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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).

When the relative interests of the parent and non-controlling interest change, the balance of the components of other comprehensive income are reallocated between the parent and the non-controlling interest to reflect the new interests.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the

entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date 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.

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

3.1.3 Non-controlling interests

An entity has a choice on a combination-by-combination basis to measure any non-controlling interest in the acquiree at either the proportionate share of the acquiree's identifiable net assets or fair value. The group has elected the former approach for all combinations to date.

3.1.4 Associates (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.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements include the group's share of profit or loss, other comprehensive income and equity movements of equity accounted investees, 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 that form part thereof 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 while maintaining equity accounting, are recognised in profit or loss and the net gain or loss attributable to the group is transferred to the appropriate reserve in equity (refer to note 18).

3.1.5 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 fair value adjustments arising on acquisition, are translated to SA rand at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to SA rand at rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, in part or in full, such that control or significant influence is lost, the relevant amount in the foreign currency translation reserve is reclassified to profit or loss as part of the gain or loss on disposal. When 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. When the group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then the foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly such differences are recognised in other comprehensive income and accumulated in the translation reserve.

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 are classified as available-for-sale financial assets, unless they meet the requirements of another IAS 39 financial instrument classification. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 3.8), are recognised in other comprehensive income and presented within equity in the fair value reserve. 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 from time to time. 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, including any interest or dividend income, 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.

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

Cash and cash equivalents

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

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. Financial liabilities and other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial

recognition, these financial liabilities are measured at amortised cost using the effective interest 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 economically 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 re-measurement 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

Items of property, plant and equipment, which includes improvements made to leasehold premises are measured at cost less accumulated depreciation (refer to note 3.4.3) and accumulated impairment losses (refer to note 3.8). Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 3.9.1) and the carrying value is included in changes in inventories.

3.4.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to 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 on the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 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. Leasehold improvements are depreciated over the shorter of the lease term or their useful lives.

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

	Years	
	2013	2012
Container leasing equipment	12 – 13	12
Plant and machinery	9	9
Motor vehicles	4 – 5	4 – 5
Other equipment	3 – 10	3 – 10

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. From 1 January 2013 the estimated useful life of non-refrigerated containers was increased from 12 to 13 years.

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 individually identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment 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. 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.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value

less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in profit or loss. They are allocated against a specific asset or on a pro-rata basis to the assets which comprise the cash generating unit.

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

3.9 Revenue

3.9.1 *Goods sold*

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

3.9.2 *Leasing income*

Marine cargo containers

Leasing income arises principally from operating and finance leases.

Under operating leases, container equipment owned by group 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 collectability of these amounts from lessees who are billed at the end of the lease term because the amounts due under the DPP are typically renegotiated at the end of the lease term or the lease term is extended.

3.9.3 *Management fees*

Management fees consist of fees earned by group 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).

3.9.4 *Translation differences*

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

3.9.5 *Dividend income*

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

3.10 **Expenses**

3.10.1 *Operating lease payments*

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

3.10.2 *Net finance expenses*

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

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

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

3.11 **Employee benefits**

3.11.1 *Short-term employee benefits*

The cost of all short-term employee benefits is recognised during the year in which the employee renders the related service. The accruals for employee entitlements to remuneration and annual leave represent the amount which 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.

3.11.2 *Retirement benefits*

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

3.11.3 *Share-based payments*

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.

3.12 **Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to 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.

3.13 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.

3.14 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' 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 executive committee 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.

3.15 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.

3.16 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 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the group are set out below. The group does not plan to adopt these standards early.

IFRS 9 Financial Instruments (effective date to be confirmed) – introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The effective date of IFRS 9 was 1 January 2015. The effective date has been postponed and a new date is yet to be specified. The group will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised. The group will assess the impact once the standard has been finalised and the effective date is known.

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.

	Group				Total Rm
	Leasehold improve- ments Rm	Container leasing equipment Rm	Plant and machinery Rm	Other equipment and motor vehicles Rm	

4. Property, plant and equipment

Cost

2012

Balance at the beginning of the year	14	18 719	16	78	18 827
Additions	–	8 640	–	7	8 647
Acquisition through business combination	1	1 116	1	4	1 122
Effect of movements in exchange rates	–	1 372	–	–	1 372
Transfer to container inventory	–	(806)	–	–	(806)
Transfer to finance leases	–	(366)	–	–	(366)
Disposals	(1)	–	–	(6)	(7)
Balance at the end of the year	14	28 675	17	83	28 789

2013

Additions	–	6 919	–	9	6 928
Effect of movements in exchange rates	4	7 137	4	17	7 162
Acquisition through business combination (refer to note 8.4)	–	2 300	–	–	2 300
Transfer to container inventory	–	(1 869)	–	–	(1 869)
Transfer to finance leases	–	(1 079)	–	–	(1 079)
Disposals	–	–	(1)	(17)	(18)
Balance at the end of the year	18	42 083	20	92	42 213

Depreciation and impairment losses

2012

Balance at the beginning of the year	8	3 140	12	67	3 227
Depreciation for the year	1	832	1	5	839
Effect of movements in exchange rates	1	162	1	3	167
Impairment loss for the year (refer to note 22)	–	6	–	–	6
Transfer to container inventory	–	(239)	–	–	(239)
Transfer to finance leases	–	(2)	–	–	(2)
Disposals	(1)	–	–	(6)	(7)
Balance at the end of the year	9	3 899	14	69	3 991

2013

Depreciation for the year	2	1 387	–	8	1 397
Effect of movements in exchange rates	3	969	3	15	990
Impairment loss for the year (refer to note 22)	–	86	–	–	86
Transfer to container inventory	–	(726)	–	–	(726)
Transfer to finance leases	–	(12)	–	–	(12)
Disposals	–	–	(1)	(17)	(18)
Balance at the end of the year	14	5 603	16	75	5 708

Carrying amounts:

At 1 January 2012	6	15 579	4	11	15 600
At 31 December 2012	5	24 776	3	14	24 798
At 31 December 2013	4	36 480	4	17	36 505

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

At 31 December 2012	–	24 776	–	–	24 776
At 31 December 2013	–	36 480	–	–	36 480

- 4.1 An impairment loss of R40 million (2012: R6 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. In 2013, a further impairment loss of R46 million (2012: nil) was incurred in respect of containers on lease to customers, whose accounts have been impaired, to take into account the potential non-recovery of the equipment on lease to the customers.
- 4.2 The estimated useful life of non-refrigerated containers was increased from 12 to 13 years from 1 January 2013. The effect of this change was a reduction in depreciation expense of R232 million (R227 million after tax) for the year ended 31 December 2013.
- 4.3 For commitments on property, plant and equipment refer to note 28.

Group	
Container management contracts	
Rm	

5. Intangible assets**Cost****2012**

Balance at the beginning of the year	581
Effect of movements in exchange rates	20
Disposals	(141)
Balance at the end of the year	460

2013

Effect of movements in exchange rates	107
Balance at the end of the year	567

Amortisation**2012**

Balance at the beginning of the year	201
Amortisation for the year	41
Effect of movements in exchange rates	8
Disposals	(73)
Balance at the end of the year	177

2013

Amortisation for the year	41
Effect of movements in exchange rates	44
Balance at the end of the year	262

Carrying amounts:

At 1 January 2012	380
At 31 December 2012	283
At 31 December 2013	305

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

Group	
2013	2012
Rm	Rm

6. Investment in equity accounted investees

The carrying amount and share of profit of the group's associates at 31 December are as follows:

Carrying value of associates	57	40
Share of profits	182	2

- 6.1 The group has a 25% investment in TW Container Leasing Limited, which is not listed, and leases containers under finance leases.
- 6.2 TAC Limited ('TAC'), a company in which the group holds a 44,3% beneficiary interest through Halco Holdings Inc ('Halco'), had negative equity at 31 December 2012. The option held by Halco to acquire the remaining 55,7% of TAC which it does not already own became exercisable with effect from 1 July 2013 and, in accordance with IFRS, TAC has been consolidated as a subsidiary (refer to note 8) with effect from that date. Accordingly the results of TAC recorded in the above table are for the period 1 January to 30 June 2013 and, including the gain as a result of the modification of certain debt terms, the group recorded its share of profit of R182 million.

7. Other investments

Equity instruments available-for-sale		
Unlisted shares	66	66

- 7.1 The investments represent a 15% interest in the companies that own and operate Grand Central Airport in Midrand, Gauteng.
- 7.2 The fair value of the investment is based on the latest valuation of the property in the company, using the Depreciated Replacement Cost method, undertaken by an independent valuer.

8. Interest in subsidiaries

	Company	
	2013 Rm	2012 Rm
Ordinary shares at cost	408	408
Preference shares including amortisation adjustment	1 013	1 013
Investment in subsidiaries before impairment loss	1 421	1 421
Less impairment loss	(351)	(367)
Investment in subsidiaries	1 070	1 054
Amount due to subsidiary – long-term	(672)	(499)
	398	555

8.1 The impairment loss on investment in subsidiaries has been reduced by R16 million (2012: nil) as a result of the net asset value of the underlying subsidiary being restored, through trading, to a value above the original cost of the underlying subsidiary in the company.

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:

Capital distribution from trust (refer to note 22)	864	231
Interest received from subsidiary (refer to note 23)	4	–
	868	231

8.4 Acquisition of subsidiary and non-controlling interests

Halco has an option to acquire the remaining 55,7% of the shares in TAC for approximately US\$5 million, which option became exercisable on 1 July 2013. The option expires on 31 December 2015. The board of Halco has not yet elected to exercise the option. As the option is exercisable and is substantive in nature (as defined in IFRS 10), the results of TAC have been consolidated in the group financial statements, as required by IFRS, with effect from 1 July 2013. The consolidation resulted in a bargain purchase gain of R54 million, which has been recorded in the statement of comprehensive income in other operating income. The bargain purchase gain arose as a result of the fair value of TAC's assets and liabilities at 1 July 2013 exceeding the fair value of the previously held interest in TAC.

Fair value of assets and liabilities now consolidated:

	Group Rm
Property, plant and equipment	2 300
Net investment in finance leases	59
Trade and other receivables	100
Cash and cash equivalents	62
Interest-bearing borrowings	(1 924)
Derivative financial instruments	(1)
Trade and other payables	(96)
Current tax liability	(11)
Deferred revenue	(2)
Net assets	487
Non-controlling interest	(12)
Net assets now consolidated	475
Fair value of previously held interest	(156)
Non-controlling interest arising on step up to control	(265)
Bargain purchase gain	54

The non-controlling interest was measured at its proportionate share of attributable net assets measured at fair value.

Cumulative income or expense included in profit or loss:

For the period from 1 July to 31 December 2013 revenue of R268 million and net profit attributable to TAC's operations of R30 million (net of non-controlling interests of R40 million) was included in the consolidated statement of comprehensive income.

Had TAC been consolidated for the full year from 1 January 2013 there would have been no change to net profit for the year since the results of TAC for the period 1 January 2013 to 30 June 2013 were equity accounted in the statement of comprehensive income. However, revenue would have increased by R200 million.

8.5 List of material subsidiaries

	Holding %		Place of registration
	2013	2012	
Direct and indirect holdings:			
Trencor Services (Pty) Limited (Direct)	100	100	Republic of South Africa
Trencor Containers (Pty) Limited (Indirect)	100	100	Republic of South Africa
Leasecon International Inc (Indirect)	100	100	British Virgin Islands
Beneficiary interests:			
Halco Holdings Inc	100	100	British Virgin Islands
Textainer Group Holdings Limited	48,3	48,9	Bermuda
TAC Limited (2012: Treated as an associate)	44,3	44,3	Bermuda

Textainer

Although the group holds a beneficiary interest in Textainer which is less than 50%, management has determined that the group controls Textainer on a de facto basis, because the remaining voting rights are widely dispersed and there is no indication that all other shareholders exercise their votes collectively.

TAC

Although the group holds a beneficiary interest in TAC which is less than 50%, management has determined that the group controls TAC because the option held by Halco (refer to note 8.4) is exercisable and is substantive in nature.

8.6 Non-controlling interests

The following subsidiaries have material non-controlling interests:

	Ownership interests held by non-controlling interest (%)	
	2013	2012
Textainer	51,7	51,1
TAC (2012: Treated as an associate)	55,7	55,7

The following is summarised financial information for Textainer and TAC, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the group's accounting policies. The information is before inter-company eliminations with other companies in the group.

	Textainer		TAC	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Revenue	6 066	4 483	268	–
Profit	1 801	1 714	67	–
<i>Profit attributable to non-controlling interests*</i>	972	746	40	–
Other comprehensive income	2 394	387	29	–
Total comprehensive income	4 195	2 101	96	–
<i>Total comprehensive income attributable to non-controlling interests*</i>	2 114	922	57	–
Non-current assets	36 185	26 207	2 635	–
Current assets	3 202	2 117	194	–
Non-current liabilities	(25 147)	(17 266)	(1 956)	–
Current liabilities	(2 308)	(2 220)	(292)	–
Indirect non-controlling interest	(334)	(232)	(10)	–
Net assets	11 598	8 606	571	–
<i>Net assets attributable to non-controlling interests</i>	5 984	4 395	319	–
<i>Cash outflow from operating activities</i>	(3 565)	(5 485)	(157)	–
<i>Cash outflow from investing activities</i>	(88)	(250)	–	–
<i>Cash inflow from financing activities</i>	3 801	5 938	169	–
<i>Net increase in cash and cash equivalents</i>	148	203	12	–
Dividends paid to non-controlling interest during the year included in cash flow from operating activities	529	302	6	–

* Including indirect non-controlling interest.

Group		Company	
2013 Rm	2012 Rm	2013 Rm	2012 Rm

9. Net investment in long-term receivables

Net investment in long-term receivables comprises:

Long-term receivables	637	699	1	1
Amounts attributable to third parties in respect of long-term receivables	(119)	(156)	-	-
	518	543	1	1
Represented by:				
Total receivables	1 173	1 135	1	1
Less deferred income	14	23	-	-
Net present value of long-term receivables	1 159	1 112	1	1
Less amounts attributable to third parties in respect of long-term receivables	198	240	-	-
Total amount	207	253	-	-
Less deferred expenditure	9	13	-	-
Net present value of net investment in long-term receivables	961	872	1	1
Less fair value adjustment to net investment relating to:	249	226	-	-
Long-term receivables	292	280	-	-
Amounts attributable to third parties in respect of long-term receivables	(43)	(54)	-	-
	712	646	1	1
Less current portion of net investment included in:	194	103	-	-
Current assets	230	133	-	-
Current liabilities	(36)	(30)	-	-
	518	543	1	1

9.1 Total gross receivables in base currency amounted to US\$112 million (2012: US\$134 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. (2012: 8,5% p.a.). An appropriate fair value adjustment is made to the net investment for the estimated timing of receipt and the possible non-collectability of these receivables, and the related effect on the payment 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=R10,46 (2012: US\$1=R8,48). Approximately 98% (2012: 98%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income and approximately 2% (2012: 2%) relates to the possible non-collection of receivables. There has been a base currency decrease equal to R9 million (2012: R81 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. (2012: 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	
	2013 Rm	2012 Rm
Total amounts attributable to third parties	207	253
Less deferred expenditure	9	13
Net present value of amounts attributable to third parties	198	240
Fair value adjustment	(43)	(54)
Fair value of amounts attributable to third parties	155	186
Current portion	(36)	(30)
	119	156

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
2013			2012		
Rm	Rm	Rm	Rm	Rm	Rm

10. Net investment in finance leases

Amounts receivable under finance leases:

Within one year	598	151	447	273	72	201
Between one and five years	1 449	211	1 238	684	121	563
After five years	75	8	67	75	11	64
	2 122	370	1 752	1 032	204	828

Group	
2013	2012
Rm	Rm

Present value of minimum lease payments analysed as:

Non-current finance lease receivables	1 305	627
Current finance lease receivables included in current assets	447	201
	1 752	828

- 10.1 Net investment in finance leases represents amounts receivable in respect of containers leased to shipping lines under finance lease agreements. These agreements provide that the containers are leased for their useful lives with a bargain purchase option at the end of the lease term. There are no contingent rentals.
- 10.2 The interest rates inherent in the leases are fixed at the contract date for the full term of the leases. The average effective interest rate contracted approximates 9,59% p.a. (2012: 9,42% p.a.).
- 10.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R27 million (2012: R0,6 million).
- 10.4 The net investment in finance leases has been pledged as security for a loan (refer to note 19).
- 10.5 The fair value of the net investment in finance leases is R1 732 million (2012: R801 million) (refer to note 31). No impairment loss has been recognised as the difference between carrying value and fair value resulted from changes in current market interest rates without any changes to future contractual cash flows.

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

11. Derivative financial instruments

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

2013

Type of contract

Interest rate cap contracts	November 2015	Interest rates	2 256	-	-
Interest rate swap contracts	July 2023	Interest rates	7 714	12	43
				12	43

2012

Type of contract

Interest rate cap contracts	November 2015	Interest rates	4 089	-	-
Interest rate swap contracts	December 2020	Interest rates	4 159	-	89
				-	89

- 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 R18 948 million at 31 December 2013 (2012: R12 249 million) of which R9 970 million (2012: R8 248 million) in notional value was covered by interest rate cap and swap contracts.
- 11.3 Textainer uses FINCAD Analytics Suite, a third party valuation software, to perform the fair valuation of its interest rate swap transactions. The fair valuation of interest rate swaps is derived from the discounting of future net cash flows utilising the US dollar swap curve (US\$ LIBOR) and incorporates an appropriate credit risk adjustment.

Group					
Assets		Liabilities		Net	
2013	2012	2013	2012	2013	2012
Rm	Rm	Rm	Rm	Rm	Rm

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Property, plant and equipment	-	-	199	165	199	165
Net investment in long-term receivables	-	-	114	88	114	88
Investments	-	-	12	12	12	12
Export partnerships	-	-	1	1	1	1
Trade and other receivables	-	-	7	14	7	14
Trade and other payables	(47)	(60)	-	-	(47)	(60)
Tax loss carry-forwards	(93)	(99)	-	-	(93)	(99)
Deferred income	-	-	75	77	75	77
Tax (assets)/liabilities	(140)	(159)	408	357	268	198
Set-off of tax	124	139	(124)	(139)	-	-
Net tax (assets)/liabilities	(16)	(20)	284	218	268	198

Movement in temporary differences for the group during the year:

	Group						Balance at the end of the year Rm
	Balance at the beginning of the year Rm	Recognised in profit or loss Rm	Recognised in equity Rm	Exchange adjustment in equity Rm	Acquired in business combination Rm	Long-term receivables Rm	
2012							
Property, plant and equipment	133	25	-	7	-	-	165
Net investment in long-term receivables	80	6	-	-	-	2	88
Investments	2	-	10	-	-	-	12
Export partnerships	2	(1)	-	-	-	-	1
Trade and other receivables	15	(2)	-	1	-	-	14
Trade and other payables	(56)	(1)	-	(3)	-	-	(60)
Tax loss carry-forwards	(64)	(31)	-	(4)	-	-	(99)
Deferred income	90	(14)	-	1	-	-	77
	202	(18)	-	2	-	2	198
2013							
Property, plant and equipment	165	22	-	39	(27)	-	199
Net investment in long-term receivables	88	25	-	-	-	1	114
Investments	12	-	-	-	-	-	12
Export partnerships	1	-	-	-	-	-	1
Trade and other receivables	14	(10)	-	3	-	-	7
Trade and other payables	(60)	24	-	(11)	-	-	(47)
Tax loss carry-forwards	(99)	1	-	(22)	27	-	(93)
Deferred income	77	(8)	-	6	-	-	75
	198	54	-	15	-	1	268

12.1 The group has deferred tax assets of R93 million relating to tax loss carry-forwards (2012: R99 million) which will expire between 2018 and 2033 if not utilised.

12.2 A deferred tax asset of R90 million (2012: nil) has not been provided in respect of tax losses, because it is not probable that future income will be available against which the group can use the benefits therefrom.

12.3 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 2013 cumulative earnings of approximately R274 million (2012: R16 million) would be subject to income taxes of approximately R82 million (2012: R5 million) if such earnings of foreign companies were transferred out of such jurisdictions in the form of dividends. The method of calculation has been refined in the current year. Cumulative earnings subject to income tax would have been R171 million, with related income tax of R51 million in 2012, had the current year method of calculation been applied last year.

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 (2012: nil).

12.5 In the case of the company, the deferred tax liability of R1 million (2012: R1 million) arises as a result of its participation in export partnerships.

		Group	
		2013 Rm	2012 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)	629	448
	The terms of the bonds payable and the secured debt facility require that a minimum of nine (2012: nine) months interest be held as restricted cash. The net operating income of the borrowing company is also required to be placed in a trust account and cannot be withdrawn until the monthly principal and interest payments are made.		
14. Inventories			
	Container equipment held for resale	335	133
	Trading containers	136	62
		471	195

		Group		Company	
		2013 Rm	2012 Rm	2013 Rm	2012 Rm
15. Trade and other receivables					
	Trade receivables	1 028	800	-	-
	Prepayments	85	30	-	1
	Other	88	55	-	-
		1 201	885	-	1
16. Current tax					
	Amounts payable at the beginning of the year	83	78	-	-
	Amounts receivable at the beginning of the year	(2)	(2)	-	-
	Amount arising through business combination (refer to note 8.4)	11	-	-	-
	Effect of movements in exchange rates	17	3	-	-
	Recognised in profit or loss				
	South African normal	33	32	1	1
	Foreign normal	5	32	-	-
	Secondary tax on companies	-	22	-	22
	Excess tax benefit on equity-settled share-based payments	(20)	(20)	-	-
	Amounts payable at the end of the year	(76)	(83)	-	-
	Amounts receivable at the end of the year	3	2	-	-
	Amounts paid during the year	54	64	1	23

		Group	
		2013 Rm	2012 Rm
17. Cash and cash equivalents			
	Bank balances	1 239	905
	Call and term deposits	1 505	1 608
		2 744	2 513

Group		Company	
2013 Rm	2012 Rm	2013 Rm	2012 Rm

18. Capital and reserves

Share capital

Authorised

Ordinary shares of 0,5 cent each

200 000 000 (2012: 200 000 000)

1 1 1 1

Issued

Ordinary shares of 0,5 cent each

177 068 011 (2012: 177 068 011)

1 1 1 1

18.1 Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company.

18.2 No authorisation has been sought from shareholders to place the unissued shares of the company under the control of the directors.

18.3 Dividends

Dividends declared and paid during the year are as follows:

Special dividend – 360 cents per share (2012: nil)

637 – 637 –

Final dividend in respect of the financial year 2012 –

150 cents per share (2011: 125 cents per share)

266 221 266 221

Interim dividend in respect of the financial year 2013 –

72 cents per share (2012: 65 cents per share)

128 115 128 115

1 031 336 1 031 336

A final dividend of 158 cents per share in respect of the financial year 2013 (2012: 150 cents per share) was declared by the board on 26 February 2014. No secondary tax on companies' credits are available. Dividend withholding tax at the rate of 15% is applicable to shareholders who are not exempt, which results in a net dividend of 134,3 cents per share.

18.4 Reserves

Fair value reserve

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

Foreign currency translation reserve

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

Equity compensation reserve

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

Gain/Loss in changes in ownership interests in subsidiaries

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

Preference share amortisation adjustment

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

Repayment terms	Group						
	Current interest rate % p.a.	Interest fixed or indexed to	Annual instalment Rm	Foreign amount		2013 Rm	2012 Rm
				2013 US\$m	2012 US\$m		
19. Interest-bearing borrowings							
<i>Secured (refer to note 19.1)</i>							
Bonds:							
Repayable in monthly instalments, final payment in May 2015	0,70	LIBOR	539	73	124	763	1 055
Repayable in monthly instalments, final payment in June 2021	4,70	Fixed	418	300	340	3 138	2 883
Repayable in monthly instalments, final payment in April 2022	4,21	Fixed	418	333	373	3 487	3 166
Repayable in monthly instalments, final payment in September 2023	3,90	Fixed	323	292	–	3 053	–
Debt facilities:							
Facility with partial repayment commencing May 2015, final repayment in May 2019	2,12	LIBOR	811	775	874	8 108	7 412
Facility repayable in full in August 2015	2,42	LIBOR	350	34	–	350	–
Revolving debt facilities:							
Facility repayable in full in September 2017	1,71	US Prime or LIBOR	6 783	649	353	6 783	2 989
Facility repayable in full in April 2016	2,17	LIBOR	1 260	121	–	1 261	–
Facility – no repayment within revolving period, final repayment estimated in November 2021 (refer to note 19.7)	2,54	LIBOR	Refer to note 19.2	161	–	1 683	–
Facility repaid during the year	3,96	LIBOR	–	–	108	–	920
<i>Unsecured</i>							
Obligations under instalment sale agreements, final repayment estimated in December 2018 (refer to note 19.8)	5,99–8,46	Fixed	Refer to note 19.8	53	–	556	–
Total						29 182	18 425
Less unamortised debt issuance costs						(303)	(203)
						28 879	18 222
Less current portion included in current liabilities						(1 943)	(1 115)
						26 936	17 107

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

19.3 Debt issuance costs of R144 million (2012: R202 million) were capitalised during the year.

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

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

	Group	
	2013 Rm	2012 Rm
Total borrowing facilities	37 580	23 386
Actual borrowings at the end of the year	29 182	18 425
Unutilised facilities	8 398	4 961

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

19.7 The fair value of the obligations under instalment sale agreements is determined by discounting expected future cash flows at a pre-tax rate that reflects current assessments of the time value of money and the risks specific to the liability.

19.8 Repayable out of available free cash flow arising in TAC.

20. Deferred revenue

Deferred revenue includes R2 million (2012: R32 million) arising from the business combination (refer to note 8).

The remainder of deferred revenue arose in prior years as a result of Textainer simultaneously entering 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	
	2013 Rm	2012 Rm
Balance at the beginning of the year	41	60
Amount arising through business combination (refer to note 8.4)	2	32
Recognised in profit or loss	(10)	(49)
Terminations	(4)	(2)
Effect of movements in exchange rates	9	–
Balance at the end of the year	38	41
Analysed as:		
Non-current deferred revenue	34	27
Current deferred revenue	4	14
	38	41

21. Trade and other payables

	Group		Company	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Trade payables	91	39	–	–
Accrued expenses	128	137	2	1
Amounts due to container owners	123	107	–	–
Amounts due in respect of container acquisitions	249	744	–	–
Other	3	2	1	1
	594	1 029	3	2

22. **Operating profit before net finance expenses/income**

Operating profit before net finance expenses/income is arrived at after taking into account:

Income

	Group		Company	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Capital distribution from trust	-	-	864	231
Bargain purchase gain on acquisition of subsidiary	54	80	-	-
Gain – fair value of option to acquire non-controlling interest	147	-	-	-
Net profit on disposal of property, plant and equipment:				
Container leasing equipment	284	250	-	-
Net realised and unrealised exchange gains not included in revenue	-	2	-	-

Expenses

Amortisation of intangible assets	41	41	-	-
Auditors' remuneration	20	16	1	1
Audit fee – current year	16	11	1	1
– under provision prior year	4	4	-	-
Other services	-	1	-	-
Directors' emoluments	17	16	2	2
Executive directors				
Short-term employee benefits	12	12	-	-
Share-based payments – equity-settled	1	1	-	-
Non-executive directors				
Remuneration	3	2	2	2
Share-based payments – equity-settled	1	1	-	-
Impairment losses/(reversal of losses)	170	8	(15)	-
Property, plant and equipment	86	6	-	-
Investment in subsidiaries – reversals	-	-	(15)	-
Trade and other receivables – losses	96	13	-	-
Trade and other receivables – reversals	(12)	(11)	-	-
Loss on step up to control	26	-	-	-
Operating leases – premises	15	14	-	-
Share-based payments included in staff costs – equity-settled	52	57	-	-
Share-based payments to suppliers – equity-settled	8	9	-	-
Retirement benefit contributions included in staff costs	4	3	-	-

23. **Net finance expenses/(income)**

Finance expenses – incurred by Textainer and TAC	835	605	-	-
Interest expense	829	571	-	-
Realised and unrealised losses on derivative financial instruments	6	34	-	-
Finance income				
Interest income				
Received on cash and cash equivalents	(18)	(16)	-	(1)
Received from subsidiary	-	-	(4)	-
	817	589	(4)	(1)

	Group		Company	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm
24. Income tax expense				
South African normal				
Current	33	32	1	1
Foreign normal	5	32	-	-
Current	6	46	-	-
Adjustment for prior years	(1)	(14)	-	-
Secondary tax on companies	-	22	-	22
Associated tax credit – current year	(3)	(6)	-	-
– prior year	(6)	(1)	-	-
South African deferred				
Origination and reversal of temporary differences	23	7	-	-
Foreign deferred	31	(25)	-	-
Origination and reversal of temporary differences	35	(17)	-	-
Adjustment for prior years	-	(1)	-	-
Reduction in tax rate	(4)	(7)	-	-
	83	61	1	23
The effective tax rate is reconciled as follows:	%	%	%	%
Statutory tax rate	28,0	28,0	28,0	28,0
Non-taxable income	(2,3)	(1,3)	(28,2)	(29,8)
Non-deductible expenses	0,5	0,3	0,4	2,2
Foreign rate differential	(19,5)	(23,6)	-	-
Over-provided in prior years	(0,5)	(0,9)	-	-
Secondary tax on companies	-	1,2	-	10,2
Profit from equity accounted investees	(2,1)	-	-	-
Operating losses	(0,8)	-	-	-
Reduction in tax rate	(0,2)	(0,4)	-	-
Effective tax rate	3,1	3,3	0,2	10,6

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 jurisdictions 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.

25. **Earnings per share**

Basic earnings per share

	Group	
	2013	2012
Profit for the year attributable to equity holders of the company (R million)	1 391	1 027
Weighted average number of shares in issue (million)	177,1	177,1
Basic earnings per share (cents)	785,7	579,9
Diluted earnings per share is equal to basic earnings per share*		

Headline earnings per share

	Group			
	2013		2012	
	Gross	Net	Gross	Net
	Rm	Rm	Rm	Rm
Profit for the year attributable to equity holders of the company		1 391		1 027
Impairment of property, plant and equipment	86	41	6	3
Loss on step up to control	26	26	–	–
Gain on bargain purchase of subsidiary	(54)	(54)	(80)	(39)
Headline earnings attributable to equity holders of the company		1 404		991
Weighted average number of shares in issue (million)		177,1		177,1
Headline earnings per share (cents)		792,6		559,6

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

Adjusted headline earnings per share

Adjusted headline earnings per share is the more appropriate measure of Trencor's financial performance in that it excludes net unrealised foreign exchange gains and losses, and it 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		1 404		991
Net foreign exchange gain on translation of long-term receivables	(159)	(115)	(33)	(24)
Gain on modification of debt terms	(172)	(172)	–	–
Adjusted headline earnings attributable to equity holders of the company		1 117		967
Adjusted headline earnings per share (cents)		630,7		546,1

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

* Textainer has issued share options (refer to note 29.1) which are potentially dilutive to all classes of earnings per share. The impact is not material in the current or prior year.

	Group		Company	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm
26. Cash generated from operations				
Reconciliation of profit for the year to cash generated from operations:				
Profit for the year	2 403	1 773	872	194
Adjusted for:				
Finance expenses	835	605	-	-
Finance income	(18)	(16)	(4)	(1)
Unrealised foreign exchange gains	(236)	(49)	-	-
Net decrease/(increase) in adjustment to the net investment in long-term receivables	23	(77)	-	-
Other non-cash flow adjustments to the net investment in long-term receivables	(6)	(4)	-	-
Depreciation	1 397	839	-	-
Gain – fair value of option to acquire non-controlling interest	(147)	-	-	-
Cost of containers disposed of transferred to profit or loss	1 048	503	-	-
Net impairment losses/(reversals)	170	8	(16)	-
Share-based payments	62	68	-	-
Amortisation of intangible assets	41	41	-	-
Finance lease income	(139)	(70)	-	-
Deferred revenue recognised in profit or loss	(10)	(49)	-	-
Bargain purchase gain on acquisition of subsidiary	(54)	(80)	-	-
Loss on step up to control	26	-	-	-
Share of profit from equity accounted investees	(182)	(2)	-	-
Income tax expense	83	61	1	23
Operating profit before working capital changes	5 296	3 551	853	216
Working capital changes	(192)	(41)	2	3
(Increase)/Decrease in inventories	(60)	49	-	-
(Increase)/Decrease in trade and other receivables	(88)	(24)	1	3
(Decrease)/Increase in trade and other payables	(44)	(66)	1	-
Cash generated from operations	5 104	3 510	855	219

Group	
2013 Rm	2012 Rm

27. Operating lease commitments

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Within one year	18	15
Between one and five years	33	41
After five years	1	2
	52	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 leases upon expiration. None of the leases include contingent rentals.

28. Capital commitments

For container leasing equipment authorised by the board:

Contracted	643	193
------------	-----	-----

29. Employee benefits

29.1 Share-based payments

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

Trencor

All options granted in terms of The Trencor Share Plan have been exercised in prior periods and consequently there are no share options outstanding. In terms of the Plan, options were previously granted to certain executive directors and employees amounting in aggregate to 6 740 000 shares (2012: 6 740 000 shares) in the unissued share capital of the company. The maximum number of shares available for utilisation under the Plan is 8 884 209 (2012: 8 884 209).

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

Textainer

	Number of shares
Shares available for utilisation under the plans at 31 December 2011	1 486 883
Share options and restricted share units granted in 2012, net of forfeitures	(407 833)
Previously authorised shares cancelled during 2012	(502)
Shares available for utilisation under the plans at 31 December 2012	1 078 548
Share options and restricted share units granted in 2013, net of forfeitures	(366 002)
Previously authorised shares cancelled during 2013	(13 115)
Shares available for utilisation under the plans at 31 December 2013	699 431

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

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

Share options

	Number of options			Weighted average	
	Unvested	Vested	Total	Exercise price US\$	Expiration year
Outstanding at 31 December 2011	847 945	221 100	1 069 045	18,86	2017
Granted	201 658	–	201 658	28,21	2022
Vested	(398 340)	398 340	–	16,28	2018
Exercised	–	(302 100)	(302 100)	15,45	2017
Forfeited	(2 675)	–	(2 675)	22,63	2020
Outstanding at 31 December 2012	648 588	317 340	965 928	21,87	2020
Granted	213 907	–	213 907	38,36	2023
Vested	(240 076)	240 076	–	17,86	2019
Exercised	–	(207 191)	(207 191)	17,46	2018
Forfeited	(29 262)	–	(29 262)	26,63	2021
Outstanding at 31 December 2013	593 157	350 225	943 382	26,43	2021

29. Employee benefits (continued)

29.1 Share-based payments (continued)

Restricted share units

	Restricted share units	Weighted average fair value at grant date US\$
Outstanding at 31 December 2011	1 178 612	15,95
Granted	213 295	28,29
Vested	(376 056)	14,37
Forfeited	(4 445)	17,58
Outstanding at 31 December 2012	1 011 406	19,13
Granted	223 492	33,84
Vested	(488 860)	16,16
Forfeited	(42 135)	19,91
Outstanding at 31 December 2013	703 903	24,57

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				
	14 November 2013	14 November 2012 and 20 January 2012	16 November 2011	18 November 2010	18 November 2009
Number of options granted under the 2007 Plan	213 907	201 658	173 350	151 687	218 904
Fair value at measurement date (US\$)	13,19	9,42	11,60	9,82	4,69
Share price at grant date (US\$)	38,36	28,21	28,54	28,26	16,97
Expected life option time (years)	5,0	5,2 - 5,7	5,7	6,3	6,3
Volatility %	58,2	62,5 - 67,1	68,0	50,1	46,0
Dividend yield %	4,9	4,5 - 6,3	4,9	3,8	5,4
Risk free % rate (based on US Treasury bonds)	1,3	0,7 - 1,1	1,1	2,0	2,6

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

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

	Group	
	2013 Rm	2012 Rm
Equity-settled	62	68

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 eligible employees in South Africa.

At 31 December 2013 the fund had 15 members (2012: 16 members) whose aggregate share of the fund amounted to R116 million (2012: R92 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 trading.

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

	Group					
	Container finance		Container owning, leasing, management and trading		Consolidated	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Revenue	254	70	6 336	4 483	6 590	4 553
Goods sold	-	-	1 477	1 134	1 477	1 134
Leasing income	1	2	4 682	3 128	4 683	3 130
Management fees	-	-	177	221	177	221
Finance income	27	14	-	-	27	14
Realised and unrealised exchange losses	226	54	-	-	226	54
Reportable segment profit before net finance expenses and income tax	196	130	2 788	2 330	2 984	2 460
Finance income	-	-	4	1	4	1
Finance expenses	-	-	(835)	(605)	(835)	(605)
Depreciation and amortisation	-	(1)	(1 437)	(879)	(1 437)	(880)
Share of profit of equity accounted investees	-	-	182	2	182	2
Income tax expense	(46)	(28)	(40)	(15)	(86)	(43)
Other material non-cash items:						
Net long-term receivable valuation adjustment	(23)	77	-	-	(23)	77
Impairment losses:						
Property, plant and equipment	-	-	(86)	(6)	(86)	(6)
Trade receivables	-	-	(96)	(13)	(96)	(13)
Trade receivables reversed	-	-	12	11	12	11
Net profit on disposal of property, plant and equipment	-	-	284	250	284	250
Share-based payments	-	-	(62)	(68)	(62)	(68)
Reportable segment assets	876	842	42 139	28 264	43 015	29 106
Capital expenditure	-	-	6 928	8 646	6 928	8 646
Reportable segment liabilities	156	186	29 538	19 364	29 694	19 550

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

	Group					
	Reportable segment total	Unallocated	Consolidated total	Reportable segment total	Unallocated	Consolidated total
	2013			2012		
	Rm	Rm	Rm	Rm	Rm	Rm
Revenue	6 590	–	6 590	4 553	–	4 553
Profit before net finance expenses and income tax*	2 984	137	3 121	2 460	(39)	2 421
Finance income	4	14	18	1	15	16
Finance expenses	(835)	–	(835)	(605)	–	(605)
Depreciation and amortisation	(1 437)	(1)	(1 438)	(880)	–	(880)
Income tax (expense)/credit	(86)	3	(83)	(43)	(18)	(61)
Capital expenditure	6 928	–	6 928	8 646	1	8 647
Assets	43 015	1 613	44 628	29 106	1 804	30 910
Liabilities	29 694	375	30 069	19 550	318	19 868

*Unallocated amount includes corporate expenses of R40 million (2012: R41 million).

Group			
Assets		Liabilities	
2013	2012	2013	2012
Rm	Rm	Rm	Rm

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

Property, plant and equipment	1	2	–	–
Investment in equity accounted investee	57	39	–	–
Other investments	66	66	–	–
Deferred tax assets/liabilities	16	20	284	218
Income tax assets/liabilities	3	2	76	83
Trade and other receivables/payables	5	6	15	17
Cash and cash equivalents	1 465	1 669	–	–
	1 613	1 804	375	318

30.4 Major customer

Leasing revenue from a single customer in the container owning, leasing, management and trading operating segment amounted to 11% (2012: 12%) of the group's leasing revenue. The group had no other customer that individually accounted for more than 10% of revenue.

30.5 Geographic segment information

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

31. Financial instruments and risk management

31.1 Categories of financial assets and liabilities

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

	Group							Total carrying amount Rm	Fair value Rm
	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			
2013									
Financial assets									
Other investments	-	-	66	-	-	-	66	66	66
Long-term receivables	867	-	-	-	-	-	867	867	867
Net investment in finance leases	-	-	-	-	-	1 752	1 752	1 732	1 732
Derivative financial instruments	-	12	-	-	-	-	12	12	12
Restricted cash	-	-	-	629	-	-	629	629	629
Trade and other receivables	-	-	-	1 116	-	-	1 116	1 116	1 116
Cash and cash equivalents	-	-	-	2 744	-	-	2 744	2 744	2 744
	867	12	66	4 489	-	1 752	7 186	7 166	7 166
Financial liabilities									
Interest-bearing borrowings	-	-	-	-	29 182	-	29 182	29 266	29 266
Amounts attributable to third parties in respect of long-term receivables	155	-	-	-	-	-	155	155	155
Derivative financial instruments	-	43	-	-	-	-	43	43	43
Trade and other payables	-	-	-	-	594	-	594	594	594
	155	43	-	-	29 776	-	29 974	30 058	30 058
2012									
Financial assets									
Other investments	-	-	66	-	-	-	66	66	66
Long-term receivables	832	-	-	-	-	-	832	832	832
Net investment in finance leases	-	-	-	-	-	828	828	801	801
Restricted cash	-	-	-	448	-	-	448	448	448
Trade and other receivables	-	-	-	855	-	-	855	855	855
Cash and cash equivalents	-	-	-	2 513	-	-	2 513	2 513	2 513
	832	-	66	3 816	-	828	5 542	5 515	5 515
Financial liabilities									
Interest-bearing borrowings	-	-	-	-	18 425	-	18 425	18 607	18 607
Amounts attributable to third parties in respect of long-term receivables	186	-	-	-	-	-	186	186	186
Derivative financial instruments	-	89	-	-	-	-	89	89	89
Trade and other payables	-	-	-	-	1 029	-	1 029	1 029	1 029
	186	89	-	-	19 454	-	19 729	19 911	19 911

31. Financial instruments and risk management (continued)

31.1 Categories of financial assets and liabilities (continued)

	Company							Fair value Rm
	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	
2013								
Financial assets								
Long-term receivables	-	-	-	1	-	-	1	1
	-	-	-	1	-	-	1	1
Financial liabilities								
Amounts due to subsidiary	-	-	-	-	672	-	672	672
Trade and other payables	-	-	-	-	3	-	3	3
	-	-	-	-	675	-	675	675
2012								
Financial assets								
Long-term receivables	-	-	-	1	-	-	1	1
Trade and other receivables	-	-	-	1	-	-	1	1
	-	-	-	2	-	-	2	2
Financial liabilities								
Amount due to subsidiary	-	-	-	-	499	-	499	499
Trade and other payables	-	-	-	-	2	-	2	2
	-	-	-	-	501	-	501	501

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 and interest rate 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 audit and risk 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 and risk committees.

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 represents the maximum credit exposure. The maximum exposure to credit risk from financial assets at 31 December was:

	Group		Company	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Available-for-sale financial assets				
Other investments	66	66	-	-
Financial assets designated at fair value through profit or loss				
Long-term receivables	867	832	1	1
Held for trading financial instruments				
Derivative financial instruments	12	-	-	-
Other financial instruments				
Net investment in finance leases	1 752	828	-	-
Loans and receivables excluding cash and cash equivalents				
Trade receivables	1 028	800	-	1
Restricted cash	629	448	-	-
Other	88	55	-	-
Cash and cash equivalents	2 744	2 513	-	-
	7 186	5 542	1	2

The group's credit risk arises principally from the group's long-term receivables, trade receivables, investment securities and cash and cash equivalents.

Available-for-sale financial assets and held for trading financial instruments

Due to the amounts of these financial assets, credit risk is not considered to be significant.

Financial assets designated at fair value through profit or loss

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

The most significant net present value long-term receivable (net of fair value adjustment) at 31 December 2013 ultimately relates to TAC totalling R431 million (2012: R441 million). Approximately 90% (2012: 88%) 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.

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 2013 one customer accounted for 13% of the group's trade receivables (2012: 12%).

31. Financial instruments and risk management (continued)

31.3 Credit risk (continued)

31.3.1 Credit risk exposure (continued)

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

	Group	
	2013 Rm	2012 Rm
Container leasing customers	1 027	798
Other	1	2
	1 028	800

Cash and cash equivalents

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

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 impairment	Net trade receivables	Gross ¹	Gross ²	Total impairment	Net trade receivables
2013				2012			
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm

The ageing of trade receivables at the reporting date was:

Not past due	1	-	-	1	2	-	-	2
Past due 0 - 30 days	556	3	(15)	544	386	-	(10)	376
Past due 31 - 120 days	477	28	(36)	469	413	2	(9)	406
Past due 121 - 180 days	11	29	(28)	12	13	5	(5)	13
More than 180 days	2	96	(96)	2	3	44	(44)	3
	1 047	156	(175)	1 028	817	51	(68)	800

¹ Gross receivables not subject to specific impairment.

² Gross receivables subject to specific impairment.

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

	Group	
	2013 Rm	2012 Rm
Balance at the beginning of the year	68	64
Impairment loss recognised	96	13
Impairment loss reversed	(12)	(11)
Effect of movements in exchange rates	23	2
Balance at the end of the year	175	68

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.

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

	Group					Total Rm
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	
2013						
Non-derivative financial liabilities						
Bonds payable	10 441	12 232	2 088	5 907	4 237	12 232
Debt facility	8 458	9 379	183	3 851	5 345	9 379
Revolving debt facility	9 727	10 430	147	9 727	556	10 430
Obligations under instalment agreement	556	590	288	302	-	590
Trade and other payables	594	594	594	-	-	594
	29 776	33 225	3 300	19 787	10 138	33 225
Derivative financial liabilities						
Derivative financial instruments	43	201	76	125	-	201
2012						
Non-derivative financial liabilities						
Bonds payable	7 104	8 328	1 378	4 058	2 892	8 328
Debt facility	7 412	8 507	213	3 371	4 923	8 507
Revolving debt facility	3 909	4 259	89	4 170	-	4 259
Trade and other payables	1 029	1 029	1 029	-	-	1 029
	19 454	22 123	2 709	11 599	7 815	22 123
Derivative financial liabilities						
Derivative financial instruments	89	98	-	98	-	98

The cash flows disclosed in the above table represent the contractual undiscounted net cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity.

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					Total Rm
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	
Non-derivative financial liabilities						
2013						
Amount due to subsidiary	672	672	-	672	-	672
Trade and other payables	3	3	3	-	-	3
	675	675	3	672	-	675
2012						
Amount due to subsidiary	499	499	-	499	-	499
Trade and other payables	2	2	2	-	-	2
	501	501	2	499	-	501

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 2013 the group had no exposure to forward exchange contracts (2012: 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:

Denominated in	Group					
	2013			2012		
	SA rand Rm	US\$ Rm	Total Rm	SA rand Rm	US\$ Rm	Total Rm
Assets						
Investments	66	–	66	66	–	66
Long-term receivables	–	867	867	–	832	832
Net investment in finance leases	–	1 752	1 752	–	828	828
Derivative financial instrument	–	12	12	–	–	–
Restricted cash	–	629	629	–	448	448
Trade and other receivables	2	1 114	1 116	4	851	855
Cash and cash equivalents	103	2 641	2 744	191	2 322	2 513
	171	7 015	7 186	261	5 281	5 542
Liabilities						
Interest-bearing borrowings	–	27 239	27 239	–	17 310	17 310
Amounts attributable to third parties in respect of long-term receivables	155	–	155	186	–	186
Derivative financial instruments	–	43	43	–	89	89
Trade and other payables	14	580	594	13	1 016	1 029
Current portion of interest-bearing borrowings	–	1 943	1 943	–	1 115	1 115
	169	29 805	29 974	199	19 530	19 729

The following exchange rates applied during the year:

Year-end rate US\$1=	R10,46	R8,48
Average rate US\$1=	R9,67	R8,16

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

Sensitivity analysis

The group is exposed to currency risk only on those financial instruments that are denominated in a currency other than the respective functional currencies of group entities, namely the group's long-term receivables. A one percent weakening of the rand against the US dollar would have increased the group's profit by approximately R6 million for the year ended 31 December 2013 (2012: R6 million). This analysis assumes that all other variables, in particular interest rates, remain constant. A one percent strengthening of the SA rand against the US dollar would have had the equal and opposite effect to the amounts shown above, on the basis that all other variables remain constant.

31.5 Market risk (continued)**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	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Fixed rate				
Financial liabilities	(10 234)	(6 049)	-	-
Variable rate instruments				
Financial assets	3 373	2 961	-	-
Financial liabilities	(18 948)	(12 376)	-	-
	(15 575)	(9 415)	-	-

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 R59 million (2012: R38 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 R215 million (2012: R117 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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) adjusted for 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 R1 million (2012: R1 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 (2012: 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 determines dividends paid to shareholders.

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

31. Financial instruments and risk management (continued)

31.7 Capital management (continued)

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	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Interest-bearing borrowings	28 879	18 222	–	–
Total equity	14 559	11 042	395	554
Ratio of interest-bearing borrowings to total equity	198,4%	165,0%	–	–

The ratio has been affected in 2013, by the payment of the special dividend by the company, the increase in Textainer's interest-bearing borrowings, the consolidation of TAC for the first time and the weakening of the SA rand against the US dollar from US\$1=R8,48 to US\$1=R10,46 as at December 2012 and 2013 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 Fair values

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

31.8.1 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) that the group can assess at the measurement date.

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

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

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

	Group			Total Rm
	Level 1 Rm	Level 2 Rm	Level 3 Rm	
2013				
Assets				
Long-term receivables	–	–	867	867
Other investments	–	66	–	66
Interest rate swap contracts	–	12	–	12
	–	78	867	945
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	155	155
Interest-bearing borrowings	–	–	556	556
Interest rate swap contracts	–	43	–	43
	–	43	711	754
2012				
Assets				
Long-term receivables	–	–	832	832
Other investments	–	66	–	66
	–	66	832	898
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	186	186
Interest rate swap contracts	–	89	–	89
	–	89	186	275

Valuation techniques for the group's other investments and interest rate swap contracts are referred to in notes 7, 11 and 19 respectively.

31.8 Fair values (continued)

31.8.1 Fair value hierarchy (continued)

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

	Group			
	Long-term receivables Rm	Amounts attributable to third parties in respect of long-term receivables Rm	Interest- bearing borrowings Rm	Total Rm
2012				
Balance at the beginning of the year	1 041	(226)	–	815
Total gains/(losses) in profit or loss	159	(20)	–	139
Settlements	(368)	60	–	(308)
Balance at the end of the year	832	(186)	–	646
2013				
Total gains/(losses) in profit or loss	237	(8)	(14)	215
Settlements	(202)	39	65	(98)
Effect of movements in exchange rates included in equity	–	–	(26)	(26)
Amount arising through business combination	–	–	(581)	(581)
Balance at the end of the year	867	(155)	(556)	156
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:				
2013				
Total gains or losses included in profit or loss for the year				
Operating profit	237	(12)	–	225
Finance expenses	–	–	(14)	(14)
Associate tax credit	–	4	–	4
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	183	(3)	–	180
Finance expenses	–	–	(23)	(23)
2012				
Total gains or losses included in profit or loss for the year				
Operating profit	159	(27)	–	132
Associate tax credit	–	7	–	7
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	79	(12)	–	67

31. Financial instruments and risk management (continued)

31.8 Fair values (continued)

31.8.1 Fair value hierarchy (continued)

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:

	Change in unobservable inputs	Group			
		Favourable/(Unfavourable) impact on profit or loss		Favourable/(Unfavourable) impact on other comprehensive income	
		2013	2012	2013	2012
Interest rates – discount rates					
Long-term receivables	100 basis points	(1)	(1)	-	-
	(100) basis points	1	1	-	-
Amounts attributable to third parties in respect of long-term receivables	100 basis points	1	1	-	-
	(100) basis points	(1)	(1)	-	-
Finance expenses	100 basis points	(3)	-	-	-
	(100) basis points	3	-	-	-
Exchange rates (SA rand=US\$1)					
Long-term receivables	1%	6	6	-	-
	(1%)	(6)	(6)	-	-

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 as disclosed in note 34. The discount rate applied to the long-term receivables (denominated in US\$) is 8,5% p.a. (2012: 8,5% p.a.), and amounts attributable to third parties in respect of long-term receivables is 10% p.a. (2012: 10% p.a.). An appropriate fair value adjustment is made to the net investment for the estimated timing of receipt and the possible non-collectability of these receivables, and the related effect on the payment 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=R10,46 (2012: US\$1=R8,48). The table above demonstrates the effects of a 100 basis point change in discount rates and a one percent change in exchange rates.

The fair value of the obligations under instalment sale agreements is determined by discounting expected future cash flows at a pre-tax rate that reflects current assessments of the time value of money and the risks specific to the liability.

32. Related parties

32.1 Identity of related parties

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

32.2 Intra-group transactions and balances

Amounts due by and to subsidiaries (refer to note 8).
 Interest income from subsidiary (refer to notes 8 and 23).
 Dividend income from subsidiaries (refer to notes 8 and 22).
 Administration fee paid to subsidiary R5 million (2012: R4 million).

32.3 Transactions with key management personnel

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

Certain non-executive directors are also directors of other companies which have transactions with the group. 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 2013 and 2012 was as follows:

	Direct	Indirect	Total
C Jowell	159 831	5 262 929	5 422 760
N I Jowell	47 832	5 579 018	5 626 850
J E McQueen	49 649	102 133	151 782
D M Nurek	-	10 000	10 000
E Oblowitz	10 000	-	10 000
R J A Sparks	-	4 000	4 000
H Wessels	-	27 859	27 859
	267 312	10 985 939	11 253 251

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

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

	Group		Company	
	2013 Rm	2012 Rm	2013 Rm	2012 Rm
Short-term employee benefits	34	29	2	2
Equity compensation benefits	18	16	-	-
	52	45	2	2
Paid to:				
Directors	17	16	2	2
Executive officers (Textainer)	35	29	-	-
	52	45	2	2

The number of executive officers for 2013 was 2 (2012: 2).

32. **Related parties (continued)**

The remuneration paid to the directors during the years ended 31 December 2013 and 2012 was as follows:

	Group						Total remuneration R'000
	Guaranteed remuneration R'000	Medical aid R'000	Retirement funds R'000	Incentive bonuses R'000	Equity compensation benefits* R'000	Other R'000	
2013							
Non-executive directors							
J E Hoelter	1 124	-	-	-	333	-	1 457
D M Nurek	942	-	-	-	333	-	1 275
E Oblowitz	307	-	-	-	-	-	307
R J A Sparks	307	-	-	-	-	-	307
H Wessels	252	-	-	-	-	-	252
	2 932	-	-	-	666	-	3 598
Executive directors							
C Jowell	1 215	19	-	1 191	333	-	2 758
N I Jowell	2 646	24	-	2 947	333	-	5 950
J E McQueen	2 782	36	235	707	333	-	4 093
H R van der Merwe	781	37	82	-	-	-	900
	7 424	116	317	4 845	999	-	13 701
Aggregate remuneration 2013	10 356	116	317	4 845	1 665	-	17 299
2012							
Non-executive directors							
J E Hoelter	917	-	-	-	291	-	1 208
D M Nurek	864	-	-	-	291	-	1 155
E Oblowitz	285	-	-	-	-	-	285
R J A Sparks	285	-	-	-	-	-	285
H Wessels	233	-	-	-	-	-	233
	2 584	-	-	-	582	-	3 166
Executive directors							
C Jowell	1 091	17	-	1 031	291	-	2 430
N I Jowell	2 380	32	-	2 578	291	-	5 281
J E McQueen	2 440	32	208	586	291	-	3 557
H R van der Merwe	903	36	95	200	-	10	1 244
	6 814	117	303	4 395	873	10	12 512
Aggregate remuneration 2012	9 398	117	303	4 395	1 455	10	15 678

* Award of shares by Textainer Group Holdings Limited.

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

The company has warranted the performance and obligations of certain subsidiary companies in terms of a number of partnership agreements entered into with third parties. The partnerships were established for the purposes of purchasing and selling marine cargo containers. At 31 December 2013, 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 R207 million (2012: R253 million) (refer to note 9).

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) adjusted for 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 collectability and the anticipated timing of the receipt of future instalments.

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

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

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

34.2 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 lives of new non-refrigerated and refrigerated containers that are purchased for the leasing fleet are thirteen and twelve years respectively, based on historical data gathered over a number of years. The estimated residual values vary according to the type of container and are determined with reference to 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. Cash flow changes in classification

The group has reclassified receipts from long-term receivables, payments to third parties in respect of long-term receivables and decrease in finance leases to cash flows from operating activities, as management believe that these cash flows are more closely aligned to the operating activities of the group. These items were previously classified as cash flows from financing and investing activities.

A summary of the effects of the changes on the amounts previously reported are as follows:

	Amount previously reported Rm	Reclassification Rm	Restated amount Rm
Net cash outflow from operating activities	(5 771)		
Finance lease income		70	
Receipts from long-term receivables		368	
Payments to third parties in respect of long-term receivables		(60)	
Decrease in finance leases		186	
	(5 771)	564	(5 207)
Net cash inflow from investing activities	614		
Decrease in finance leases		(256)	
	614	(256)	358
Net cash inflow from financing activities	6 253		
Receipts from long-term receivables		(368)	
Payments to third parties in respect of long-term receivables		60	
	6 253	(308)	5945
Net increase in cash and cash equivalents before exchange rate fluctuations	1 096	–	1 096

Analysis of Shareholders

at 27 December 2013

	Number of holders	% of holders	Number of shares	% interest
Size of shareholding				
1 – 1 000 shares	3 373	61,2	1 112 837	0,6
1 001 – 10 000 shares	1 483	26,9	5 042 369	2,9
10 001 – 100 000 shares	483	8,8	15 895 203	9,0
100 001 – 1 000 000 shares	143	2,6	50 506 975	28,5
1 000 001 shares and over	29	0,5	104 510 627	59,0
Total	5 511	100,0	177 068 011	100,0
Distribution of shareholders				
Mutual funds	230	4,1	64 700 880	36,5
Banks and insurance companies	81	1,4	31 441 629	17,8
Retirement funds	225	4,1	49 620 915	28,0
Other corporate bodies	374	6,8	8 340 195	4,7
Individuals	3 884	70,5	7 061 233	4,0
Nominee companies and trusts	699	12,7	4 217 149	2,4
Investment companies	9	0,2	636 400	0,4
Jowell family	9	0,2	11 049 610	6,2
Total	5 511	100,0	177 068 011	100,0
Shareholder spread				
Public shareholders	5 494	99,7	141 815 319	80,0
Non-public shareholders	17	0,3	35 252 692	20,0
Directors and associates	16	0,3	11 253 251	6,4
Strategic holdings (more than 10%)	1	0,0	23 999 441	13,6
Total	5 511	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 27 December 2013 was as follows:

	%
Government Employees Pension Fund	13,6
Old Mutual Life Assurance Company (Pty) Ltd	8,7
Jowell family	6,2
Corolife Special Opportunities Portfolio Fund	5,8
Total	34,3

Directorate: Brief Résumés

Executive

Neil Ian Jowell (80)

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 Ltd.

Cecil Jowell (78)

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 Ltd.

James (Jimmy) Ernest McQueen (69)

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 Ltd.

Hendrik (Hennie) Roux van der Merwe (66)

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 Ltd before transferring to Trencor.

Non-executive

James (Jim) Edward Hoelter (74)

B Bus Admin (Wisconsin) MBA (Harvard). Appointed as a non-executive director on 2 December 2002. He joined Textainer Group Holdings Ltd in 1987 and was President and CEO of Textainer in the USA until his retirement in December 1998. He 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 (63)

Dip Law (UCT) Grad Dip Company Law (UCT). Is an executive of Investec Bank Ltd. 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 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 Ltd.

Edwin (Eddy) Oblowitz (56)

B Com (UCT) CA (SA) CPA (Isr). He 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 Executive Chairman 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 (54)

B Com Hons (UCT) CA (SA) MBA (UCT). 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 (69)

B Com CA (SA). 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.

Notice to Shareholders

Notice is hereby given that the fifty-eighth 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, 10 June 2014 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, 25 April 2014 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, 30 May 2014. Accordingly, only shareholders who are registered in the register of members of the company on Friday, 23 May 2014 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.

Each of the ordinary and special resolutions set out below may be proposed and passed, with or without modification or amendment, at the annual general meeting or at any postponement or adjournment of the annual general meeting.

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 2013.

In terms of the Companies Act, 71 of 2008, as amended ('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 23 to 72 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 company's memorandum of incorporation but, being eligible, offer themselves for re-election: Messrs J E McQueen, H R van der Merwe and H Wessels. Brief résumés of the directors of the company are presented on page 74 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 McQueen as director

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

Ordinary resolution number 1.2

Appointment of Mr H R van der Merwe as director

"Resolved that Mr H R van der Merwe be and is hereby elected as a director of the company."

Ordinary resolution number 1.3

Appointment of Mr H Wessels as director

"Resolved that Mr H Wessels 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 McQueen, H R van der Merwe and H Wessels 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 are required for these resolutions to be adopted is 50% plus one of the voting rights to be cast on the resolution.

3. To table the remuneration policy of the company (as set out on pages 14 and 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 14 and 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.

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required in favour of the remuneration policy is 50% plus one of the voting rights to be cast.

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

Ordinary resolution number 2:

“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.

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

Ordinary resolution number 3.1:

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 3.2:

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 3.3:

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, subject to his re-election as a director of the company in terms of ordinary resolution 1.3.”

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 74 of the integrated annual report.

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

6. To provide financial assistance to related or inter-related 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 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 inter-related 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 inter-related 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 at least 75% of the voting rights to be cast on the resolution.

7. 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 2014 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 2014 until the next annual general meeting of the company be paid in accordance with the following:

For services as:

Basic remuneration as director	R206 000
Chairman of the audit/risk committee	R137 000
Member of the audit committee/risk committee	R75 000
Member of the governance committee	R20 000
Member of the remuneration committee	R20 000
Member of the nomination committee	R20 000
Member of the social and ethics committee	R20 000
In the case of Mr J E Hoelter	US\$47 000”

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 non-executive directors in their capacities as such and for their services as directors, as set out in the above special resolution, reflects an increase of 8,0% compared to the remuneration in respect of the 12 months ending 30 June 2014.

It is noted that the remuneration referred to in this resolution is only in respect of remuneration payable to non-executive 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 at least 75% of the voting rights to be cast on the resolution.

8. 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 ('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 Listings Requirements of the JSE Limited ('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. any such repurchase of shares is authorised by the company's memorandum of incorporation;
3. at any point in time, the company may only appoint one agent to effect any repurchase(s) on its behalf;
4. 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;
5. 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;
6. 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;
7. 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;
8. 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;

9. the company or its subsidiaries are not acquiring shares during a prohibited period as defined in the JSE Listings Requirements 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; and
10. any acquisitions are subject to Exchange Control approval at that point in time.”
- (b) in determining the method by which the company intends to repurchase 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.

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 extend 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. If relevant in the circumstances, compliance with section 48(8)(b) of the Companies Act will be required if the company is to acquire more than 5% of its shares.

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 at least 75% 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;

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 remuneration policy of the company on pages 14 and 15;
- the directors, senior management and secretary of the company on page 2 and 84 respectively;
- the major shareholders of the company on page 73;
- the directors' interests in shares in the company on page 12; 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 73.

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 26 April 2013 and the date of publication hereof.

The directors, whose names are given on page 2 of the 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.

9. To present and consider the report of the social and ethics committee of the company as set out on page 16 of the document of which this notice of annual general meeting forms part (the integrated annual report).
10. To transact such other business as may be transacted at an annual general meeting.

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 a person 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) Ltd

Secretaries
Per: G W Norval

Cape Town
24 April 2014

Form of Proxy

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, 10 June 2014 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, 9 June 2014, being 24 hours (excluding Saturdays, Sundays and public holidays) before the annual general meeting to be held at 15:00 on Tuesday, 10 June 2014; 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 83.

To be returned to:

The Transfer Secretaries of Trencor Limited, namely
Computershare Investor Services (Pty) Limited
70 Marshall Street Johannesburg 2001
P O 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 (refer to note 2). Unless otherwise instructed my/our proxy can vote as he/she deems fit.

	For	Against	Abstain
Election of directors:			
Ordinary resolution number 1.1: Election of J E McQueen as director.			
Ordinary resolution number 1.2: Election of H R van der Merwe as director.			
Ordinary resolution number 1.3: Election of H Wessels as director.			
Non-binding advisory vote: Endorsement of the remuneration policy of the company.			
Ordinary resolution number 2: Reappointment of KPMG Inc as independent auditor.			
To appoint an audit committee with the following members:			
Ordinary resolution number 3.1: Election of E Oblowitz as audit committee member.			
Ordinary resolution number 3.2: Election of R J A Sparks as audit committee member.			
Ordinary resolution number 3.3: 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 inter-related companies.			
Special resolution number 2: To approve the non-executive directors' remuneration, in their capacities as directors only, from 1 July 2014 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 _____ 2014

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, P O 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, 9 June 2014).
 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).

Corporate Information

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
P O 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
P O Box 4609 Cape Town 8000

Designated auditor

G M Pickering

Attorneys

Edward Nathan Sonnenbergs Inc

Sponsors

Rand Merchant Bank (A division of FirstRand Bank Limited)

Industry Classification Benchmark

Industry: Industrial
Supersector: Industrial goods & services
Sector: Industrial transportation
Subsector: Transportation services

Market name

Trencor

JSE share code

TRE

ISIN

ZAE000007506

Diary

10 June 2014

31 December

Announcements

Annual general meeting

Financial year-end

February: reviewed annual results

March/April: annual financial statements

May: first quarter update

August: interim report

November: third quarter update

Dividends

March and September: dividend paid

