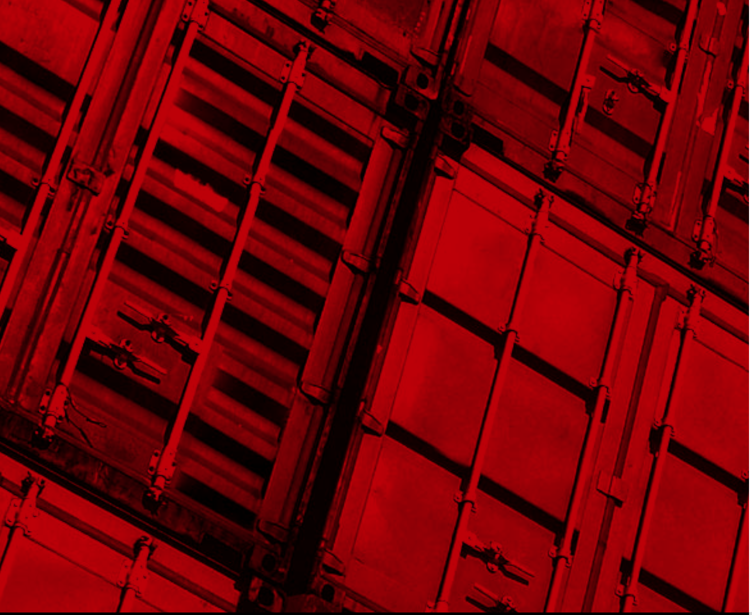
TRENCOR

ANNUAL REPORT 2010

TRENCOR LIMITED
MOBILE INDUSTRIES LIMITED



Profile

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

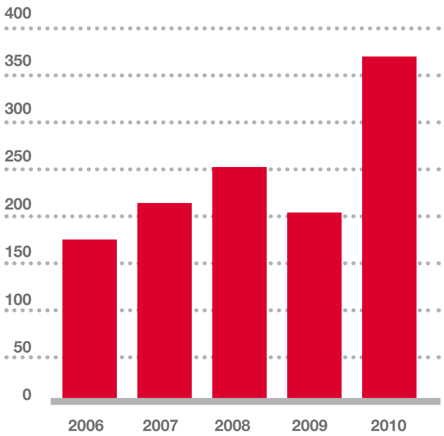
Contents

Highlights

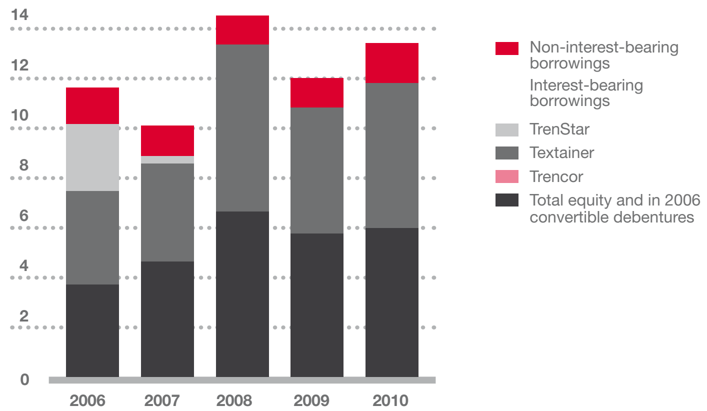
Continuing operations		2010	2009
Trading profit after net finance costs (excluding gain on repurchase of debt by Textainer in 2009)	Rm US$m	1 002 137	781 94
Profit before tax	Rm US$m	1 091 160	635 102
Headline earnings	Rm US$m	629 94	253 49
Headline earnings per share	SA cents US cents	336 50	135 26
Adjusted headline earnings per share [1]	SA cents US cents	369 52	204 23
Dividends per share	SA cents	140	120
Net asset value per share	SA cents US cents	2 078 314	2 049 279
Gearing [2]	%	98	88

[1] Refer to note 24 to the financial statements.
[2] Ratio of interest-bearing borrowings to aggregate of total equity.

Adjusted Headline Earnings per Share
(cents per share)



Funding of Total Assets
(R billion)



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 [1]	Independent

* Executive

Executive committee

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

Audit committee

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

Remuneration committee

D M Nurek	Chairman
R J A Sparks	

Nomination committee

D M Nurek	Chairman
C Jowell	
N I Jowell	
R J A Sparks	

Risk committee [2]

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

Governance committee [3]

R J A Sparks	Chairman
D M Nurek	

[1] Appointed 1 April 2011
[2] Established 16 February 2010
[3] Established 10 March 2010

Brief résumés of the directors are presented on page 72.

Textainer: President and Chief Executive Officer

J A Maccarone USA

Group Chart
at 31 December 2010

MOBILE INDUSTRIES[1]

46,3%

TRENCOR

61,6%[2] Textainer	100% Trencor Services	100% Trencor Containers	44,3% TAC
Listed on the New York Stock Exchange, the Textainer group owns, leases, manages and resells marine cargo containers worldwide	Corporate administration and financing	Collection of long-term receivables	Owning of marine cargo containers

[1] Mobile distributed its interest in Trencor to Mobile shareholders on 7 February 2011.
[2] Reduced to 60,9% subsequent to the year-end following the issue of restricted share units.

Five Year Review

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm
Operating results					
Revenue	**2 353**	1 958	3 299	2 191	1 961
Profit before tax	**1 091**	635	1 122	901	742
Headline earnings attributable to shareholders	**629**	253	788	463	412
Statement of financial position summary					
Shareholders' equity	**3 895**	3 841	4 502	3 186	2 358
Non-controlling interest	**2 056**	1 905	2 117	1 429	1 079
Total equity	**5 951**	5 746	6 619	4 615	3 437
Convertible debentures	**–**	–	–	–	261
Interest-bearing borrowings	**5 815**	5 038	6 689	4 237	6 427
Funding of total net assets	**11 766**	10 784	13 308	8 852	10 125
Property, plant and equipment	**9 604**	7 858	9 198	5 726	7 982
Other non-current assets	**1 752**	2 204	2 816	2 274	2 322
Current assets	**2 008**	1 893	2 450	2 066	1 285
Total assets	**13 364**	11 955	14 464	10 066	11 589
Non-interest-bearing liabilities	**1 598**	1 171	1 156	1 214	1 464
Total net assets	**11 766**	10 784	13 308	8 852	10 125
Statistics					
Number of issued shares (million)	**187**	187	187	187	158
Equity book value per share (cents)	**2 078**	2 049	2 402	1 701	1 488
Headline earnings per share (cents)	**336**	135	421	247	226*
Adjusted headline earnings per share (cents)	**369**	204	252	214	175*
Dividends per share (cents)	**140**	120	110	80	57
Dividend cover based on adjusted headline earnings (times)	**2,6**	1,7	2,3	2,7	3,1
Liquidity (%)					
Ratio to aggregate of total equity and convertible debentures					
Total liabilities (excluding convertible debentures in 2006)	**125**	108	119	118	213
Interest-bearing borrowings (excluding convertible debentures in 2006)	**98**	88	101	92	174
Current ratio (times)	**1,5**	1,7	2,4	1,5	0,9
Profitability (%)					
Taxed profit to average total equity	**19**	11	18	16	21
Taxed profit before interest to average total assets	**10**	6	11	8	8
Headline earnings attributable to shareholders to average shareholders' equity	**16**	6	21	17	19
Number of employees	**193**	188	191	500	542

* 2006: Diluted headline earnings following the conversion of debentures into shares.

Chairman's Statement

Very good results for 2010 again reflect the outstanding performance of Textainer, the container leasing business listed on the New York Stock Exchange and which operates worldwide with headquarters in Bermuda.

Trading profit net of financing costs increased by 28% to R1,0 billion. In dollar terms, the functional currency of Textainer, it increased by 46% to US$137 million.

Adjusted headline earnings, the more meaningful measure of Trencor's performance, increased in rand terms by 82% to R692 million. In dollar terms, adjusted headline earnings of US$97 million were 126% higher than the US$43 million reported last year.

The various measures of earnings are better reflected in tabular form:

	2010 Cents per Share	2009 Cents per Share
Headline earnings	**335,5**	134,8
Add:		
Unrealised foreign exchange translation losses	**33,9**	114,6
	369,4	249,4
Deduct:		
Gain on repurchase of debt by Textainer	**–**	(45,9)
Adjusted headline earnings	**369,4**	203,5

Textainer

In 2009 the company was able to produce robust results and maintain its dividend despite depressed conditions following the developing world economic crisis. Its growth off this base during 2010 while economic conditions remained difficult is especially satisfying. Textainer has built further on the quality and depth of its operations, management and structure, delivering outstanding results. Profit attributable to shareholders increased to US$128 million from US$77 million (before gains realised on the repurchase of debt) in 2009.

In achieving these landmarks, Textainer:

- added 214 000 TEU (twenty-foot equivalent unit) of owned and managed containers costing US$504 million;
- increased the owned percentage of the total fleet to 51% from 45% a year earlier;
- further expanded into the refrigerated container sector;
- reached 98% utilisation of its fleet in June and exceeded this level for the balance of the year;
- funded its substantial organic growth out of own resources and facilities, whilst maintaining a conservative leverage of 1,3 to 1 at year-end;
- achieved a return on equity of 24% for the year; and
- increased its total dividend to 105 US cents per share (92 US cents last year).

The global outlook is positive for a continuation of strong trading conditions in the container leasing industry during most of 2011. Although the output of container factories in 2010 exceeded estimates made a year ago by over one million TEU, containers remained in tight supply.

Cash flow and dividend

The collection of Trencor's long-term receivables is improving along with the improved trade environment experienced by our customers, further strengthening Trencor's cash position.

Taking these factors into account and allowing for the continued good trading conditions for the container leasing industry that we anticipate in 2011, the Trencor board declared a final dividend of R1,00 a share, making a total dividend of R1,40 for the year (2009: R1,00).

Strategy

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

Textainer has successfully pursued organic growth through investment in containers for long-term leases, leasebacks, used-container trading contracts, container management contracts and the purchase of containers already managed by it. These activities have offered adequate room for growth, whilst at the same time rendering better and quicker returns than mooted acquisitions of competitors and/or similar companies might have done. Nevertheless, it remains part of Textainer's growth plan to opportunistically remain on the lookout for suitable and realistically priced deals to grow through the acquisition of existing businesses in its chosen industry.

As indicated above, Textainer is well placed to fund significant capital expenditure from its own resources. Furthermore, should the need arise, Textainer's excellent performance should enable it readily to raise equity from US capital markets – and more so if Trencor itself subscribes. These factors should support any growth plans that Textainer may decide to implement.

Structure

In my chairman's statement last year I noted that the group structure of Mobile Industries owning 46% of Trencor and Trencor in turn having a beneficiary interest in Textainer, afforded Textainer important stability in its very active growth phase. During the year under review Textainer's continued good performance as a NYSE-listed company and its ongoing operational excellence, reaffirmed its position as a global leader in the container leasing industry. Accordingly it became appropriate to collapse the Mobile Industries/ Trencor part of the structure, and Mobile Industries unbundled

Chairman's Statement

its shareholding in Trencor to its own shareholders early in 2011. This marks an important stage in the Trencor group's development over 80 years in which we have passed through many phases culminating in the development of the container business and Textainer's subsequent growth to become the world's largest container leasing company (based on fleet size) and its listing on the NYSE in October 2007.

The Mobile unbundling was completed in February 2011 and it is thus disappointing that the narrowing of the discount between Trencor and Textainer's listed prices has not occurred. It is however 'early days' and we remain focused on the inherent value of the business and its long-term prospects.

Having over the years disposed of its operating businesses, Trencor's role is now limited to its beneficiary interests in Textainer (61%) and TAC (44%, with the option to Halco to acquire the remaining 56% for US$4 million), as well as a declining debtors' book of long-term receivables.

The board remains firmly of the view that the retention of Trencor as a JSE-listed holding company is in the best interest of Trencor's shareholders, as it continues to provide South African shareholders with an unique opportunity to invest in Textainer as an NYSE-listed dollar-denominated company, using rand and without having to resort to their offshore investment allowances, while at the same time providing shareholder stability for Textainer.

Similarly, the existing Halco Trust structure for Trencor's beneficiary interests in Textainer and TAC remains in the best interest of Trencor and its shareholders. The board remains satisfied that Trencor's position in respect of these interests is secure, as do our external auditors. The position and structure of Halco is again addressed in the directors' report.

Prospects*

Textainer's fleet utilisation percentage remains in the high nineties. In these conditions the large expenditure on fleet expansion in 2010 should make a meaningful contribution to Textainer's earnings in 2011. Thus the outlook for 2011 for Trencor and Textainer is promising.

Succession planning

The Trencor nomination committee and board are satisfied that adequate succession plans are in place in Trencor.

Textainer's nomination committee oversees succession planning and board effectiveness in Textainer. Three Trencor directors serve on this committee. The Textainer nomination committee and board are similarly satisfied that adequate succession plans are in place in Textainer.

Following the unbundling by Mobile and the implementation of our stated strategy to focus on the container industry through Textainer and TAC, Trencor has little operational involvement in its businesses other than as holding company and at board and board committee level. These processes were initiated and implemented over time, and now the board believes it is adequate to have an executive chairman and a lead independent non-executive director who have served the company for many years.

Accordingly, the position of managing director has been abolished. However, Hennie van der Merwe, who has held this position since April 2003, remains on the board as a part-time executive director and we are pleased that his expertise will remain available to the group.

Herman Wessels was appointed to the board on 1 April 2011 as an independent non-executive director. He has considerable and valuable experience in specific areas pertaining to our business and we look forward to his contribution.

Appreciation

It is a pleasure to express my appreciation to all our employees for their contribution and to thank our shareholders and other stakeholders for their continued confidence in Trencor. I am grateful for the guidance, wisdom and judgement that my co-directors apply to the affairs of the group.

N I Jowell
29 April 2011

* The financial information on which the above forecast is based has not been reviewed and reported on by Trencor's external auditors.

Review of Operations

Textainer

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

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

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

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

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

In addition to its own fleet, Textainer manages containers on behalf of 16 affiliated and unaffiliated owners, including TAC, a container-owning company in which Trencor has a 44,3% interest. Management fees and sales commissions arising from these arrangements continue to make significant contributions to the company's operating results and also reduce volatility, even in cyclical downturns. Including finance leases, the total fleet under Textainer's management at 31 December 2010 numbered 2 314 000 TEU of which Textainer itself owned 1 177 000 TEU. 72,8% of the on-hire fleet was on long-term lease; of the containers in the on-hire fleet that are owned by Textainer, 78,5% were on long-term lease. The average age of Textainer's owned fleet was 6,5 years and of the whole fleet 7,1 years.

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

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

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

Textainer: Salient information

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

* Excludes gains on repurchase of debt in 2009.

Net investment in long-term receivables

The aggregate amount of outstanding long-term receivables denominated in United States dollars at 31 December 2010 was US$209 million (2009: US$231 million). The discount rate applied in the valuation of the long-term receivables is unchanged from 2009 at 8,5% per annum and the net present value of these receivables, before fair value adjustments, totalled R1,3 billion (2009: R1,6 billion). An exchange rate of US$1 = R6,61 was used to translate dollar amounts into rand at 31 December 2010 (2009: US$1 = R7,35). In compliance with the requirements of International Financial Reporting Standards, the resulting translation loss, amounting to R149 million at net present value (2009: loss of R442 million) has been included in profit before tax.

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

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

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

TAC

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

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

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

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

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

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

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

Property interest

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

Finance

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

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

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

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

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

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

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

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

Corporate Governance

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

The board is of the opinion that the group has, in all material respects and where appropriate, complied with the Code during the year under review.

The salient features of the group's corporate governance are set out below. The King III Report will apply in respect of the group's annual report from our next annual report.

Board of directors

Composition

The names and brief résumés of the directors appear on page 72.

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 III Report. The directors have considerable experience and an excellent understanding of the group's business.

Board effectiveness reviews were conducted in 2002, 2005, 2008 and early in 2011. The board is satisfied with the outcome of the process.

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

Chairman/CEO

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

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

Professional advice

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

Meetings

The board meets regularly on a scheduled quarterly basis and at such other times as circumstances may require. During the year ended 31 December 2010, six meetings were held and these were attended by all members in person or by telephone/video link, save for Messrs J E Hoelter, D M Nurek and R J A Sparks each of whom attended five meetings.

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

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

Directors' service contracts

None of the directors are bound by any service contracts. 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 articles of association, 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. The appointment of new directors during the year is required to be confirmed at the next annual general meeting and such new directors are required to retire at such annual general meeting, but may offer themselves for re-election.

Directors over age 75

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

Directors' independence

The governance committee has assessed the independence of the company's independent directors and evaluated the independence of those who have been in office for more than nine years.

It is satisfied regarding the independence of each of the independent non-executive directors of the company.

Directors' remuneration

The remuneration paid to the directors during the years ended 31 December 2010 and 2009 was as follows:

	Guaranteed remuneration incl. allowances R'000	Contributions to Medical aid R'000	Contributions to Retirement funds R'000	Incentive bonuses R'000	Equity com-pensation benefits R'000	Other R'000	Total remuner-ation R'000
2010							
Non-executive directors							
J E Hoelter	733	–	–	–	–	–	733
D M Nurek	712	–	–	–	–	–	712
E Oblowitz	250	–	–	–	–	–	250
R J A Sparks	250	–	–	–	–	–	250
	1 945	–	–	–	–	–	1 945
Executive directors						–	
C Jowell	1 086	14	–	639	–	–	1 739
N I Jowell	2 190	27	–	1 672	–	–	3 889
J E McQueen	2 056	28	143	405	30	–	2 662
H R van der Merwe	2 176	30	198	522	30	–	2 956
	7 508	99	341	3 238	60	–	11 246
Aggregate remuneration 2010	9 453	99	341	3 238	60	–	13 191
2009							
Non-executive directors							
H A Gorvy [1]	43	–	–	–	–	–	43
J E Hoelter	776	–	–	–	–	–	776
C Jowell	728	13	–	423	–	–	1 164
D M Nurek	688	–	–	–	–	–	688
E Oblowitz	214	–	–	–	–	–	214
R J A Sparks [2]	100	–	–	–	–	–	100
	2 549	13	–	423	–	–	2 985
Executive directors							
N I Jowell	1 275	25	–	1 057	–	–	2 357
J E McQueen	1 605	25	133	240	103	–	2 106
H R van der Merwe	1 793	28	188	309	103	358	2 779
	4 673	78	321	1 606	206	358	7 242
Aggregate remuneration 2009	7 222	91	321	2 029	206	358	10 227

[1] Resigned 31 March 2009

[2] Appointed 27 July 2009

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

Share options

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

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

* The right to exercise the options is subject to certain performance criteria being met.

Corporate Governance

Directors' interests

The number of shares held by the directors in the issued share capital of the company, other than indirect interests through Mobile Industries Limited, at 31 December 2010 and 2009 were as follows:

	Beneficial		
	Direct	Indirect	Total
2010			
J E Hoelter	–	–	–
C Jowell	**41 210**	**20 904**	**62 114**
N I Jowell	**41 808**	**20 904**	**62 712**
J E McQueen	**49 649**	**102 133**	**151 782**
D M Nurek	**–**	**10 000**	**10 000**
E Oblowitz	**10 000**	**–**	**10 000**
R J A Sparks	**–**	**–**	**–**
H R van der Merwe	**–**	**–**	**–**
	142 667	**153 941**	**296 608**
2009			
J E Hoelter	–	–	–
C Jowell	41 210	20 904	62 114
N I Jowell	41 808	20 904	62 712
J E McQueen	49 649	102 133	151 782
D M Nurek	–	10 000	10 000
E Oblowitz	10 000	–	10 000
R J A Sparks	–	–	–
H R van der Merwe	–	–	–
	142 667	153 941	296 608

Subsequent to the financial year-end, after the unbundling by Mobile of its entire interest in Trencor to Mobile shareholders and the subsequent specific repurchase of 50% of the unbundled Trencor shares held by Messrs C Jowell and N I Jowell and trusts of which they are among the beneficiaries, the resultant number of shares held by them in the issued share capital of the company is as follows:

	Beneficial		
	Direct	Indirect	Total
C Jowell	159 831	5 262 929	5 422 760
N I Jowell	47 832	5 579 018	5 626 850

Mr J E Hoelter has an indirect beneficial interest in 1 115 146 shares (2009: 1 885 146 shares) representing 2,3% (2009: 4,0%) in the issued common stock of Textainer Group Holdings Limited, in which Trencor has a 61,9% interest (2009: 62,3%). Mr N I Jowell has an indirect beneficial interest in 62 981 shares (2009: 62 981 shares) in Textainer Group Holdings Limited.

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

The committee meets on an ad-hoc basis. During the year, the committee held two meetings which were attended by all members.

Executive committee

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

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

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

Audit committee

The audit committee currently consists of three independent non-executive directors and one non-executive director. The committee and the board are satisfied with the continued membership of Mr J E Hoelter who, by definition, is not classified as an independent director in view of his shareholding in Textainer Group Holdings Limited. Mr Hoelter provides report-backs to the committee on Textainer audit committee matters. 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 chairman of the board, the financial director and certain other group executives are normally invited to attend meetings of the committee. The external auditors attend all meetings and have direct and unrestricted access to the audit committee at all times.

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

The audit committee is satisfied as to the expertise and experience of the financial director and 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.

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

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

The Trencor audit committee has reviewed the group annual financial statements and annual financial statements for the year ended 31 December 2010 and recommended to the board that the said financial statements be approved.

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

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

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

Governance committee
During the year under review, the board established a governance committee comprising two independent non-executive directors. The committee is responsible for making recommendations to the board in all matters relating to the development, evaluation and monitoring of the company's corporate governance processes, policies and principles; the development and implementation of and monitoring compliance with the company's Code of Conduct (the 'Code') and making recommendations to the board on revisions to the Code from time to time as appropriate; and to assess on an annual basis the independence of the company's independent directors. In the latter regard the committee has conducted the necessary assessment and is satisfied regarding the independence of each of the independent non-executive directors of the company and of those independent directors who have been in office for more than nine years, having regard to the requirements of King II and the provisions of the Corporate Laws Amendment Act (2006).

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

Risk committee
During the year the board established a risk committee comprising the members of the audit committee. Subsequent to the year-end, the committee held its first meeting which was attended by all members as well as members of senior management.

Succession planning

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

Risk management

Responsibility for managing the group's risks lies ultimately with the board of directors. The executive committee and management 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**
  Most of our businesses are 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 dollars and should not be hedged into any other currency, save that the executive committee is authorised to sell limited amounts due to be collected forward, into rand, if it believes that it would enhance the rand receipts to do so. Unrealised gains and losses arising on translation

at reporting dates of the unhedged portion of the long-term receivables and related valuation adjustments are included in profit and loss and changes in the R/US$ exchange rate may result in volatility in earnings when expressed in rand.

For the years ended 31 December 2010 and 2009, 34% and 38% respectively of Textainer's direct container expenses were paid in foreign currencies other than the US dollar. A decrease in the value of the US dollar against non-US currencies in which these expenses are incurred would translate into an increase in those expenses in US dollar terms, which would decrease net income of Textainer and the group.

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

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

  - Containerised cargo volume growth: A contraction or slowdown in containerised cargo volume growth or negative containerised cargo volume growth would likely create a surplus of containers, lower utilisation, higher direct costs, weaker shipping lines going out of business, pressure for Textainer to offer lease concessions and lead to a reduction in the size of its customers' container fleets.
  - Credit availability and access to equity markets: Continued issues involving liquidity and capital adequacy affecting lenders could affect Textainer's ability to fully access its credit facilities or obtain additional debt and could affect the ability of its lenders to meet their funding requirements when the company needs to borrow. Further, the high level of volatility in the equity markets may make it difficult for Textainer to access the equity markets for additional capital at attractive prices, if at all. If the company is unable to obtain credit or access the capital markets, its business could be negatively impacted.
  - Credit availability to customers: We believe that many of our customers are reliant on liquidity from global credit markets and, in some cases, require external financing to fund their operations. As a consequence, if these customers lack liquidity, it would likely negatively impact their ability to pay amounts due to Textainer.

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

- **Interest rates**
  Textainer has outstanding borrowings under a revolving credit facility, a secured debt facility and outstanding bonds payable. All of these outstanding amounts are denominated in US dollars and are subject to variable interest rates. Textainer has a firm policy that long-term lease business should be financed with fixed rate debt and master lease (short-term) business should be financed with variable rate debt. Interest on loans raised to purchase containers leased out under long-term leases (usually of five years' duration at fixed rates) is swapped into fixed interest rate contracts of a similar term, while loans raised to purchase containers for master lease are at variable rates. Textainer has entered into various interest rate swap and cap agreements to mitigate the exposure associated with variable rate debt. The swap agreements involve payments to counterparties at fixed rates in return for receipts based upon variable rates indexed to the London Inter Bank Offered Rate. There can be no assurance that these interest rate caps and swaps will be available in the future, or if available, will be on satisfactory terms. If Textainer is unable to obtain such interest rate caps and swaps or if a counterparty under the interest rate swap and cap agreements defaults, the exposure associated with the variable rate debt could increase. Textainer does not apply hedge accounting to the interest rate swaps, notwithstanding that such swaps may be economically effective; it accounts on the basis that the net result of the marked-to-market valuation of these instruments is flowed through profit or loss. This may result in volatility of earnings.

- **Credit risk concentration**
  Textainer's customers are mainly international shipping lines which transport goods on international trade routes. Once containers are on-hire to a lessee, Textainer does not track

their location. The domicile of the lessee is not indicative of where the lessee is transporting containers. The business risk for Textainer in its international operations lies with the creditworthiness of the lessees rather than the geographic location of the containers or the domicile of the lessees.

Textainer's five largest customers accounted for approximately 32,3% of its total owned and managed fleet's 2010 lease billings (2009: 34,8%). Lease billings from Textainer's 25 largest container lessees by lease billings represented 76,7% and 74,8% of total owned and managed fleet's container leasing billings in 2010 and 2009 respectively.

A single lessee accounted for 11,1% of Textainer's lease rental income for 2010 (2009: 12,1%). One single lessee (customer A) accounted for 13,5% of Textainer's accounts receivable, net, as at 31 December 2010 and two single lessees (customer B and customer A) accounted for 19,4% and 16,1%, respectively, of Textainer's accounts receivable, net, as at 31 December 2009.

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

- **Decrease in container fleet utilisation**
  A decline in utilisation, for example due to a reduction in world trade or in container traffic on particular routes or an oversupply of competitors' containers, could result in reduced revenue, increased storage expenses and thus lower profit. In order to reduce volatility in revenue and earnings of the containers in the on-hire fleet that are owned by Textainer, 78,5% (2009: 74,4%) are on long-term lease. Textainer has also developed a very active used-container trading operation and thus has an effective infrastructure to dispose of containers that have reached the end of their economic lives, on the best available terms. Textainer monitors containers due to come off lease and manages their disposal or re-lease.

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

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

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

- **Financial instruments and risk management – refer note 30 on page 57.**

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.

Group strategy statement

The group strategy statement is as follows:

Trencor's strategy is to invest in operations that have as their business:

The enablement of the controlled movement of goods by providing, managing and integrating the use of equipment, services, knowledge and information.

We aim to do this by:

- providing a global and integrated set of offerings through owning, managing and/or leasing of assets used by customers in the controlled movement of goods; and
- pursuing investment in related information and communication technologies and appropriate forms of information management.

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

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, managers and employees are expected to strive at all times to adhere to this code, and to enhance the reputation of the group. The code is signed by all directors, managers and senior employees at least every three years.

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

Restriction on trading in shares

A formal policy prohibits directors, officers and employees from dealing in the company's shares and those of Mobile, from the date of the end of an interim reporting period until after the interim results have been published and similarly from the end 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.

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

Sustainability strategy

Trencor recognises the interest of both internal and external stakeholders in its organisational performance. As a socially responsible group of companies it subscribes to 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 should not be ignored. Sustainability is therefore important in enhancing shareholder value, in addition to fulfilling the group's social responsibility.

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

Managing sustainability

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

Sustainability risk focus areas

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

Measuring performance

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

The statement below shows the wealth created during the year ended 31 December 2010 and how it was distributed:

	Rm
Wealth created:	
Total revenue	2 353
Less: costs of goods and services	(606)
	1 747
Wealth distributed:	
Employees' compensation	190
Government normal tax: South African	40
Foreign (reduction in provision)	(56)
Deferred tax	25
Shareholders (dividends)	370
Depreciation and amortisation	466
Net earnings retained	712
	1 747
	Cents per share
Shareholders	
Growth of shareholder wealth and returns	
Earnings	333
Dividends	140
Trencor share price at year-end	3 200

Employees

Trencor and Textainer both have in place succession plans approved by their respective corporate governance and nomination committees.

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

Details of the share incentive schemes 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 against employees. 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 the safety of others.

Customers

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

Suppliers

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

Regulatory issues

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

Employment equity

The group's South African workforce at 31 December 2010 comprised the employees of Trencor Services (Pty) Limited at the group's corporate head office consisting of 20 persons: four executive white male directors, four white males in senior management, one coloured male in mid-management, one white disabled and one coloured male and two white females in junior management, two coloured and three white semi-skilled females and one unskilled coloured male and one African woman.

Environment

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

Community investments

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 and ACVV Peninsula. In addition, donations were made to the University of the Western Cape, University of Stellenbosch and the Cape Peninsula University of Technology.

External assurance

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

Trencor Limited and Subsidiaries 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.

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Trencor Limited, comprising the statements of financial position at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

The directors 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 group annual financial statements and annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of group annual financial statements and annual financial statements

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

Signed on behalf of the board

N I Jowell Chairman

E Oblowitz Director and chairman of the audit committee

Cape Town
29 April 2011

Independent Auditor's Report to the members of Trencor Limited

Report on the financial statements

We have audited the group annual financial statements and the annual financial statements of Trencor Limited, which comprise the statements of financial position at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 20 to 69.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 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 2010 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc

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

Cape Town
29 April 2011

Declaration by the Company Secretary

It is hereby certified that for the year ended 31 December 2010, the company has lodged with the Registrar of Companies all returns as are required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

Trencor Services (Pty) Ltd
Secretaries
Per G W Norval
Cape Town
29 April 2011

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 22 to 69.

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

	2010 Rm	2009 Rm
Container operations		
Container finance	17	19
Textainer	581	486
Exchange translation losses	(63)	(215)
Net long-term receivable adjustment	136	(11)
Interest and other corporate items	(47)	(27)
Discontinued operations	–	7
	624	259

Directors and secretary

The names of the directors appear on page 2 and that of the secretary on page 70. Mr H Wessels was appointed as an independent non-executive director with effect from 1 April 2011.

In terms of the articles of association Messrs N I Jowell, J E McQueen and H R van der Merwe retire by rotation at the forthcoming annual general meeting and Mr H Wessels, who was appointed as a director after the preceding annual general meeting, also retires. These retiring directors are eligible and offer themselves for re-election.

Brief résumés of the directors are presented on page 72.

Directors' interests

The aggregate of the direct and indirect beneficial interests of the directors in the issued shares of the company at 31 December 2010 was 11,8% (2009: 11,8%).

The direct and indirect beneficial interests of each director who held in excess of 1% of the issued shares at 31 December 2010 and 2009 were as follows:

	2010 %	2009 %
C Jowell	5,8	5,8
N I Jowell	5,9	5,9

The specific share repurchase of 10 800 881 Trencor shares from trusts in respect of which Messrs C Jowell and N I Jowell are amongst the beneficiaries was implemented on 14 March 2011 (refer note 35 on page 69). From that date, the direct interests of each director who held in excess of 1% of the issued shares were as follows:

	%
C Jowell	3,1
N I Jowell	3,2

Cash dividends

	Payment number	Record date	Payment date	Cents per share	Total Rm
2009					
Interim	87	04/09/09	07/09/09	35	66
Final	88	26/03/10	29/03/10	85	159
2010					
Interim	89	17/09/10	20/09/10	40	75
Final	90	01/04/11	04/04/11	100	177

The Trencor Share Option Plan

In terms of The Trencor Share Option Plan, options have been granted to certain executive directors and employees amounting in aggregate to 6 740 000 ordinary shares in the unissued share capital of the company. The maximum number of shares available for utilisation under the Plan was 8 884 209 (2009: 8 884 209). No options were exercised during the year.

Interest in significant subsidiaries

	Share capital and premium million	Effective interest 2010 %	Effective interest 2009 %	Shares at cost 2010 Rm	Shares at cost 2009 Rm	Amount owing to company 2010 Rm	Amount owing to company 2009 Rm
Indirect:							
Textainer Group Holdings Ltd [1] (Incorporated in Bermuda) Owning, leasing, managing and reselling of marine cargo containers	US$167	**61,6 [2]**	62,3	**–**	–	**–**	–
Direct:							
Trencor Container Holdings (Pty) Ltd (Incorporated in the Republic of South Africa) Holding company of Trencor Containers (Pty) Ltd	R4	**100**	100	**51**	51	**–**	–
Trencor Services (Pty) Ltd (Incorporated in the Republic of South Africa) Corporate administration and financing	R1 012	**100**	100	**1 017**	1 017	**(378)**	(286)
				1 068	1 068	**(378)**	(286)
Aggregate of all other subsidiaries				**384**	384	**65**	–
				1 452	1 452	**(313)**	(286)
Less impairment loss				**(378)**	(352)	**–**	–
				1 074	1 100	**(313)**	(286)

[1] 61,6% of the issued shares of Textainer at 31 December 2010 is owned by Halco Holdings Inc ('Halco'). Halco is incorporated in the British Virgin Islands and is wholly-owned by the Halco Trust, a trust resident in Liechtenstein. Trencor and certain of its wholly-owned South African subsidiaries are the nominated sole beneficiaries of the Halco Trust. The protectors of the Halco Trust are Messrs C Jowell, N I Jowell, J E McQueen, D M Nurek and E Oblowitz.

[2] Reduced to 60,9% 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:

	2010 Rm	2009 Rm
Profits	**673**	500
Losses	**(14)**	(228)
	659	272

Special resolutions

At the annual general meeting held on 26 May 2010, shareholders passed a special resolution, which was registered on 10 June 2010, to grant the company a general authority for the acquisition by the company or any of its subsidiaries of shares issued by the company. This authority is valid until the earlier of the next annual general meeting or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that it shall not extend beyond fifteen months from the date of passing of the resolution.

At a general meeting held on 14 December 2010, shareholders passed a special resolution, which was registered on 11 January 2011, for the specific share repurchase of 10 800 881 Trencor shares at a price of R38,61 per share from trusts in respect of which Messrs C Jowell and N I Jowell are amongst the beneficiaries. The share repurchase was implemented on 14 March 2011 and the resultant issued share capital in Trencor is R883 340,06 comprising 176 668 011 ordinary shares with a par value of 0,5 cent each.

Special resolutions of subsidiaries

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

Analysis of shareholders

An analysis of shareholders and of holders who held 3% or more of the issued shares at 31 December 2010 is presented on page 70. In addition, an analysis of shareholders and of holders who held 3% or more of the issued shares at 25 March 2011 (i.e. post the unbundling by Mobile of its 46,25% interest in Trencor and the specific share repurchase by Trencor of 10 800 881 Trencor shares) is presented on page 71.

Statements of Financial Position

at 31 December 2010

	Notes	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
Assets					
Property, plant and equipment	4	9 604	7 858	–	–
Intangible assets	5	400	493	–	–
Investments	6	14	272	–	–
Investment in subsidiaries	7	–	–	1 074	1 100
Amount due by subsidiary	7	–	–	–	82
Long-term receivables	8	828	838	1	2
Net investment in finance leases	9	325	447	–	–
Derivative financial instruments	10	9	5	–	–
Deferred tax assets	11	77	101	–	–
Restricted cash	12	99	48	–	–
Total non-current assets		11 356	10 062	1 075	1 184
Inventories	13	22	9	–	–
Trade and other receivables	14	458	524	–	–
Investment	6	235	–	–	–
Current portion of long-term receivables	8	149	118	–	–
Current portion of net investment in finance leases	9	112	125	–	–
Current tax assets	15	3	2	–	–
Amount due by subsidiary	7	–	–	65	–
Assets classified as held for sale		–	11	–	–
Cash and cash equivalents	16	1 029	1 104	–	–
Total current assets		2 008	1 893	65	–
Total assets		13 364	11 955	1 140	1 184
Equity					
Issued capital	17	1	1	1	1
Share premium		456	456	456	456
Reserves	17	3 438	3 384	296	357
Total equity attributable to equity holders of the company		3 895	3 841	753	814
Non-controlling interest		2 056	1 905	–	–
Total equity		5 951	5 746	753	814
Liabilities					
Interest-bearing borrowings	18	5 475	4 538	–	–
Amounts attributable to third parties in respect of long-term receivables	8	221	204	–	–
Amount due to subsidiary	7	–	–	378	368
Derivative financial instruments	10	90	66	–	–
Deferred revenue	19	20	83	–	–
Deferred tax liabilities	11	225	230	1	1
Total non-current liabilities		6 031	5 121	379	369
Trade and other payables	20	909	368	8	1
Current tax liabilities	15	64	138	–	–
Current portion of interest-bearing borrowings	18	340	500	–	–
Current portion of amounts due to third parties in respect of long-term receivables	8	24	21	–	–
Deferred revenue	19	45	58	–	–
Liabilities classified as held for sale		–	3	–	–
Total current liabilities		1 382	1 088	8	1
Total liabilities		7 413	6 209	387	370
Total equity and liabilities		13 364	11 955	1 140	1 184

Statements of Comprehensive Income

for the year ended 31 December 2010

	Notes	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
Continuing operations					
Revenue	3.11, 29	**2 353**	1 958	**249**	229
Other operating income		**18**	8	**–**	10
Changes in inventories		**(349)**	(452)	**–**	–
Direct leasing expenses		**(187)**	(325)	**–**	–
Staff costs		**(190)**	(191)	**–**	–
Depreciation		**(418)**	(378)	**–**	–
Other operating expenses		**(162)**	(186)	**(55)**	(4)
Net long-term receivable fair value adjustment		**250**	130	**–**	–
Operating profit before net finance (expenses)/income	21	**1 315**	564	**194**	235
Net finance (expenses)/income	22	**(224)**	71	**2**	6
Finance expenses					
Interest expense		**(132)**	(95)	**–**	–
Realised and unrealised losses on derivative financial instruments		**(102)**	(29)	**–**	–
Finance income					
Interest income		**10**	20	**2**	6
Gain on repurchase of debt		**–**	175	**–**	–
Profit before tax		**1 091**	635	**196**	241
Income tax (expense)/credit	23	**(9)**	32	**(23)**	(22)
Profit for the year from continuing operations		**1 082**	667	**173**	219
Discontinued operations					
Profit for the year from discontinued operations after tax		**–**	24	**–**	–
Profit for the year		**1 082**	691	**173**	219
Other comprehensive loss		**(583)**	(1 205)	**–**	(9)
Foreign currency translation differences		**(583)**	(1 196)	**–**	–
Net change in fair value of available-for-sale financial asset		**–**	(2)	**–**	(2)
Net change in fair value of available-for-sale financial asset transferred to profit or loss		**–**	(7)	**–**	(7)
Total comprehensive income/(loss) for the year		**499**	(514)	**173**	210
Total comprehensive income/(loss) for the year attributable to:					
Equity holders of the company		**268**	(471)	**173**	210
Non-controlling interest		**231**	(43)	**–**	–
		499	(514)	**173**	210
Profit for the year attributable to:					
Equity holders of the company		**624**	259	**173**	219
Non-controlling interest		**458**	432	**–**	–
		1 082	691	**173**	219
Basic earnings per share (cents)	24				
Entity as a whole		**332,5**	138,1		
Continuing operations		**332,5**	134,7		
Discontinued operations		**–**	3,4		
Diluted earnings per share (cents)	24				
Entity as a whole		**331,8**	138,0		
Continuing operations		**331,8**	134,6		
Discontinued operations		**–**	3,4		

Statements of Changes in Equity
for the year ended 31 December 2010

Group	Share capital Rm	Share premium Rm	Fair value reserve Rm
			Attributable
Balance at 31 December 2008	1	455	19
Total comprehensive (loss)/income for the year			
Profit for the year	–	–	–
Other comprehensive loss for the year			
Foreign currency translation differences	–	–	–
Net change in fair value of available-for-sale financial assets	–	–	(2)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	(7)
Total other comprehensive loss for the year	–	–	(9)
Total comprehensive (loss)/income for the year	–	–	(9)
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	–	–	–
Share options exercised	–	1	–
Dividends paid to equity holders	–	–	–
Liquidation dividend paid by subsidiary	–	–	–
Total contributions by/(distributions to) owners	–	1	–
Total changes in ownership interests in subsidiaries	–	–	–
Total transactions with owners	–	1	–
Balance at 31 December 2009	1	456	10
Total comprehensive (loss)/income for the year			
Profit for the year	**–**	**–**	**–**
Other comprehensive loss for the year			
Foreign currency translation differences	**–**	**–**	**–**
Total other comprehensive loss for the year	**–**	**–**	**–**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	**–**	**–**	**–**
Share options exercised	**–**	**–**	**–**
Dividends paid to equity holders	**–**	**–**	**–**
Total contributions by/(distributions to) owners	**–**	**–**	**–**
Total changes in ownership interests in subsidiaries	**–**	**–**	**–**
Total transactions with owners	**–**	**–**	**–**
Balance at 31 December 2010	**1**	**456**	**10**

Company	Share capital Rm	Share premium Rm	Fair value reserve Rm
Balance at 31 December 2008	1	455	9
Total comprehensive loss for the year			
Profit for the year	–	–	–
Other comprehensive loss for the year			
Change in fair value of available-for-sale financial asset	–	–	(2)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	(7)
Total other comprehensive loss for the year	–	–	(9)
Total comprehensive (loss)/income for the year	–	–	(9)
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share options exercised	–	1	–
Dividends paid to equity holders	–	–	–
Total contributions by/(distributions to) owners	–	1	–
Balance at 31 December 2009	1	456	–
Total comprehensive income for the year			
Profit for the year	**–**	**–**	**–**
Total comprehensive income 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 2010	**1**	**456**	**–**

to equity holders of the company						
Foreign currency translation reserve Rm	Equity compen-sation reserve Rm	Gain on dilution of investment in subsidiaries Rm	Retained income Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
843	98	282	2 804	4 502	2 117	6 619
–	–	–	259	259	432	691
(721)	–	–	–	(721)	(475)	(1 196)
–	–	–	–	(2)	–	(2)
–	–	–	–	(7)	–	(7)
(721)	–	–	–	(730)	(475)	(1 205)
(721)	–	–	259	(471)	(43)	(514)
–	25	–	–	25	15	40
–	–	–	–	1	–	1
–	–	–	(206)	(206)	(139)	(345)
–	–	–	–	–	(55)	(55)
–	25	–	(206)	(180)	(179)	(359)
–	–	(10)	–	(10)	10	–
–	25	(10)	(206)	(190)	(169)	(359)
122	123	272	2 857	3 841	1 905	5 746
–	**–**	**–**	**624**	**624**	**458**	**1 082**
(356)	**–**	**–**	**–**	**(356)**	**(227)**	**(583)**
(356)	**–**	**–**	**–**	**(356)**	**(227)**	**(583)**
(356)	**–**	**–**	**624**	**268**	**231**	**499**
–	**24**	**–**	**–**	**24**	**15**	**39**
–	**–**	**–**	**–**	**–**	**37**	**37**
–	**–**	**–**	**(234)**	**(234)**	**(136)**	**(370)**
–	**24**	**–**	**(234)**	**(210)**	**(84)**	**(294)**
–	**–**	**(4)**	**–**	**(4)**	**4**	**–**
–	**24**	**(4)**	**(234)**	**(214)**	**(80)**	**(294)**
(234)	**147**	**268**	**3 247**	**3 895**	**2 056**	**5 951**

Preference share amortisation adjustment Rm	Equity compen-sation reserve Rm	Retained income/ (Accumulated loss) Rm	Total Rm
600	2	(258)	809
–	–	219	219
–	–	–	(2)
–	–	–	(7)
–	–	–	(9)
–	–	219	210
–	–	–	1
–	–	(206)	(206)
–	–	(206)	(205)
600	2	(245)	814
–	**–**	**173**	**173**
–	**–**	**173**	**173**
–	**–**	**(234)**	**(234)**
–	**–**	**(234)**	**(234)**
600	**2**	**(306)**	**753**

Statements of Cash Flows

for the year ended 31 December 2010

	Notes	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
Cash flows from operating activities					
Cash generated from operations	25	**1 881**	1 483	**227**	224
Acquisition of container leasing equipment		**(2 934)**	(1 162)	**–**	–
Finance income received		**10**	20	**2**	6
Finance expenses paid		**(175)**	(201)	**–**	–
Dividends paid to shareholders of the company		**(234)**	(206)	**(234)**	(206)
Dividends paid to non-controlling interest		**(136)**	(139)	**–**	–
Income taxes paid	15	**(56)**	(82)	**(23)**	(23)
Net cash (outflow)/inflow from operating activities		**(1 644)**	(287)	**(28)**	1
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(5)**	(17)	**–**	–
Acquisition of intangible assets		**–**	(115)	**–**	–
Increase in unlisted investments		**–**	(289)	**–**	–
Proceeds on disposal of investment		**–**	13	**–**	13
Amounts repaid by/(advanced to) subsidiaries		**–**	–	**27**	(15)
Decrease in finance leases		**172**	322	**–**	–
(Increase)/Decrease in restricted cash		**(62)**	79	**–**	–
Proceeds on disposal of discontinued operations		**–**	62	**–**	–
Net cash inflow/(outflow) from investing activities		**105**	55	**27**	(2)
Cash flows from financing activities					
Interest-bearing borrowings repaid		**(2 030)**	(3 155)	**–**	–
Interest-bearing borrowings raised		**3 511**	3 186	**–**	–
Debt issuance costs incurred		**(85)**	(1)	**–**	–
Proceeds on issue of shares		**–**	1	**–**	1
Proceeds on issue of shares by subsidiary		**37**	–	**–**	–
Receipts from long-term receivables		**158**	297	**1**	–
Payments to third parties in respect of long-term receivables		**(29)**	(18)	**–**	–
Bonds payable repurchased		**–**	(181)	**–**	–
Liquidation dividend paid to non-controlling interest		**–**	(55)	**–**	–
Net cash inflow from financing activities		**1 562**	74	**1**	1
Net increase/(decrease) in cash and cash equivalents		**23**	(158)	**–**	–
Cash and cash equivalents at the beginning of the year		**1 115**	1 526	**–**	–
Effect of exchange rate changes on cash and cash equivalents		**(109)**	(253)	**–**	–
Cash and cash equivalents at the end of the year	16	**1 029**	1 115*	**–**	–

* 2009: R11 million cash included in assets classified as held for sale.

Notes to the Financial Statements

for the year ended 31 December 2010

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 2010 comprise the company and its subsidiaries (together referred to as the 'group' and individually as 'group entities') and the group's interest in associates. The group is primarily involved in owning, leasing, managing and reselling marine cargo containers worldwide, and related financing activities.

2. **Basis of preparation**

   2.1 **Statement of compliance**

   The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice (AC 500 Series) and the requirements of the Companies Act of South Africa. The financial statements were approved by the board of directors on 29 April 2011.

   2.2 **Basis of measurement**

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

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

   2.3 **Functional and presentation currency**

   These separate and consolidated financial statements are presented in South African rand, which is the company's functional currency. All financial information presented in South African rand has been rounded to the nearest 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 33.

   2.5 **Changes in accounting policies**

   Accounting for business combinations and acquisition of non-controlling interests

   The group chose to early adopt the requirements of the amendments to IAS 27 *Consolidated and Separate Financial Statements* as well as IFRS 3 *Business Combinations* (2008) effective 1 January 2009, therefore there has been no impact on the current year financial results. The policy is described in note 3.1.1.

3. **Significant accounting policies**

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

   3.1 **Basis of consolidation**

   3.1.1 *Subsidiaries*

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

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

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

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

3.1.2 *Associates*

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

Gains or losses arising on the dilution of investments in associates are recognised in profit or loss and the net gain or loss attributable to the group is transferred to a separate reserve in equity. In the case of the company, investments in associate companies are carried at cost, less accumulated impairment losses.

3.1.3 *Transactions eliminated on consolidation*

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

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

3.2 Foreign currency

3.2.1 *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

3.2.2 *Foreign operations*

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

3.3 Financial instruments

3.3.1 *Non-derivative financial instruments*

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

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

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

Available-for-sale financial assets

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

Assets at fair value through profit or loss

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

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

Loans and receivables

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

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

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

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

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

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

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

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

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

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

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

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

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

3.3.4 ***Offsetting***
Financial assets and liabilities are off-set and the net amount presented in the statement of financial position when the group has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting

standards, or for gains and losses arising from a group of similar transactions.

3.4 **Property, plant and equipment**

3.4.1 ***Recognition and measurement***

Owned assets

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

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

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

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

Leased assets

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

3.4.2 ***Subsequent costs***

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

3.4.3 ***Depreciation***

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

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

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

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

3.5 **Goodwill**

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

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

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

For acquisitions on or after 1 January 2010, the group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus

- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchased gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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

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

3.6 Intangible assets
Intangible assets consist of exclusive rights to manage various fleets of containers and are measured at cost less accumulated amortisation (refer to note 3.6.2) and accumulated impairment losses (refer to note 3.9). Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

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

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

	Years
Container management contracts	11 – 13

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

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

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

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

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

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

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

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

3.9.2 ***Non-financial assets***

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

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

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

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

3.10 **Provisions**

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

3.11 Revenue

3.11.1 *Goods sold*

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

3.11.2 *Leasing income*

Marine cargo containers

Leasing income arises principally from operating and finance leases.

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

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

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

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

3.11.3 *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).

3.11.4 *Dividend income*

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

3.12 Expenses

3.12.1 *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.

3.12.2 *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.

3.13 Employee benefits

3.13.1 *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.

3.13.2 *Retirement benefits*

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

3.13.3 *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.

3.14 Income tax

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

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

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

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

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

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

3.15 Discontinued operations

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

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

3.16 **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.

3.17 **Segment reporting**

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the board include items that are directly attributable to the segment. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

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

3.18 **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*.

	Group				
	Land and buildings Rm	Container leasing equipment Rm	Plant and machinery Rm	Other equipment and motor vehicles Rm	Total Rm
4. Property, plant and equipment					
Cost					
2009					
Balance at the beginning of the year	10	12 239	19	82	12 350
Additions	5	1 479	5	7	1 496
Effect of movements in exchange rates	(3)	(2 618)	(4)	(16)	(2 641)
Transfer to container inventory	–	(644)	–	–	(644)
Transfer to finance leases	–	(141)	–	–	(141)
Disposals	–	–	(1)	(1)	(2)
Balance at the end of the year	12	10 315	19	72	10 418
2010					
Additions	**2**	**3 561**	**–**	**3**	**3 566**
Effect of movements in exchange rates	**(2)**	**(1 332)**	**(2)**	**(6)**	**(1 342)**
Transfer to container inventory	**–**	**(521)**	**–**	**–**	**(521)**
Transfer to finance leases	**–**	**(48)**	**–**	**–**	**(48)**
Disposals	**(1)**	**–**	**–**	**(5)**	**(6)**
Balance at the end of the year	**11**	**11 975**	**17**	**64**	**12 067**
Depreciation and impairment losses					
2009					
Balance at the beginning of the year	7	3 064	11	70	3 152
Depreciation for the year	1	370	1	6	378
Effect of movements in exchange rates	(2)	(642)	(1)	(14)	(659)
Impairment loss for the year	–	16	–	–	16
Transfer to container inventory	–	(313)	–	–	(313)
Transfer to finance leases	–	(12)	–	–	(12)
Disposals	–	–	(1)	(1)	(2)
Balance at the end of the year	6	2 483	10	61	2 560
2010					
Depreciation for the year	**1**	**411**	**1**	**5**	**418**
Effect of movements in exchange rates	**(1)**	**(267)**	**(1)**	**(5)**	**(274)**
Impairment loss for the year	**–**	**12**	**–**	**–**	**12**
Transfer to container inventory	**–**	**(247)**	**–**	**–**	**(247)**
Disposals	**(1)**	**–**	**–**	**(5)**	**(6)**
Balance at the end of the year	**5**	**2 392**	**10**	**56**	**2 463**
Carrying amounts					
At 1 January 2009	3	9 175	8	12	9 198
At 31 December 2009	6	7 832	9	11	7 858
At 31 December 2010	**6**	**9 583**	**7**	**8**	**9 604**
Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 18)					
At 31 December 2009	–	7 832	–	–	7 832
At 31 December 2010	**–**	**9 583**	**–**	**–**	**9 583**

4.1 The net book value of improvements to leased premises amounts to R6 million (2009: R6 million).

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

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

Notes to the Financial Statements
for the year ended 31 December 2010

	Group Container management contracts Rm
5. Intangible assets	
Cost	
2009	
Balance at the beginning of the year	696
Additions	115
Effect of movements in exchange rates	(154)
Disposals	(31)
Balance at the end of the year	626
2010	
Effect of movements in exchange rates	**(63)**
Balance at the end of the year	**563**
Amortisation	
2009	
Balance at the beginning of the year	105
Amortisation for the year	59
Effect of movements in exchange rates	(28)
Disposals	(3)
Balance at the end of the year	133
2010	
Amortisation for the year	**48**
Effect of movements in exchange rates	**(18)**
Balance at the end of the year	**163**
Carrying amounts:	
At 1 January 2009	591
At 31 December 2009	493
At 31 December 2010	**400**

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

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

	Group 2010 Rm	Group 2009 Rm
6. Investments		
Equity instruments available-for-sale		
Unlisted companies	**14**	14
	14	14
Financial assets designated at fair value through profit or loss		
Protected currency basket note	**235**	258
Current portion included in current assets	**(235)**	–
	–	258
The protected currency basket note consists of Australian and emerging market currencies, namely the Brazilian Real, the Indian Rupee and the Korean Won. The protected currency basket note matures on 12 October 2011. The terms of the note guarantee a minimum capital return of 100% if held to maturity. The reduction in the carrying amount of the note is principally the result of movements in exchange rates.		
Total investments	**14**	272

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

	Company 2010 Rm	Company 2009 Rm
7. Interest in subsidiaries		
Ordinary shares at cost	**439**	439
Preference shares including amortisation adjustment	**1 013**	1 013
Investment in subsidiaries before impairment losses	**1 452**	1 452
Less impairment losses	**(378)**	(352)
Investment in subsidiaries	**1 074**	1 100
Amount due by subsidiary – short-term	**65**	–
Amount due by subsidiary – long-term	**–**	82
	1 139	1 182
Amount due to subsidiary – long-term	**(378)**	(368)
	761	814
7.1 The long-term interest-bearing loan due by subsidiary was repaid during the year (2009: interest at 6,0% p.a. was charged). The short-term loan due by subsidiary is unsecured and interest free and is repayable within the next twelve months.		
7.2 Amount due to subsidiary is unsecured and interest free and is not repayable within the next twelve months.		
7.3 Income earned from subsidiaries during the year included in profit or loss:		
Dividend income (refer note 21)	**249**	229
Interest income (refer note 22)	**2**	6
	251	235

7.4 The impairment of the investment in a subsidiary, in the current year, arose as a result of a dividend paid to the company.

	Group		Company	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm
8. Net investment in long-term receivables				
Net investment in long-term receivables comprises:				
Long-term receivables	828	838	1	2
Amounts attributable to third parties in respect of long-term receivables	(221)	(204)	–	–
	607	634	1	2
Represented by:				
Total receivables	1 383	1 697	1	2
Less deferred income	47	84	–	–
Net present value of long-term receivables	1 336	1 613	1	2
Less amounts attributable to third parties in respect of long-term receivables	332	354	–	–
Total amount	359	392	–	–
Less deferred expenditure	27	38	–	–
Net present value of net investment in long-term receivables	1 004	1 259	1	2
Less fair value adjustment to net investment, relating to:	272	528	–	–
Long-term receivables	359	657	–	–
Amounts attributable to third parties in respect of long-term receivables	(87)	(129)	–	–
	732	731	1	2
Less current portion of net investment included in:	125	97	–	–
Current assets	149	118	–	–
Current liabilities	(24)	(21)	–	–
	607	634	1	2

8.1 Total receivables in base currency amounted to US$209 million (2009: US$231 million).

8.2 Long-term receivables are valued by discounting future cash flows. The discount rate applied to the receivables (denominated in US$) is 8,5% p.a. (2009: 8,5% p.a.). An appropriate fair value adjustment is made to the net investment for the estimated timing of receipt and the possible non-collectibility of these receivables, and the related effect on the payment to third parties. The net present value of the long-term receivables and the related fair value adjustment were translated into SA rand at US$1 = R6,61 (2009: US$1 = R7,35). Approximately 98% (2009: 85%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income and approximately 2% (2009: 15%) relates to the possible non-collectibility of receivables. There has been a base currency decrease equal to R189 million in the fair value adjustment (2009: R14 million increase).

8.3 The amounts attributable to third parties in respect of the long-term receivables are denominated in SA rand and are valued by discounting future cash flows at 10% p.a. (2009: 10% p.a.). These are payable as and when the proceeds from the related long-term receivables are received.

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

	Group	
	2010 Rm	2009 Rm
Total amounts attributable to third parties	359	392
Less deferred expenditure	27	38
Net present value of amounts attributable to third parties	332	354
Fair value adjustment	(87)	(129)
Fair value of amounts attributable to third parties	245	225
Current portion included in trade and other payables	(24)	(21)
	221	204

	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
	2010			2009		
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
9. **Net investment in finance leases**						
Amounts receivable under finance leases:						
Within one year	**143**	**31**	**112**	166	41	125
Between one and five years	**321**	**44**	**277**	422	72	350
After five years	**54**	**6**	**48**	108	11	97
	518	**81**	**437**	696	124	572

	Group	
	2010 Rm	2009 Rm
Analysed as:		
Non-current finance lease receivables	**325**	447
Current finance lease receivables included in current assets	**112**	125
	437	572

9.1 Net investment in finance leases represents amounts receivable in respect of containers leased to shipping lines. The containers are usually leased for their useful lives with a purchase option at the end of the lease term. There are no contingent rentals.

9.2 The interest rate inherent in the leases is fixed at the contract date for the full term of the lease. The average effective interest rate contracted approximates 9,68% p.a. (2009: 11,37% p.a.).

9.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R0,3 million (2009: R0,4 million).

9.4 The net investment in finance leases has been pledged as security for a loan (refer to note 18).

9.5 The fair value of the net investment in finance leases is R426 million (2009: R549 million) (refer to note 30). No impairment loss has been recognised as the difference between carrying value and fair value resulted from changes in current market interest rates without any changes to future contractual cash flows.

10. Derivative financial instruments

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

Type of contract	Final maturity	Underlying	Notional amount of contracts outstanding Rm	Fair value Assets Rm	Fair value Liabilities Rm
2010					
Interest rate cap contracts	November 2015	Interest rates	**893**	**–**	**–**
Interest rate swap contracts	December 2015	Interest rates	**3 041**	**9**	**90**
				9	**90**
2009					
Interest rate cap contracts	November 2015	Interest rates	1 191	–	–
Interest rate swap contracts	December 2014	Interest rates	2 644	5	66
				5	66

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

10.2 The variable interest rate debt principal outstanding amounted to R5 815 million at 31 December 2010 (2009: R5 038 million) of which R3 934 million (2009: R3 835 million) in notional value was covered by interest rate cap and swap contracts.

	Group					
	Assets		Liabilities		Net	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm	2010 Rm	2009 Rm
11. Deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to the following:						
Property, plant and equipment	–	–	99	94	99	94
Net investment in long-term receivables	–	(5)	14	–	14	(5)
Investments	–	–	2	2	2	2
Export partnerships	–	–	1	1	1	1
Trade and other receivables	–	–	12	9	12	9
Trade and other payables	(36)	(36)	–	–	(36)	(36)
Tax loss carry-forwards	(38)	(41)	–	–	(38)	(41)
Deferred income	–	–	94	105	94	105
Tax (assets)/liabilities	(74)	(82)	222	211	148	129
Set-off of tax	(3)	(19)	3	19	–	–
Net tax (assets)/liabilities	(77)	(101)	225	230	148	129

Movement in temporary differences for the group during the year:

	Balance at the beginning of the year Rm	Recognised in profit or loss Rm	Exchange adjustment in equity Rm	Long-term receivables Rm	Balance at the end of the year Rm
2009					
Property, plant and equipment	110	8	(24)	–	94
Net investment in long-term receivables	104	(110)	–	1	(5)
Investments	2	–	–	–	2
Export partnerships	1	–	–	–	1
Trade and other receivables	11	–	(2)	–	9
Trade and other payables	(42)	(2)	8	–	(36)
Tax loss carry-forwards	(41)	(10)	10	–	(41)
Deferred income	120	(3)	(12)	–	105
	265	(117)	(20)	1	129
2010					
Property, plant and equipment	94	16	(11)	–	99
Net investment in long-term receivables	(5)	18	–	1	14
Investments	2	–	–	–	2
Export partnerships	1	–	–	–	1
Trade and other receivables	9	4	(1)	–	12
Trade and other payables	(36)	(4)	4	–	(36)
Tax loss carry-forwards	(41)	(2)	5	–	(38)
Deferred income	105	(7)	(4)	–	94
	129	25	(7)	1	148

11.1 The group has deferred tax assets of R38 million relating to tax loss carry-forwards (2009: R41 million) which will expire between 2017 and 2030 if not utilised.

11.2 In certain of the countries in which group companies operate, local tax laws provide that earnings only be taxed in those jurisdictions when the earnings are transferred out of such jurisdictions. It is intended that these earnings be permanently reinvested in those countries. At 31 December 2010, cumulative earnings of approximately R240 million (2009: R250 million) would be subject to income taxes of approximately R71 million (2009: R71 million) if such earnings of foreign companies were transferred out of such jurisdictions in the form of dividends.

11.3 In the case of the company, the deferred tax liability of R1 million (2009: R1 million) arises as a result of its participation in export partnerships.

11.4 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 (2009: nil).

	Group 2010 Rm	Group 2009 Rm
12. Restricted cash		
The restricted cash is held by lenders as additional collateral for Textainer's secured debt facility and bonds payable (refer to note 18).	99	48
	99	48

The terms of the bonds payable and the secured debt facility require that a minimum of eight (2009: five) months interest be held as restricted cash. The net operating income of the borrowing company is also required to be placed in a trust account and cannot be withdrawn until the monthly principal and interest payments are made.

	Group 2010 Rm	Group 2009 Rm
13. Inventories		
Container equipment held for resale	22	9
	22	9
14. Trade and other receivables		
Trade receivables	420	508
Prepayments	17	5
Other	21	11
	458	524

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
15. Current tax				
Amounts payable at the beginning of the year	138	164	–	1
Amounts receivable at the beginning of the year	(2)	(2)	–	–
Effect of movements in exchange rates	(7)	(35)	–	–
Recognised in profit or loss				
South African normal	21	37	–	1
Foreign normal	(56)	33	–	–
Secondary tax on companies	23	21	23	21
Amounts payable at the end of the year	(64)	(138)	–	–
Amounts receivable at the end of the year	3	2	–	–
Amounts paid during the year	56	82	23	23

	Group 2010 Rm	Group 2009 Rm
16. Cash and cash equivalents		
Bank balances	579	549
Call and term deposits	450	555
	1 029	1 104

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
17. Capital and reserves				
Share capital				
Authorised				
Ordinary shares of 0,5 cent each				
200 000 000 (2009: 200 000 000) (refer not 35)	1	1	1	1
Issued				
Ordinary shares of 0,5 cent each				
187 468 892 (2009: 187 468 892) (refer note 35)	1	1	1	1
	Number of shares (million)			
In issue at the beginning of the year	187,5	187,4	187,5	187,4
Issued for cash	–	0,1	–	0,1
In issue at the end of the year	187,5	187,5	187,5	187,5

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

17.2 The shares, issued for cash in the prior year, were issued by the company pursuant to the exercise of certain options under The Trencor Share Option Plan (refer to note 28).

	Rm	Rm	Rm	Rm
17.3 **Dividends**				
Dividends declared and paid during the year are as follows:				
Final dividend in respect of financial year 2009 – 85 cents per share (2008: 75 cents)	159	140	159	140
Interim dividend in respect of financial year 2010 – 40 cents per share (2009: 35 cents)	75	66	75	66
	234	206	234	206

A final dividend of 100 cents per share in respect of financial year 2010 (2009: 85 cents per share) was declared by the board on 28 February 2011. This dividend will be subject to STC of R19 million (2009: R16 million).

17.4 The company has no distributable reserves which could be distributed by way of dividends and subject to STC (2009: nil).

17.5 **Reserves**

Fair value reserve

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

Foreign currency translation reserve

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

Equity compensation reserve

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

Gain on dilution of investment in subsidiaries

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

Preference share amortisation adjustment

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

	Current interest rate % p.a.	Interest fixed or indexed to	Repayment terms	Annual instalment Rm	Final maturity	Foreign amount 2010 US$m	Foreign amount 2009 US$m	Group 2010 Rm	Group 2009 Rm
18. Interest-bearing borrowings									
Secured (refer to note 18.1)									
Bonds payable	0,785	LIBOR	Monthly	340	May 2015	**227**	279	**1 503**	2 050
Debt facility	3,01	LIBOR	Monthly, commences June 2012	369	June 2020	**558**	330	**3 692**	2 426
Revolving debt facility	1,286	US Prime or LIBOR	Full amount repayable April 2013	687	April 2013	**104**	79	**687**	581
Total								**5 882**	5 057
Less unamortised debt issuance costs								**(67)**	(19)
								5 815	5 038
Less current portion included in current liabilities								**(340)**	(500)
								5 475	4 538

18.1 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, 9 and 12 respectively).

18.2 Debt issuance costs of R85 million (2009: R1 million) were capitalised during the year.

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

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

	Group 2010 Rm	Group 2009 Rm
Total borrowing facilities	**7 816**	7 048
Actual borrowings at the end of the year	**5 882**	5 057
Unutilised facilities	**1 934**	1 991

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

19. **Deferred revenue**

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

	Group	
	2010 Rm	2009 Rm
Balance at the beginning of the year	141	–
Transactions entered into during the year	–	225
Recognised in profit or loss	(52)	(37)
Terminations	(17)	(28)
Effect of movements in exchange rates	(7)	(19)
Balance at the end of the year	65	141
Analysed as:		
Non-current deferred revenue	20	83
Current deferred revenue	45	58
	65	141

	Group		Company	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm
20. **Trade and other payables**				
Trade payables	43	67	–	–
Accrued expenses	95	87	8	1
Amounts due to container owners	113	100	–	–
Amounts due in respect of container acquisitions	653	97	–	–
Amount due to associate	–	11	–	–
Other	5	6	–	–
	909	368	8	1

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
21. Operating profit before net finance expenses/income				
Operating profit before net finance expenses/income is arrived at after taking into account:				
Income				
Dividend income (included in revenue)				
Subsidiaries	–	–	249	229
Net profit on disposal of property, plant and equipment	155	93	–	–
Fair value adjustment – investment designated at fair value through profit or loss	4	–	–	–
Expenses				
Amortisation of intangible assets	48	59	–	–
Auditors' remuneration	11	12	1	1
Audit fee – current year	9	10	1	1
– under provision prior year	1	2	–	–
Other services	1	–	–	–
Directors' emoluments	13	10	1	1
Executive directors				
Short-term employee benefits	11	7	–	–
Non-executive directors				
Remuneration	2	3	1	1
Impairment losses/(reversal of losses)	14	37	26	(3)
Property, plant and equipment	12	16	–	–
Investment in subsidiaries	–	–	26	(3)
Trade and other receivables – losses	2	28	–	–
– reversals	–	(7)	–	–
Operating leases – premises	13	15	–	–
Share-based payments included in staff costs – equity-settled	34	38	–	–
Realised and unrealised exchange losses not included in revenue	–	–	14	–
Retirement benefit contributions included in staff costs	3	3	–	–
22. Net finance expenses/(income)				
Finance expenses	234	124	–	–
Interest expense – incurred by Textainer	131	95	–	–
– incurred by other group companies	1	–	–	–
Realised and unrealised losses on derivative financial instruments	102	29	–	–
Finance income	(10)	(195)	(2)	(6)
Interest income	(10)	(20)	(2)	(6)
Received from subsidiary	–	–	(2)	(6)
Received on cash and cash equivalents	(10)	(20)	–	–
Gain on repurchase of debt	–	(175)	–	–
	224	(71)	(2)	(6)

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
23. Income tax expense/(credit)				
South African normal	21	37	–	1
Current	15	37	–	1
Adjustment in respect of prior year	6	–	–	–
Foreign normal	(56)	33	–	–
Current	20	42	–	–
Adjustment in respect of prior year	(76)	(9)	–	–
Secondary tax on companies	23	21	23	21
Associated tax credit – current year	(2)	(5)	–	–
– prior year	(2)	(1)	–	–
South African deferred				
Origination and reversal of temporary differences	19	(112)	–	–
Foreign deferred	6	(5)	–	–
Origination and reversal of temporary differences	(1)	(4)	–	–
Adjustment in respect of prior year	7	(1)	–	–
	9	(32)	23	22
The effective tax rate is reconciled as follows:	%	%	%	%
Statutory tax rate	28,0	28,0	28,0	28,0
Non-taxable income	(0,1)	(1,3)	(35,4)	(27,8)
Non-deductible expenses	0,4	0,7	7,3	0,5
Foreign differential	(23,6)	(33,9)	–	–
Adjustment in respect of prior year	(6,0)	(1,4)	–	–
Secondary tax on companies	2,1	3,1	11,8	8,6
Effective tax rate	0,8	(4,8)	11,7	9,3

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

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

	Group 2010 Rm	Group 2009 Rm
24. Earnings per share		
Basic earnings per share		
Profit for the year attributable to equity holders of the company		
From continuing operations	624	253
From discontinued operations	–	6
	624	259
Weighted average number of shares in issue (million)	187,5	187,4
Issued ordinary shares at 1 January (million)	187,5	187,3
Effect of shares issued during the year (million)	–	0,1
Basic earnings per share (cents)		
Entity as a whole	332,5	138,1
Continuing operations	332,5	134,7
Discontinued operations	–	3,4
Diluted earnings per share		
Profit for the year attributable to equity holders of the company (basic)		
From continuing operations	624	253
From discontinued operations	–	6
Profit for the year attributable to equity holders of the company (diluted)	624	259
Weighted average number of ordinary shares (diluted) (million)	187,9	187,6
Weighted average number of shares in issue (million)	187,5	187,4
Effect of exercise of share options (million)	0,4	0,2
Diluted earnings per share (cents)		
Entity as a whole	331,8	138,0
Continuing operations	331,8	134,6
Discontinued operations	–	3,4

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

Notes to the Financial Statements
for the year ended 31 December 2010

	Group			
	2010		2009	
	Gross Rm	Net Rm	Gross Rm	Net Rm
24. **Earnings per share (continued)**				
Headline earnings per share				
Undiluted				
Profit for the year attributable to equity holders of the company		624		259
Adjustments relating to continuing activities				
Impairment of plant and equipment	12	5	16	9
Net gain on disposal of available-for-sale financial asset transferred from equity	–	–	(7)	(7)
Adjustments relating to discontinued operations				
Net gain on disposal of discontinued operations	–	–	(26)	(8)
Headline earnings attributable to equity holders of the company		629		253
Weighted average number of shares in issue (million)		187,5		187,4
Headline earnings per share (cents)		335,5		134,8
Diluted				
Headline earnings attributable to equity holders of the company		629		253
Weighted average number of ordinary shares (diluted) (million)		187,9		187,6
Diluted headline earnings per share (cents)		334,8		134,7
Adjusted headline earnings per share				
Adjusted headline earnings per share is the more appropriate measure of Trencor's financial performance in that it excludes net unrealised foreign exchange losses and gains.				
Adjusted headline earnings may also include such other adjustments that, in the opinion of the board, are necessary to properly represent adjusted headline earnings.				
Headline earnings attributable to equity holders of the company		629		253
Net foreign exchange loss on translation of long-term receivables	88	63	298	214
Gain on repurchase of debt	–	–	(175)	(86)
Adjusted headline earnings attributable to equity holders of the company		692		381
Adjusted headline earnings per share (cents)		369,4		203,5
Diluted adjusted headline earnings per share (cents)		368,6		203,3

	Group 2010 Rm	Group 2009 Rm	Company 2010 Rm	Company 2009 Rm
25. **Cash generated from operations**				
Reconciliation of profit for the year to cash generated from operations:				
Profit for the year	1 082	691	173	219
Adjusted for:				
Finance expense	234	124	–	–
Finance income	(10)	(20)	(2)	(6)
Fair value adjustment – investment designated at fair value through profit or loss	(4)	–	–	–
Net change in fair value of available-for-sale financial asset transferred to profit or loss	–	(7)	–	(7)
Unrealised foreign exchange losses	151	442	–	–
Net increase in adjustment to net investment in long-term receivables	(256)	(126)	–	–
Other non-cash flow adjustments to the net investment in long-term receivables	(19)	(37)	–	–
Depreciation	418	378	–	–
Cost of containers disposed of transferred to profit or loss	275	331	–	–
Net impairment losses/(reversals)	14	37	26	(3)
Gain on repurchase of debt	–	(175)	–	–
Share-based payments	39	40	–	–
Amortisation of intangible assets	48	59	–	–
Finance lease income	(45)	(70)	–	–
Deferred revenue recognised in profit or loss	(52)	(37)	–	–
Net profit on disposal of disposal group	–	(26)	–	–
Income tax expense/(credit)	9	(32)	23	22
Operating profit before working capital changes	1 884	1 572	220	225
Working capital changes	(3)	(89)	7	(1)
(Increase)/Decrease in inventories	(15)	3	–	–
Decrease/(Increase) in trade and other receivables	14	(171)	–	–
(Decrease)/Increase in trade and other payables	(2)	79	7	(1)
Cash generated from operations	1 881	1 483	227	224

	Group 2010 Rm	Group 2009 Rm
26. **Operating lease commitments**		
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	11	11
Between one and five years	36	40
After five years	11	20
	58	71

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

	Group 2010 Rm	Group 2009 Rm
27. **Capital commitments**		
For container leasing equipment authorised by the board:		
Contracted	–	62
	–	62

28. **Employee benefits**

28.1 **Share-based payments**

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

	Trencor	Textainer
Total number of shares authorised under share option plans in prior years	15 284 209	3 100 000
Share options granted prior to 31 December 2006, net of forfeitures	(6 400 000)	(3 100 000)
Number of shares available for utilisation under the plans at 31 December 2006	8 884 209	–
Additional shares authorised during 2007	–	3 808 371
Share options and restricted share units granted in 2007, net of forfeitures	–	(2 087 696)
Previously authorised shares cancelled during 2007	–	(191 168)
Number of shares available for utilisation under the plans at 31 December 2007	8 884 209	1 529 507
Share options and restricted share units granted in 2008, net of forfeitures	–	(470 681)
Previously authorised shares cancelled during 2008	–	(6 250)
Number of shares available for utilisation under the plans at 31 December 2008	8 884 209	1 052 576
Share options and restricted share units granted in 2009, net of forfeitures	–	(439 301)
Previously authorised shares cancelled during 2009	–	(897)
Number of shares available for utilisation under the plans at 31 December 2009	8 884 209	612 378
Additional shares authorised during 2010	**–**	**1 468 500**
Share options and restricted share units granted in 2010, net of forfeitures	**–**	**(231 072)**
Previously authorised shares cancelled during 2010	**–**	**(3 925)**
Number of shares available for utilisation under the plans at 31 December 2010	**8 884 209**	**1 845 881**

Summary of activity in share option plans:

Trencor

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

	% of grant	
	Employment less than 5 years	Employment more than 5 years
Options granted vesting after 1 year		25
after 2 years		25
after 3 years	25	50
after 4 years	25	
after 5 years	25	
after 6 years	25	
	100	100

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

	Number of options			Weighted average	
	Unvested	Vested	Total	Exercise price R	Expiration year
Outstanding at 31 December 2008	300 000	170 000	470 000	11,08	2012
Exercised	–	(70 000)	(70 000)	5,25	2009
Vested	(50 000)	50 000	–	12,10	2012
Outstanding at 31 December 2009	250 000	150 000	400 000	12,10	2012
Vested	**(50 000)**	**50 000**	**–**	**12,10**	**2012**
Outstanding at 31 December 2010	**200 000**	**200 000**	**400 000**	**12,10**	**2012**

No options were exercised during the year. The weighted average share price at date of exercise in 2009 was R20,81 per share.

28. **Employee benefits (continued)**

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

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

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

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

Textainer

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

Textainer has one active share option and restricted share unit plan, the 2007 Plan. The 2007 Plan provides for the grant of share options, restricted share units, restricted shares, share appreciation rights and dividend equivalent rights. The 2007 Plan provides for grants of incentive share options only to its employees or employees of any parent or subsidiary of Textainer. Awards other than incentive share options may be granted to its employees, directors and consultants or the employees, directors and consultants of any parent or subsidiary of Textainer. There are no performance criteria attached to the option plan. The options vest over a total period of four years in increments of 25% per annum beginning approximately one year from grant date. All options lapse after a period of ten years from date of grant. Beginning approximately one year after a restricted share unit's grant date 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 years. Beginning approximately one year after a restricted share unit's grant date for each restricted share unit granted in 2010, each employee's restricted share units vest in increments of 25% per year.

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 2008	1 283 912	100	1 284 012	14,68	2017
Granted	218 904	–	218 904	16,97	2019
Vested	(260 029)	260 029	–	16,49	2017
Outstanding at 31 December 2009	1 242 787	260 129	1 502 916	15,01	2017
Granted	**151 687**	**–**	**151 687**	**28,26**	**2019**
Vested	**(322 119)**	**322 119**	**–**	**12,52**	**2017**
Exercised	**–**	**(364 046)**	**(364 046)**	**15,41**	**2017**
Forfeited	**(32 475)**	**–**	**(32 475)**	**14,49**	**2017**
Outstanding at 31 December 2010	**1 039 880**	**218 202**	**1 258 082**	**16,51**	**2017**

Restricted share units

	Restricted share units	Weighted average grant date fair value
Outstanding at 31 December 2008	1 282 140	12,20
Granted	220 397	14,09
Vested	(156 031)	14,11
Outstanding at 31 December 2009	1 346 506	12,28
Granted	**152 687**	**25,62**
Vested	**(193 241)**	**12,20**
Forfeited	**(40 056)**	**12,04**
Outstanding at 31 December 2010	**1 265 896**	**13,90**

28. **Employee benefits (continued)**

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

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

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

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

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

	Group	
	2010 Rm	2009 Rm
Equity-settled	**34**	38

28.3 **Retirement benefit funds**

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

At 31 December 2010 the fund had 17 members (2009: 17 members) whose aggregate share of the fund amounted to R50 million (2009: R48 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.

29. **Segment reporting**

Business segments

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

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

	Container finance		Container owning, leasing, management and reselling		Consolidated	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
Revenue from external customers	**(126)**	(410)	**2 477**	2 365	**2 351**	1 955
Goods sold and services rendered	**–**	–	**521**	562	**521**	562
Leasing income	**–**	–	**1 742**	1 593	**1 742**	1 593
Management fees	**–**	–	**214**	210	**214**	210
Finance income	**23**	32	**–**	–	**23**	32
Realised and unrealised exchange losses	**(149)**	(442)	**–**	–	**(149)**	(442)
Reportable segment profit/(loss) before net finance (expenses)/income and income tax	**123**	(286)	**1 223**	878	**1 346**	592
Finance income	**–**	–	**1**	175	**1**	175
Finance expenses	**–**	–	**(233)**	(124)	**(233)**	(124)
Depreciation and amortisation	**–**	–	**(464)**	(435)	**(464)**	(435)
Income tax (expense)/credit	**(32)**	79	**48**	(29)	**16**	50
Other material non-cash items:						
Net long-term receivable valuation adjustment	**256**	126	**–**	–	**256**	126
Impairment losses						
Plant and equipment	**–**	–	**(12)**	(16)	**(12)**	(16)
Receivables	**–**	–	**(2)**	(28)	**(2)**	(28)
Receivables reversed	**–**	–	**–**	7	**–**	7
Net profit on disposal of property, plant and equipment	**–**	–	**155**	93	**155**	93
Share-based payments	**–**	–	**34**	(38)	**34**	(38)
Reportable segment assets	**977**	955	**11 391**	9 910	**12 368**	10 865
Capital expenditure	**–**	–	**3 566**	1 611	**3 566**	1 611
Reportable segment liabilities	**246**	226	**6 857**	5 580	**7 103**	5 806

29. Segment reporting (continued)

Business segments (continued)

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

	Reportable segment total	Unallocated	Consolidated totals	Reportable segment total	Unallocated	Consolidated totals
	2010			2009		
	Rm	Rm	Rm	Rm	Rm	Rm
Revenue	2 351	2	2 353	1 955	3	1 958
Profit/(Loss) before net finance income and income tax [1]	1 346	(31)	1 315	592	(28)	564
Finance income	1	9	10	175	20	195
Finance expenses	(233)	(1)	(234)	(124)	–	(124)
Depreciation and amortisation	(464)	(2)	(466)	(435)	(2)	(437)
Income tax credit/(expense)	16	(25)	(9)	50	(18)	32
Assets [2]	12 368	996	13 364	10 865	1 090	11 955
Liabilities [2]	7 103	310	7 413	5 806	403	6 209

[1] Unallocated amount includes corporate expenses of R38 million (2009: R30 million).

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

	Assets		Liabilities	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm
Property, plant and equipment	9	10	–	–
Investments	249	272	–	–
Deferred tax assets/liabilities	77	101	225	230
Income tax assets/liabilities	3	2	64	138
Trade and other receivables/payables	6	8	21	32
Cash and cash equivalents	652	686	–	–
Assets/Liabilities classified as held for sale	–	11	–	3
	996	1 090	310	403

29.4 **Major customer**

Leasing revenue from a single customer in the container owning, leasing, management and reselling operating segment amounted to 11% (2009: 12%) of the group's leasing revenue. The group had no other customer that individually accounted for more than 10% of revenue.

30. **Financial instruments and risk management**

30.1 **Categories of financial assets and liabilities**

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

	Group							
	Designated at fair value through profit or loss Rm	Held for trading Rm	Available-for-sale Rm	Loans and receiv-ables Rm	Liabilities at amortised cost Rm	Other Rm	Total carrying amount Rm	Fair value Rm
2010								
Financial assets								
Investments	235	–	14	–	–	–	249	249
Long-term receivables	977	–	–	–	–	–	977	977
Net investment in finance leases	–	–	–	–	–	437	437	426
Derivative financial instruments	–	9	–	–	–	–	9	9
Restricted cash	–	–	–	99	–	–	99	99
Trade and other receivables	–	–	–	441	–	–	441	441
Cash and cash equivalents	–	–	–	1 029	–	–	1 029	1 029
	1 212	9	14	1 569	–	437	3 241	3 230
Financial liabilities								
Interest-bearing borrowings	–	–	–	–	5 882	–	5 882	5 748
Amounts attributable to third parties in respect of long-term receivables	245	–	–	–	–	–	245	245
Derivative financial instruments	–	90	–	–	–	–	90	90
Trade and other payables	–	–	–	–	909	–	909	909
	245	90	–	–	6 791	–	7 126	6 992
2009								
Financial assets								
Investments	258	–	14	–	–	–	272	272
Long-term receivables	956	–	–	–	–	–	956	956
Net investment in finance leases	–	–	–	–	–	572	572	549
Derivative financial instruments	–	5	–	–	–	–	5	5
Restricted cash	–	–	–	48	–	–	48	48
Trade and other receivables	–	–	–	519	–	–	519	519
Cash and cash equivalents	–	–	–	1 104	–	–	1 104	1 104
	1 214	5	14	1 671	–	572	3 476	3 453
Financial liabilities								
Interest-bearing borrowings	–	–	–	–	5 057	–	5 057	4 701
Amounts attributable to third parties in respect of long-term receivables	225	–	–	–	–	–	225	225
Derivative financial instruments	–	66	–	–	–	–	66	66
Trade and other payables	–	–	–	–	368	–	368	368
	225	66	–	–	5 425	–	5 716	5 360
	Company							
2010								
Financial assets								
Amount due by subsidiary	–	–	–	65	–	–	65	65
Long-term receivables	–	–	–	1	–	–	1	1
	–	–	–	66	–	–	66	66
Financial liabilities								
Amounts due to subsidiary	–	–	–	–	378	–	378	378
Trade and other payables	–	–	–	8	–	–	8	8
	–	–	–	8	378	–	386	386
2009								
Financial assets								
Amount due by subsidiary	–	–	–	82	–	–	82	82
Long-term receivables	–	–	–	2	–	–	2	2
	–	–	–	84	–	–	84	84
Financial liabilities								
Amount due to subsidiary	–	–	–	–	368	–	368	368
Trade and other payables	–	–	–	1	–	–	1	1
	–	–	–	1	368	–	369	369

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

30.2 **Overview**

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

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

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

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

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

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

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

30.3 **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.

30.3.1 ***Credit risk exposure***

The carrying amount of financial assets and the total amounts guaranteed (refer to note 32) represent the maximum credit exposure. The maximum exposure to credit risk from financial assets at 31 December was:

	Group		Company	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Available-for-sale financial assets				
Investments	**14**	14	**–**	–
Financial assets designated at fair value through profit or loss				
Long-term receivables	**977**	956	**–**	–
Investments	**235**	258	**–**	–
Net investment in finance leases	**437**	572	**–**	–
Financial assets held for trading				
Derivative financial instruments	**9**	5	**–**	–
Loans and receivables excluding cash and cash equivalents				
Trade receivables	**420**	508	**–**	–
Restricted cash	**99**	48	**–**	–
Other	**21**	11	**1**	2
Amount due by subsidiary – short-term	**–**	–	**65**	82
Cash and cash equivalents	**1 029**	1 104	**–**	–
	3 241	3 476	**66**	84

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

Available-for-sale financial assets

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

Financial assets designated at fair value through profit or loss

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

The most significant long-term receivable at 31 December 2010 related to TAC Limited totalling R608 million (2009: R780 million). Approximately 82% (2009: 80%) of the TAC containers measured on a twenty-foot equivalent unit basis are managed by Textainer.

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

30.3 Credit risk (continued)

30.3.1 ***Credit risk exposure (continued)***

Financial assets designated at fair value through profit or loss (continued)

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

Net investment in finance receivables

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

Financial assets held for trading

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

Loans and receivables

Credit risk with respect to trade and other receivables is mitigated by the diverse customer base. The risk arising on short-term trade and other receivables is also managed through a group policy on the granting of credit limits and continual review and monitoring of these limits. At 31 December 2010 one customer accounted for 14% of the group's trade receivables (2009: two customers – 35%).

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

	Group	
	2010 Rm	2009 Rm
Container leasing customers	**420**	507
Other	**–**	1
	420	508

Cash and cash equivalents

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

30.3.2 ***Impairment losses***

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

	Group							
	Gross[1]	**Gross[2]**	**Total impair-ment**	**Net trade receiv-ables**	Gross[1]	Gross[2]	Total impair-ment	Net trade receiv-ables
	2010				2009			
	Rm	**Rm**	**Rm**	**Rm**	Rm	Rm	Rm	Rm
The ageing of trade receivables at the reporting date was:								
Not past due	**1**	**–**	**–**	**1**	1	–	–	1
Past due 0 – 30 days	**188**	**1**	**(5)**	**184**	254	–	(6)	248
Past due 31 – 120 days	**228**	**4**	**(8)**	**224**	218	5	(8)	215
Past due 121 – 180	**8**	**1**	**(1)**	**8**	36	4	(5)	35
More than 180 days	**3**	**43**	**(43)**	**3**	10	41	(42)	9
	428	**49**	**(57)**	**420**	519	50	(61)	508

[1] Gross receivables not subject to specific impairment.

[2] Gross receivables subject to specific impairment.

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

30.3 **Credit risk (continued)**

30.3.2 ***Impairment losses (continued)***

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

	Group 2010 Rm	Group 2009 Rm
Balance at the beginning of the year	61	54
Impairment loss recognised	2	28
Impairment loss reversed	–	(7)
Effect of movements in exchange rates	(6)	(14)
Balance at the end of the year	57	61

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.

30.4 **Liquidity risk**

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

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

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

	Group					
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	Total Rm
2010						
Non-derivative financial liabilities						
Bonds payable	1 503	1 530	351	1 179	–	1 530
Debt facility	3 692	4 424	113	1 674	2 637	4 424
Revolving debt facility	687	708	9	699	–	708
Trade and other payables	909	909	909	–	–	909
Guarantee (refer to note 32.2)	–	149	149	–	–	149
	6 791	7 720	1 531	3 552	2 637	7 720
Derivative financial liabilities						
Derivative financial instruments	90	179	63	116	–	179
	90	179	63	116	–	179
2009						
Non-derivative financial liabilities						
Bond payable	2 050	2 093	393	1 542	158	2 093
Debt facility	2 426	2 626	157	1 080	1 389	2 626
Revolving debt facility	581	604	7	597	–	604
Trade and other payables	368	368	368	–	–	368
Guarantee (refer to note 32.2)	–	165	165	–	–	165
	5 425	5 856	1 090	3 219	1 547	5 856
Derivative financial liabilities						
Derivative financial instruments	66	208	66	142	–	208
	66	208	66	142	–	208

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.

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

30.4 Liquidity risk (continued)

	Company					
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	Total Rm
Non-derivative financial liabilities						
2010						
Amount due to subsidiary	**378**	**378**	**–**	**–**	**378**	**378**
Trade and other payables	**8**	**8**	**8**	**–**	**–**	**8**
Guarantees (refer to note 32.2)	**–**	**149**	**149**	**–**	**–**	**149**
	386	**535**	**157**	**–**	**378**	**535**
2009						
Amount due to subsidiary	368	368	–	–	368	368
Trade and other payables	1	1	1	–	–	1
Guarantees (refer to note 32.2)	–	165	165	–	–	165
	369	534	166	–	368	534

30.5 **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.

30.5.1 *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 2010 the group had no exposure to forward exchange contracts (2009: nil).

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

30.5 Market risk (continued)

30.5.1 *Currency risk (continued)*

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

	Group					
	2010			2009		
Denominated in	**SA rand Rm**	**US$ Rm**	**Total Rm**	SA rand Rm	US$ Rm	Total Rm
Assets						
Investments	14	235	249	14	258	272
Long-term receivables	–	977	977	–	956	956
Net investment in finance leases	–	437	437	–	572	572
Derivative financial instruments	–	9	9	–	5	5
Restricted cash	–	99	99	–	48	48
Trade and other receivables	5	436	441	7	512	519
Cash and cash equivalents	67	962	1 029	230	874	1 104
	86	3 155	3 241	251	3 225	3 476
Liabilities						
Interest-bearing borrowings	–	5 542	5 542	–	4 557	4 557
Amounts attributable to third parties in respect of long-term receivables	245	–	245	225	–	225
Derivative financial instruments	–	90	90	–	66	66
Trade and other payables	17	892	909	20	348	368
Current portion of interest-bearing borrowings	–	340	340	–	500	500
	262	6 864	7 126	245	5 471	5 716

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

	2010	2009
Year-end rate	6,61	7,35
Average rate	7,33	8,33

30. Financial instruments and risk management (continued)

30.5 Market risk (continued)

30.5.1 *Currency risk (continued)*

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

Sensitivity analysis

The group is exposed to currency risk only on those financial instruments that are denominated in a currency other than the respective functional currencies of group entities, namely the group's long-term receivables. A one per cent weakening of the rand against the US dollar would have increased the group's profit by approximately R7 million for the year ended 31 December 2010 (2009: R7 million). This analysis assumes that all other variables, in particular interest rates, remain constant. A one per cent strengthening of the SA rand against the US dollar would have had the equal and opposite effect to the amounts shown above, on the basis that all other variables remain constant.

30.5.2 *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 placements with registered financial institutions which are subject to compliance with the relevant regulatory bodies.

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

	Group		Company	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Variable rate instruments				
Financial assets	**1 128**	1 152	**65**	82
Financial liabilities	**(5 882)**	(5 057)	**–**	–
	(4 754)	(3 905)	**65**	82

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 R29 million (2009: R34 million).

Cash flow sensitivity analysis for variable rate instruments

An increase/decrease of 100 basis points in interest rates at the reporting date would have decreased/increased profit or loss by R38 million (2009: R43 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

30. Financial instruments and risk management (continued)

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

The discount rate that is applied to reduce the future long-term dollar receivable stream to its net present value reflects the applicable risk free rate (being the United States Daily Treasury yield curve rate for the appropriate term) plus an industry specific risk premium (refer to note 33). An increase/decrease in the discount rate of 100 basis points would decrease/increase profit by R3 million (2009: R5 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 33). An increase/decrease in the discount rate of 100 basis points would increase/decrease profit by R1 million (2009: R2 million).

30.7 Capital management

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

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

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

	Group		Company	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Interest-bearing borrowings	**5 882**	5 057	**–**	–
Total equity	**5 951**	5 746	**753**	814
Ratio of interest-bearing borrowings to total equity	**98,8%**	88,0%	**–**	–

The increase in the ratio during 2010 resulted primarily from Textainer increasing its secured debt facility and the utilisation thereof to finance capital expenditure during the year. The strengthening of the SA rand from US$1 = R7,35 to US$1 = R6,61 reduced the full impact of this increased level of borrowing.

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.

30.8 Guarantees

The group has provided guarantees in respect of obligations of certain group entities (refer to note 32). At 31 December 2010 the fair value of these guarantees was nil (2009: nil). These guarantees expose the group to credit and liquidity risk.

30.9 Fair values

The fair values of financial instruments have been arrived at after taking into account current market conditions (refer to note 30.1).

30.9.1 *Fair value hierarchy*

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

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

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

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

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

30.9 **Fair values (continued)**

30.9.1 ***Fair value hierarchy (continued)***

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

	Group			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2010				
Assets				
Long-term receivables	**–**	**–**	**977**	**977**
Interest rate swap contracts	**–**	**9**	**–**	**9**
Investment securities	**235**	**15**	**–**	**250**
	235	**24**	**977**	**1 236**
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	**–**	**–**	**245**	**245**
Interest rate swap contracts	**–**	**90**	**–**	**90**
	–	**90**	**245**	**335**
2009				
Assets				
Long-term receivables	–	–	956	956
Interest rate swap contracts	–	5	–	5
Investment securities	258	14	–	272
	258	19	956	1 233
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	225	225
Interest rate swap contracts	–	66	–	66
	–	66	225	291

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

	Long-term receivables Rm	Interest rate swap contracts Rm	Amounts due to third parties in respect of long-term receivables Rm	Total Rm
2009				
Balance at the beginning of the year	1 536	(180)	(253)	1 103
Total (losses)/gains in profit or loss	(283)	33	10	(240)
Settlements	(297)	–	18	(279)
Transfers out of level 3*	–	129	–	129
Effect of movements in exchange rates in equity	–	18	–	18
Balance at the end of the year	956	–	(225)	731
2010				
Total gains/(losses) in profit or loss	**179**	**–**	**(49)**	**130**
Settlements	**(158)**	**–**	**29**	**(129)**
Balance at the end of the year	**977**	**–**	**(245)**	**732**

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

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

30.9 **Fair values (continued)**

30.9.1 ***Fair value hierarchy (continued)***

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

	Group			
	Long-term receivables Rm	Interest rate swap contracts Rm	Amounts due to third parties in respect of long-term receivables Rm	Total Rm
2010				
Total gains or losses included in profit or loss for the year				
Operating profit	**179**	**–**	**(52)**	**127**
Associated tax charge	**–**	**–**	**3**	**3**
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year				
Operating profit	**125**	**–**	**(46)**	**79**
2009				
Total gains or losses included in profit or loss for the year				
Operating profit	(283)	–	4	(279)
Net unrealised gain on financial instruments	–	33	–	33
Associate tax charge	–	–	6	6
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year				
Operating profit	(331)	–	8	(323)

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

	Effects on profit or loss		Effects on other comprehensive income	
	Favourable Rm	Unfavourable Rm	Favourable Rm	Unfavourable Rm
2010				
Long-term receivables	**10**	**(10)**	**–**	**–**
Amounts due to third parties in respect of long-term receivables	**1**	**(1)**	**–**	**–**
	11	**(11)**	**–**	**–**
2009				
Long-term receivables	12	(12)	–	–
Amounts due to third parties in respect of long-term receivables	2	(2)	–	–
	14	(14)	–	–

Long-term receivables and amounts due to third parties in respect of long-term receivables are valued by discounting future cash flows. These cash flows are determined according to the estimates and judgements discussed in note 33. The discount rate applied to the long-term receivables (denominated in US$) is 8,5% p.a. (2009: 8,5% p.a.), and amounts attributable to third parties in respect of long-term receivables is 10% p.a. (2009: 10% p.a.). An appropriate fair value adjustment is made to the net investment for the estimated timing of receipt and the possible non-collectibility of these receivables, and the related effect on the payment to third parties. The net present value of the long-term receivables and the related fair value adjustment were translated into SA rand at US$1 = R6,61 (2009: US$1 = R7,35). The effects noted in the above table are as a result of a 100 basis point change in discount rates and a one per cent change in exchange rates.

31. Related parties

31.1 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.

31.2 Intra-group transactions and balances

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

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

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

Administration fee paid to subsidiary R3 million (2009: nil).

31.3 Transactions with key management personnel

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

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

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

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

	Direct	Indirect	Total
2010			
C Jowell	**41 210**	**20 904**	**62 114**
N I Jowell	**41 808**	**20 904**	**62 712**
J E McQueen	**49 649**	**102 133**	**151 782**
D M Nurek	**–**	**10 000**	**10 000**
E Oblowitz	**10 000**	**–**	**10 000**
	142 667	**153 941**	**296 608**
2009			
C Jowell	41 210	20 904	62 114
N I Jowell	41 808	20 904	62 712
J E McQueen	49 649	102 133	151 782
D M Nurek	–	10 000	10 000
E Oblowitz	10 000	–	10 000
	142 667	153 941	296 608

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

	Group		Company	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Short-term employee benefits	**21**	21	**1**	1
Equity compensation benefits	**7**	9	**–**	–
	28	30	**1**	1
Paid to:				
Directors	**13**	10	**1**	1
Executive officers	**15**	20	**–**	–
	28	30	**1**	1

Notes to the Financial Statements
for the year ended 31 December 2010

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

32.1 The company has warranted the performance and obligations of certain subsidiary companies in terms of a number of partnership agreements entered into with third parties. The partnerships were established for the purposes of purchasing and selling marine cargo containers. At 31 December 2010, 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 R359 million (2009: R392 million) (refer to note 8).

32.2 A company in which the group has a 100% beneficial interest has guaranteed a portion of certain loan facilities of an associate company. The amount guaranteed at 31 December 2010 was R149 million (2009: R165 million).

32.3 At 31 December 2010 the fair value of the above guarantees was nil (2009: nil).

33. **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:

33.1 Long-term receivables

33.1.1 ***Discount rate***

US dollar cash streams

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

Rand cash streams

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

33.1.2 ***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.

33.2 Residual values

33.2.1 ***Marine cargo containers***

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

34. **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 2010, and have not been applied in preparing these consolidated financial statements:

34.1 IFRS 9 *Financial Instruments* (effective for years commencing on or after 1 January 2013) – this standard addresses the initial measurement and classification of financial assets as either measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows. All other financial assets are measured at fair value with changes recognised in profit or loss. For an investment in an equity instrument that is not held for trading, an entity may on initial recognition elect to present all fair value changes from the investment in other comprehensive income. IFRS 9 becomes mandatory for the group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The group does not plan to adopt this standard early and the extent of the impact has not been determined.

34.2 Revised IAS 24 *Related Party Disclosures* (effective for years commencing on or after 1 January 2011) – this standard addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party where new related party relationships have been identified. This standard becomes mandatory for the group's 2011 consolidated financial statements, and is not expected to have a significant impact on the disclosure in the financial statements.

35. **Events subsequent to the reporting date**

Subsequent to the year-end and pursuant to the unbundling by Mobile Industries Limited of its shareholding in Trencor, the company entered into an agreement with trusts in respect of which Messrs C Jowell and N I Jowell are amongst the beneficiaries to repurchase from those trusts 10 800 881 of the company's ordinary shares at a price of R38,61 per share.

The share repurchase was implemented on 14 March 2011 and resulted in the cancellation of the repurchased shares and a consequent reduction in the issued ordinary share capital of the company to 176 668 011 ordinary shares with a par value of 0,5 cent each.

The repurchase was settled out of the company's cash resources and resulted in a reduction to equity (share capital and premium) of R417 million.

The cancelled repurchased shares have reverted to authorised but unissued share capital.

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
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or +27 11 370 5000 (outside RSA)
http://www.computershare.com

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Foreshore Cape Town 8001
PO Box 4609 Cape Town 8000

Designated auditor
L P Smith

Attorneys
Edward Nathan Sonnenbergs Inc.

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

Industry Classification Benchmark (ICB)
Industry: Industrial
Supersector: Industrial goods & services
Sector: Industrial transportation
Subsector: Transportation services

Market name
Trencor

JSE share code
TRE

ISIN
ZAE000007506

Analysis of Shareholders

at 31 December 2010

	Number of holders	% of holders	Number of shares	% interest
Mobile Industries Ltd	1	0,1	86 695 758	46,2
Mutual funds	93	8,5	37 688 332	20,1
Banks and insurance companies	27	2,4	18 897 354	10,1
Retirement funds	103	9,4	37 537 938	20,0
Other corporate bodies	97	8,8	2 425 227	1,3
Individuals	626	56,9	2 008 487	1,1
Nominee companies or trusts	149	13,5	2 079 867	1,1
Investment companies	1	0,1	11 103	0,0
Jowell family	3	0,3	124 826	0,1
Total	1 100	100,0	187 468 892	100,0
Shareholder spread				
Public shareholders	1 093	99,4	100 472 526	53,6
Non-public shareholders	7	0,6	86 996 366	46,4
Directors and associates	6	0,5	300 608	0,2
Mobile Industries Ltd	1	0,1	86 695 758	46,2
Total	1 100	100,0	187 468 892	100,0

Major Shareholders

The direct and indirect beneficial interests of shareholders who, in so far as is known, held 3% or more of the issued shares at 31 December 2010 were as follows:

	Direct %	Indirect through Mobile %
Jowell family		11,6
Old Mutual Life Assurance Company (Pty) Ltd	6,5	5,1
Government Employees Pension Fund	10,9	
Corolife Special Opportunities Portfolio Fund	4,0	3,1
Nedbank Rainmaker Equity Fund	3,6	2,3
	25,0	22,1
Mobile Industries Ltd	46,2	
	71,2	

Analysis of Shareholders

at 25 March 2011

	Number of holders	% of holders	Number of shares	% interest
Mobile Industries Ltd	1	0,0	3 018	0,0
Mutual funds	120	3,7	70 953 266	40,1
Banks and insurance companies	46	1,4	30 533 595	17,3
Retirement funds	128	3,9	45 390 996	25,7
Other corporate bodies	226	6,9	5 455 223	3,1
Individuals	2 376	72,5	9 037 599	5,1
Nominee companies or trusts	369	11,2	4 065 497	2,3
Investment companies	5	0,2	179 207	0,1
Jowell family	5	0,2	11 049 610	6,3
Total	3 276	100,0	176 668 011	100,0
Shareholder spread				
Public shareholders	3 268	99,8	144 582 712	81,8
Non-public shareholders	8	0,2	32 085 299	18,2
Directors and associates	6	0,2	11 225 392	6,4
Mobile Industries Ltd	1	0,0	3 018	0,0
Mutual Funds	1	0,0	20 856 889	11,8
Total	3 276	100,0	176 668 011	100,0

Major Shareholders

The direct and indirect beneficial interests of shareholders who, in so far as is known, held 3% or more of the issued shares at 25 March 2011 were as follows:

	Direct %
Jowell family	6,3
Old Mutual Life Assurance Company (Pty) Ltd	11,8
Government Employees Pension Fund	9,6
Corolife Special Opportunities Portfolio Fund	7,7
Nedbank Rainmaker Equity Fund	6,3
	41,7

Directorate: Brief Résumés

Executive

Neil Ian Jowell (77)

B Com LLB (UCT) MBA (Columbia). Chairman of the board and of the executive committee and a member of the nomination 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. In 1987 he was voted Cape Times Business Man of the Year and in 1991 as one of Business Times' Top Five Businessmen.

Cecil Jowell (75)

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 serves on the executive and nomination committees. In 1991 he was voted as one of Business Times' Top Five Businessmen.

James (Jimmy) Ernest McQueen (66)

B Com (UCT) CA (SA). In charge of finance and is a member of the executive committee. 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.

Hendrik (Hennie) Roux van der Merwe (63)

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. From 28 April 2011 his role changed to part-time executive director. He previously practised as an attorney at law followed by various senior executive positions in the banking sector and was deputy chairman of Waco International Limited before transferring to Trencor.

Non-executive

James (Jim) Edward Hoelter (71)

B Bus Admin (Wisconsin) MBA (Harvard). Was appointed as a non-executive director on 2 December 2002. He was President and CEO of Textainer Group Holdings Limited in the USA until his retirement in December 1998. He joined Textainer in 1987 and currently serves as a non-executive director on 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 and the Trencor audit and risk committees.

Independent non-executive

David Morris Nurek (60)

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

Edwin (Eddy) Oblowitz (53)

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

Roderick (Roddy) John Alwyn Sparks (51)

B Com Hons (UCT) CA (SA) MBA (UCT). Was appointed as a non-executive director on 27 July 2009 and is a member of the audit, risk, remuneration 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, 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 (66)

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

Ages at 31 December 2010

Diary

30 June 2011	Annual general meeting
31 December	Financial year-end
Announcements	February: reviewed annual results March/April: annual financial statements May: first quarter update August: interim report November: third quarter update
Dividends	April and October: dividend paid

Notice to Shareholders

Notice is hereby given that the fifty-fifth 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 Thursday, 30 June 2011 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, 20 May 2011 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, 17 June 2011. Accordingly, only shareholders who are registered in the register of members of the company on Friday, 17 June 2011 will be entitled to participate in and vote at the annual general meeting.

Electronic participation in the annual general meeting

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

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

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

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

Explanatory note:

Memorandum of incorporation

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

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

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

1. To consider and adopt the annual financial statements of the company and the Trencor group for the year ended 31 December 2010.

   Ordinary resolution number 1

   "Resolved that the annual financial statements of the company and of the Trencor group for the year ended 31 December 2010 be adopted."

   Explanatory note:

   In terms of the transitional provisions of the Companies Act, the financial statements will be presented for approval by shareholders. The purpose of this ordinary resolution is to approve the annual financial statements of the company and its subsidiaries, which annual financial statements are set out on pages 18 to 69 of the document of which this notice of annual general meeting forms part (the annual report). Although the Companies Act came into effect on 1 May 2011, the resolution has been proposed in terms of item 2(7) of Schedule 5 of the Companies Act read with section 286 of the Companies Act, No. 61 of 1973, as amended.

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

2. To consider, and if deemed fit, to re-elect, on an individual basis, the following directors who retire in terms of the MOI but, being eligible, offer themselves for re-election: Messrs N I Jowell, J E McQueen and H R van der Merwe who retire by rotation; and Mr H Wessels, who was appointed as a director after the preceding annual general meeting and retires as a new appointee. Brief résumés of the directors of the company are presented on page 72 of the 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:

Notice to Shareholders

Ordinary resolution number 2.1
Appointment of Mr N I Jowell as director

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

Ordinary resolution number 2.2
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 2.3
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 2.4
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:

The election of each director who, among other things, retires by rotation is required at the company's annual general meeting. The election will be conducted by a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act.

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

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

Ordinary resolution number 3
"Resolved that, subject to the provisions of section 41 of the Companies Act and the JSE Listings Requirements, the directors be authorised to allot and issue from the authorised but unissued ordinary share capital of the company, up to 8 884 209 shares in the authorised share capital of the company from time to time, in terms of the rules of the Trencor Share Option Plan ('the Plan') for the benefit of participants in the Plan, such authority to endure until the forthcoming annual general meeting of the company (whereupon this authority shall lapse, unless it is renewed at the aforementioned annual general meeting, provided that it shall not extend beyond 15 (fifteen) months after the date of this meeting)."

Explanatory note:

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

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

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

4. To confirm, in terms of the company's MOI, the directors' remuneration paid for the year ended 31 December 2010, as set out on page 11 of the annual report.

Ordinary resolution number 4
"Resolved that the directors' remuneration paid for the year ended 31 December 2010, as set out on page 11 of the annual report, is confirmed."

Explanatory note:

The remuneration paid to directors referred to in this resolution has already been paid to them in respect of the year ended 31 December 2010, in accordance with the company's MOI and the usual practice of the company. The purpose of this ordinary resolution is to confirm same, in the manner adopted by the company in prior years.

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

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

Ordinary resolution number 5
"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% of the voting rights plus one vote to be cast on the resolution.

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

   Ordinary resolution number 6.1
   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 6.2
   Appointment of Mr D M Nurek as a member of the audit committee

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

   Ordinary resolution number 6.3
   Appointment of Mr R J A Sparks as a member of the audit committee

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

   Ordinary resolution number 6.4
   Appointment of Mr H Wessels as a member of the audit committee

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

   Explanatory note:

   In terms of the Companies Act, the audit committee is no longer 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 72 of the annual report.

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

7. To resolve as a special resolution that the directors' annual remuneration, in their capacity only as directors of the company, from 1 January 2011 until the next annual general meeting of the company be approved.

   Special resolution number 1
   "Resolved that the directors' annual remuneration, in their capacities only as directors of the company, from 1 January 2011 until the next annual general meeting of the company be paid in accordance with the following:

   For services as:

Basic remuneration as director	R165 000
Chairman of the audit/risk committee	R110 000
Member of the audit committee	R60 000
Member of the governance committee	R16 500
Member of the remuneration committee	R16 500
Member of the nomination committee	R16 500
In the case of Mr J E Hoelter	US$38 112."

   Explanatory note:

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

   It is noted that the remuneration payable to directors in their capacities as such and for their services as directors, as set out in the above special resolution, reflects an increase of 10% compared to the remuneration in respect of the year ended 31 December 2010.

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

   The minimum percentage of voting rights that is required for this resolution to be adopted is 75% of the voting rights plus one vote 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 2
   "Resolved that the company hereby approves, as a general approval contemplated in section 48 of the Companies Act, No 71 of 2008 ('the Companies Act'), the acquisition by the company or any of its subsidiaries from time to time of the issued shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the memorandum of incorporation of the company, the provisions of the Companies Act and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that:

   1. any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
   2. at any point in time, the company may only appoint one agent to elect any repurchase(s) on its behalf;

3. this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing of this special resolution;
4. the board of directors pass a resolution authorising the repurchase, confirming that the company passes the solvency and liquidity test and that from the time that the test is done there are no material changes to the financial position of the Trencor group;
5. a paid press announcement containing full details of the acquisitions will be published as soon as the company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis, 3% of the number of shares of that class in issue at the time of granting of this general authority, and for each 3% in aggregate of the initial number of that class acquired thereafter;
6. acquisitions by the company and its subsidiaries of shares in the share capital of the company may not, in the aggregate, exceed in any one financial year 20% (or 10% where such acquisitions relate to the acquisition by a subsidiary) of the company's issued share capital;
7. in determining the price at which the company's shares are acquired by the company or its subsidiaries in terms of this general authority, the maximum price at which such shares may be acquired may not be greater than 10% above the weighted average of the market price at which such shares are traded on the JSE, as determined over the five business days immediately preceding the date of the acquisition of such shares by the company or its subsidiaries;
8. the company or its subsidiaries are not acquiring shares during a prohibited period as defined in the Listings Requirements of the JSE unless they have in place a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
9. the company only appoints one agent to effect any acquisition(s) on its behalf; and
10. any acquisitions are subject to Exchange Control approval at that point in time."

Explanatory note:

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

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

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

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

STATEMENT BY THE BOARD OF DIRECTORS OF THE COMPANY REGARDING SPECIAL RESOLUTION NUMBER 2

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

(a) the intention of the directors of the company is to utilise the general authority to acquire shares in the company if at some future date the cash resources of the company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and the interests of the company;

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

- the company and the group will be able to pay their debts as they become due in the ordinary course of business for the next twelve months after the date of the general repurchase;

- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and recognised and measured in accordance with the accounting policies used in the latest audited financial statements will be in excess of the liabilities of the company and the group for the next twelve months after the date of the general repurchase;
- the issued share capital and reserves of the company and the group will be adequate for ordinary business purposes of the company or any acquiring subsidiary for the next twelve months after the date of the general repurchase;
- the working capital available to the company and the group will be sufficient for ordinary business purposes for the next twelve months after the date of the general repurchase; and
- a working capital statement will be obtained from the company's sponsors as and when any acquisition of its shares is contemplated.

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

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

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

- the directors and secretary of the company on pages 2 and 70 respectively;
- the major shareholders of the company on pages 70 and 71;
- the directors' interests in shares in the company on page 12; and
- the share capital of the company in note 17 on page 44, 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 pages 70 and 71.

There have been no material changes to the company and the group's financial or trading position (other than as disclosed in the accompanying 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 16 April 2010 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.

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 Securities 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

Notice to Shareholders

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
19 May 2011

Form of Proxy

TRENCOR

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 Thursday, 30 June 2011 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 so participate.

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 Wednesday, 29 June 2011, being 24 hours before the annual general meeting to be held at 15:00 on Thursday, 30 June 2011; and**
- **must provide to his/her delegate a copy of his/her authority to delegate his/her authority to act on my/our behalf at the annual general meeting.**

Refer to notes on page 81.

To be returned to:

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

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

I/We (full names)

of (address)

Telephone: Work (   )   Home (   )

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

hereby appoint (refer note 1):

or failing him/her

or failing him/her

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

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

	For	Against	Abstain
1 Approval of the adoption of annual financial statements.			
2. Election of directors:			
2.1 N I Jowell			
2.2 J E McQueen			
2.3 H R van der Merwe			
2.4 H Wessels			
3. Placing the 8 884 209 unissued shares of the company reserved for The Trencor Share Option Plan ('the Plan') under the control of the directors and granting them authority to issue such shares in terms of the Plan.			
4. Confirmation of directors' remuneration for 2010 as set out in the annual financial statements.			
5. Reappointment of KPMG Inc as independent auditor.			
6. To appoint an audit committee with the following members:			
6.1 E Oblowitz			
6.2 D M Nurek			
6.3 R J A Sparks			
6.4 H Wessels			
7. To approve by special resolution the directors' remuneration from 1 January 2011 until the next annual general meeting.			
6. Proposed special resolution granting 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 2011

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

1. A certificated or own name dematerialised shareholder or nominee of a CSDP or broker registered as a shareholder in the company's sub-register may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the chairperson of the annual general meeting', but any such deletion must be initialled by the shareholder. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, then the chairperson shall be deemed to be appointed as the proxy.
2. A shareholder's instructions to the proxy must be indicated in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy will be deemed to be authorised to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable by the shareholder.
3. Proxy forms should be lodged with the company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 or posted to Computershare Investor Services (Pty) Limited, PO Box 61051, Marshalltown, 2107. Forms of proxy should, for administrative reasons, be received or lodged by no later than 24 hours (excluding Saturdays, Sundays and public holidays) before the annual general meeting (i.e. 15:00 on Wednesday, 29 June 2011).
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 so 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 not less than 24 hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).