

TRENCOR

TRENCOR LIMITED
INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA
REG NO 1955/002869/06 • ('Trencor')
SHARE CODE: TRE • ISIN: ZAE000007506



HIGHLIGHTS

GROUP

- Trading profit**, which is earned in US dollars, after net financing costs, increased by 82% from R419 million in 2010 to R763 million during the period under review. Excluding the non-cash gain realised on the sale of containers referred to below, the increase was 50% from R419 million in 2010 to R629 million (in dollar terms this increased by 67%).
- Profit for the period included a non-cash gain of R60,8 million arising on the sale of containers to the prior non-controlling interest in Textainer's primary asset-owning subsidiary, Textainer Marine Containers Ltd ('TMCL') – see the comments under Textainer.
- Headline earnings per share** (including the effect of realised and unrealised foreign exchange translation gains and losses and gains on the sale of containers referred to above) were 219,7 cents (2010: 121,1 cents).
- Adjusted headline earnings per share** (which excludes the effect of foreign exchange translation gains and losses but includes gains on the sale of containers referred to above) were 209,7 cents (2010: 107,5 cents).
- The differing measures of earnings are better presented in tabular form:

	6 months ended 30 June 2011	2010	Year ended 31 December 2010
	Cents per share	Cents per share	Cents per share
Headline earnings including gains on containers sold pursuant to the TMCL restructuring in the current period (32,9 cents per share)	219,3	121,1	335,5
Deduct/(Add):			
Unrealised foreign exchange translation gains/(losses)	9,6	13,6	(33,9)
Adjusted headline earnings	209,7	107,5	369,4

- Based on the spot exchange rate of US\$1 = R6,76 and the price of Textainer's shares listed on the NYSE on 30 June 2011 (US\$30,74), the net asset value of Trencor at that date was as follows:

	R Million	Rand per share
Net interest in Textainer	6 188,1	35,05
Net interest in long-term receivables	701,6	3,97
Cash	498,7	2,82
Net liabilities (mainly net deferred tax)	(105,2)	(0,60)
	7 283,2	41,24

- Consolidated gearing ratio at 30 June 2011 increased to 169% (2010: 80%) mainly as a result of the Trencor specific share repurchase of 10,8 million of its own shares for a total consideration of R417 million in March 2011, increased borrowings in Textainer and the buy-out by Textainer of the non-controlling interest holder in TMCL.
- Interim dividend of 50 cents per share declared (2010: 40 cents per share).

TEXTAINER (60,9% interest)

- Profit for the half-year, reported in terms of US GAAP, was US\$88,9 million (2010: US\$49,3 million). Adjusted to conform with International Financial Reporting Standards, Textainer's net profit was US\$92,1 million (2010: US\$45,2 million). Current period amounts include a non-cash gain of US\$14,8 million arising on the sale of containers to the prior non-controlling interest in TMCL.
- Fleet utilisation currently stands at a record high of 99,0%, compared with spot utilisation of 98,3% at 30 June 2010. 78% of the fleet is committed to long-term and direct financing leases.
- Ordered 172 100 TEU of new containers for delivery through June 2011, 15 000 TEU of new refrigerated containers for delivery through December 2011 and purchased 211 600 TEU of used containers for a total of 398 700 TEU, representing US\$761 million of capital expenditure year to date – a new record for Textainer.
- Completed a capital restructuring of TMCL, effective 30 June 2011, following which, Textainer now owns 100% of TMCL. The restructuring resulted in a US\$19,8 million gross gain on sale of containers to the prior non-controlling interest in TMCL. The gain was the result of recognising the fair value of containers and direct finance leases in excess of their book value exchanged for TMCL's common shares at the time of the transaction. This was a non-cash transaction.
- Issued US\$400 million in asset-backed notes at a fixed interest rate of 4,7% p.a.
- Declared dividends of US\$0,31 and US\$0,33 per share in respect of quarters 1 and 2 of 2011 respectively.
- Textainer's results may be viewed on its website www.textainer.com.

PREPARATION OF FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements have not been audited or reviewed by Trencor's independent auditors but have been prepared by management, under the supervision of the financial director.

DECLARATION OF CASH DIVIDEND

The board has declared an interim cash dividend (number 91) of 50 cents per share in respect of the six months ended 30 June 2011.

The salient dates pertaining to the cash dividend payment are as follows:

Last day to trade cum dividend	Friday, 9 September 2011
Trading commences ex dividend	Monday, 12 September 2011
Record date	Friday, 16 September 2011
Payment date	Monday, 19 September 2011

Share certificates may not be dematerialised or rematerialised between Monday, 12 September 2011 and Friday, 16 September 2011, both days inclusive.

On behalf of the board

Ni Jowell Chairman
18 August 2011

Directors: Ni Jowell* (Chairman), JE Hoelter (USA), C Jowell*, JE McQueen* (Financial), DM Nurek, E Oblowitz, RJA Sparks, HR van der Merwe*, H Wessels

(* executive)

Secretaries: Trencor Services (Pty) Ltd

Registered Office: 1313 Main Tower, Standard Bank Centre, Heerengracht, Cape Town 8001

Transfer Secretaries: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107)

Sponsors: Rand Merchant Bank (A division of FirstRand Bank Ltd)
www.trencor.net

Condensed consolidated statement of financial position at 30 June 2011

	Unaudited 30 June 2011	Unaudited 30 June 2010	Audited 31 December 2010
R Million			
ASSETS			
Property, plant and equipment	12 517	8 563	9 604
Intangible assets	335	488	400
Investments	14	281	14
Long-term receivables	796	424	828
Net investment in finance leases	343	837	325
Derivative financial instruments	3	94	9
Deferred tax assets	67	–	77
Restricted cash	243	105	99
Total non-current assets	14 318	10 792	11 356
Inventories	34	22	22
Trade and other receivables	586	434	458
Current portion of long-term receivables	143	118	149
Current portion of net investment in finance leases	139	126	112
Current tax assets	2	–	3
Cash and cash equivalents	1 020	1 121	1 029
Investment	–	–	235
Current assets	1 924	1 821	2 008
Total assets	16 242	12 613	13 364
EQUITY			
Share capital and premium	40	457	457
Reserves	3 621	3 568	3 438
Equity attributable to equity holders of the company	3 661	4 025	3 895
Non-controlling interest	1 650	2 119	2 056
Total equity	5 311	6 144	5 951
LIABILITIES			
Interest-bearing borrowings	8 364	4 527	5 475
Amounts attributable to third parties in respect of long-term receivables	214	192	221
Derivative financial instruments	100	111	90
Deferred revenue	11	51	20
Deferred tax liabilities	210	230	225
Total non-current liabilities	8 899	5 111	6 031
Trade and other payables	1 257	720	909
Current tax liabilities	76	171	64
Current portion of interest-bearing borrowings	619	393	340
Current portion of amounts attributable to third parties in respect of long-term receivables	23	20	24
Current portion of deferred revenue	57	54	45
Current liabilities	2 032	1 358	1 382
Total liabilities	10 931	6 469	7 413
Total equity and liabilities	16 242	12 613	13 364
Capital expenditure incurred during the period	3 989	781	3 566
Capital expenditure committed and authorised, but not yet incurred	129	336	–
Directors' valuation of unlisted investments	14	281	249
Ratio to aggregate of total equity:			
Total liabilities (%)	205,9	105,3	124,6
Interest-bearing debt (%)	169,2	80,1	97,7

Condensed consolidated statement of cash flows for the six months ended 30 June 2011

	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Audited Year ended 31 December 2010
R Million			
Cash generated from operations	1 206	947	1 881
Acquisition of container leasing equipment	(3 741)	(450)	(2 934)
Finance income received	2	7	10
Finance expenses paid	(125)	(72)	(175)
Dividends paid to equity holders of the company	(177)	(159)	(234)
Dividends paid to non-controlling interest	(80)	(66)	(136)
Taxation paid	(41)	(30)	(56)
Net cash (outflow)/inflow from operating activities	(2 956)	177	(1 644)
Cash inflow from investing activities	189	36	105
Cash inflow/(outflow) from financing activities	2 719	(245)	1 562
Net (decrease)/increase in cash and cash equivalents before exchange rate changes	(48)	(32)	23
Net cash and cash equivalents at the beginning of the period	1 029	1 115	1 115
Effects of exchange rate changes on cash and cash equivalents	39	38	(109)
Net cash and cash equivalents at the end of the period	1 020	1 121	1 029

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2011

	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Audited Year ended 31 December 2010
R Million			
Revenue (Note 2)	2 430	1 292	2 353
Trading profit before items listed below	925	538	1 226
Realised and unrealised exchange gains/(losses) on translation of long-term receivables, excluding fair value adjustment	32	60	(149)
Net long-term receivable fair value adjustment	6	(13)	250
Impairment of plant and equipment	(5)	(5)	(12)
Profit from operations	958	580	1 315
Net finance (expenses)/income (Note 3)	(162)	(119)	(224)
Finance expenses – Interest expense	(112)	(40)	(132)
– Losses on derivative financial instruments	(52)	(86)	(102)
Finance income – Interest income	2	7	10
Profit before tax	796	461	1 091
Income tax expense	(52)	(61)	(9)
Profit for the period	744	400	1 082
Other comprehensive income/(loss)			
Foreign currency translation differences	137	191	(583)
Total comprehensive income for the period	881	591	499
Total comprehensive income for the period attributable to:			
Equity holders of the company	485	339	268
Non-controlling interest	396	252	231
	881	591	499
Profit attributable to:			
Equity holders of the company	394	225	624
Non-controlling interest	350	175	458
	744	400	1 082
Basic earnings per share (cents)	217,9	120,0	332,5
Diluted earnings per share (cents)	217,3	119,9	331,8
Number of shares in issue (million)	176,7	187,5	187,5
Weighted average number of shares in issue (million)	181,0	187,5	187,5
Period-end rate of exchange: SA rand to US dollar	6,76	7,63	6,61
Average rate of exchange for the period: SA rand to US dollar	6,84	7,50	7,33

Condensed consolidated statement of changes in equity for the six months ended 30 June 2011

	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Audited Year ended 31 December 2010
R Million			
Balance at the beginning of the period	3 895	3 841	3 841
Total comprehensive income for the period	485	339	268
Profit for the period	394	225	624
Foreign currency translation differences	91	114	(356)
Dividends paid	(177)	(159)	(234)
Share-based payments	27	12	24
Change in holding in subsidiary	(8)	(8)	(4)
Repurchase of own shares from owners	(417)	–	–
Acquisition of non-controlling interest without change in control	(144)	–	–
Shareholders' interest	3 661	4 025	3 895
Non-controlling interest in subsidiaries	1 650	2 119	2 056
Balance at the beginning of the period	2 056	1 905	1 905
Total comprehensive income for the period	396	252	231
Profit for the period	350	175	458
Foreign currency translation differences	46	77	(227)
Dividends paid to non-controlling interest	(80)	(66)	(136)
Share-based payments	16	7	15
Liquidation dividend paid by subsidiary company	(6)	–	–
Shares issued by subsidiary	39	13	37
Acquisition of non-controlling interest without change in control	(779)	–	–
Change in holding in subsidiary	8	8	4
Equity	5 311	6 144	5 951

These results can be viewed on the website



Interim Results

unaudited for the six months ended 30 June 2011
and declaration of cash dividend

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2011

1. These condensed consolidated interim financial statements have been prepared in accordance with International Reporting Standards (IFRS) including IAS 34 *Interim Financial Reporting*, South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice (AC 500 Series) and the Companies Act of South Africa. The accounting policies applied in the preparation of these consolidated condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010.

R Million	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Audited Year ended 31 December 2010
2. Revenue			
Goods sold and services rendered	1 213 ¹	311	521
Leasing income	1 070	806	1 744
Management fees	105	100	214
Finance income	10	15	23
	2 398	1 232	2 502
Realised and unrealised exchange differences	32	60	(149)
	2 430	1 292	2 353
¹ Includes R899 million revenue in respect of containers sold to non-controlling interest			
3. Net finance expenses/(income)			
Finance expenses	164	126	234
Interest expense – Textainer	112	40	131
Interest expense – other group companies	–	–	1
Losses on derivative financial instruments	52	86	102
Finance income			
Interest income – cash and cash equivalents	(2)	(7)	(10)
	162	119	224
4. Headline earnings			
Profit attributable to equity holders of the company	394	225	624
Impairment of plant and equipment	5	5	12
Total tax effects of adjustments	–	–	(1)
Total non-controlling interest share of adjustments	(2)	(2)	(6)
Headline earnings	397	228	629
Weighted average number of shares in issue (million)	181,0	187,5	187,5
Headline earnings per share (cents)	219,3	121,1	335,5
Diluted headline earnings per share (cents)	218,8	121,0	334,8
Adjusted headline earnings			
Headline earnings (as above)	397	228	629
Net (gain)/loss on translation of net US dollar receivables	(24)	(36)	88
Total tax effects of adjustments	7	10	(25)
Adjusted headline earnings	380	202	692
Undiluted adjusted headline earnings per share (cents)	209,7	107,5	369,4
Diluted adjusted headline earnings per share (cents)	209,3	107,4	368,6
5. Segmental reporting			
Revenue			
Reportable segments			
Containers – finance (including exchange differences)	43	76	(126)
Containers – owning, leasing, management and reselling	2 387 ¹	1 215	2 477
	2 430	1 291	2 351
Unallocated	–	1	2
	2 430	1 292	2 353
¹ Includes R899 million revenue in respect of containers sold to non-controlling interest			
Profit from operations			
Reportable segments			
Containers – finance	44	59	123
Containers – owning, leasing, management and reselling	922 ²	535	1 223
	966	594	1 346
Unallocated	(8)	(14)	(31)
	958	580	1 315
Profit before taxation			
Reportable segments			
Containers – finance	44	59	123
Containers – owning, leasing, management and reselling	758 ²	409	990
	802	468	1 113
Unallocated	(6)	(7)	(22)
	796	461	1 091
Assets			
Capital expenditure incurred by the container owning, leasing, management and reselling segment	3 989	781	3 566

¹ Includes R899 million revenue in respect of containers sold to non-controlling interest

² Includes R134 million gain in respect of containers sold to non-controlling interest

In order to provide a better appreciation of the results of the group's activities, a condensed consolidated income statement and a statement of financial position are also presented in US dollars, as virtually all of the group's revenue and assets and much of its expenditure are denominated in that currency. The amounts stated in US dollars have been prepared by management and are unaudited.

Unaudited Trencor condensed consolidated income statement in US dollars for the six months ended 30 June 2011

US\$ Million	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Unaudited Year ended 31 December 2010
Revenue	352,3 ¹	164,7	337,1
Trading profit before items listed below	135,7	71,6	167,2
Realised and unrealised exchange gains/(losses) arising on translation	–	0,5	(4,3)
Net long-term receivable fair value adjustment	2,8	2,2	29,3
Impairment of plant and equipment	(0,8)	(0,6)	(1,6)
Profit from operations	137,7	73,7	190,6
Net finance (expenses)/income	(23,7)	(15,8)	(30,7)
Finance expense – Interest expense	(16,4)	(5,3)	(18,1)
– Losses on derivative financial instruments	(7,6)	(11,4)	(13,9)
Finance income – Interest income	0,3	0,9	1,3
Profit before tax	114,0	57,9	159,9
Income tax expense	(7,0)	(7,3)	(4,7)
Profit for the period	107,0	50,6	155,2
Attributable to:			
Equity holders of the company	55,7	27,3	92,8
Non-controlling interest	51,3	23,3	62,4
	107,0	50,6	155,2
Number of shares in issue (million)	176,7	187,5	187,5
Weighted average number of shares in issue (million)	181,0	187,5	187,5
Basic earnings per share (US cents)	30,8	14,6	49,5
Diluted earnings per share (US cents)	30,7	14,5	49,4
Headline earnings per share (US cents)	31,0	14,7	49,9
Diluted headline earnings per share (US cents)	30,9	14,7	49,8
Adjusted headline earnings per share (US cents)	31,0	14,5	51,5
Diluted adjusted headline earnings per share (US cents)	30,9	14,4	51,4
Period-end rate of exchange: SA rand to US dollar	6,76	7,63	6,61
Average rate of exchange for the period: SA rand to US dollar	6,84	7,50	7,33
Trading profit from operations comprises:			
Textainer	116,1	71,8	168,5
Textainer – gain on sale of containers to non-controlling interest	19,8	–	–
Other	(0,2)	(0,2)	(1,3)
	135,7	71,6	167,2

¹ Includes US\$133 million revenue in respect of containers sold to non-controlling interest

Unaudited Trencor condensed consolidated statement of financial position in US dollars at 30 June 2011

US\$ Million	Unaudited 30 June 2011	Unaudited 30 June 2010	Unaudited 31 December 2010
ASSETS			
Property, plant and equipment	1 851,7	1 122,3	1 453,0
Long-term receivables	117,8	109,7	125,2
Other non-current assets	148,6	182,4	139,9
Non-current assets	2 118,1	1 414,4	1 718,1
Current assets	284,5	238,5	303,7
Inventories	5,0	2,9	3,3
Trade and other receivables	86,5	56,8	69,2
Current portion of long-term receivables	21,2	15,4	22,5
Current portion of net investment in finance leases	20,6	16,6	16,9
Current tax assets	0,3	–	0,5
Investment	–	–	35,6
Cash and cash equivalents	150,9	146,8	155,7
Total assets	2 402,6	1 652,9	2 021,8
Equity and liabilities			
Equity attributable to equity holders of the company	541,4	527,3	589,1
Non-controlling interest	244,1	277,7	311,1
Total equity	785,5	805,0	900,2
LIABILITIES			
Interest-bearing borrowings	1 237,3	593,3	828,4
Amounts attributable to third parties in respect of long-term receivables	31,7	25,2	33,5
Derivative financial instruments	14,9	14,6	13,6
Deferred revenue	1,6	6,6	3,0
Deferred tax liabilities	31,0	30,2	34,0
Total non-current liabilities	1 316,5	669,9	912,5
Current liabilities	300,6	178,0	209,1
Trade and other payables	186,1	94,3	137,4
Current tax liability	11,2	22,4	9,7
Current portion of amounts attributable to third parties in respect of long-term receivables	3,4	2,7	3,6
Current portion of interest-bearing borrowings	91,5	51,5	51,5
Current portion of deferred revenue	8,4	7,1	6,9
Total liabilities	1 617,1	847,9	1 121,6
Total equity and liabilities	2 402,6	1 652,9	2 021,8
Ratio to aggregate of total equity:			
Total liabilities (%)	205,9	105,3	124,6
Interest-bearing debt (%)	169,2	80,1	97,7

