

TRENCOR

Trencor Limited
Integrated Annual Report 2012



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

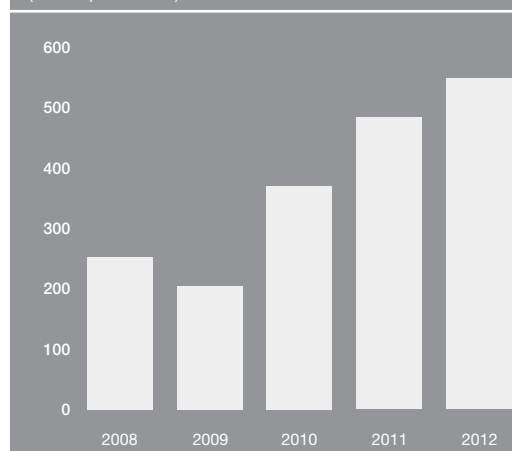


Highlights

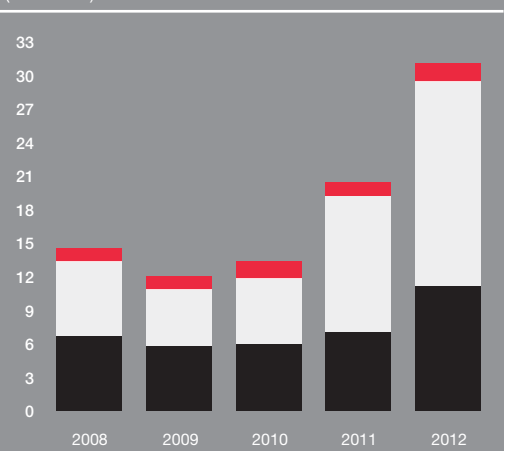
		2012	2011
Trading profit after net finance costs	Rm	1 636	1 529
	US\$m	201	214
Profit before tax	Rm	1 834	1 745
	US\$m	221	222
Headline earnings	Rm	991	1 001
	US\$m	119	124
Headline earnings per share	SA cents	560	559
	US cents	67	69
Adjusted headline earnings per share*	SA cents	546	482
	US cents	67	67
Dividends per share	SA cents	215	175
Net asset value per share	SA cents	3 622	2 707
	US cents	427	334
Ratio of interest-bearing borrowings to total equity	%	165	173

* Refer to note 25 to the financial statements.

Adjusted Headline Earnings
(cents per share)



Funding of Total Assets
(R billion)



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

Directors and Committees

DIRECTORS

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

Executive committee

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

Audit committee

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

Remuneration committee

D M Nurek	Chairman
R J A Sparks	

Nomination committee

D M Nurek	Chairman
R J A Sparks	

Risk committee

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

Governance committee

R J A Sparks	Chairman
D M Nurek	

Social and ethics committee

(Established 30 March 2012)

D M Nurek	Chairman
C Jowell	
J E McQueen	

Brief résumés of the directors are presented on page 76.

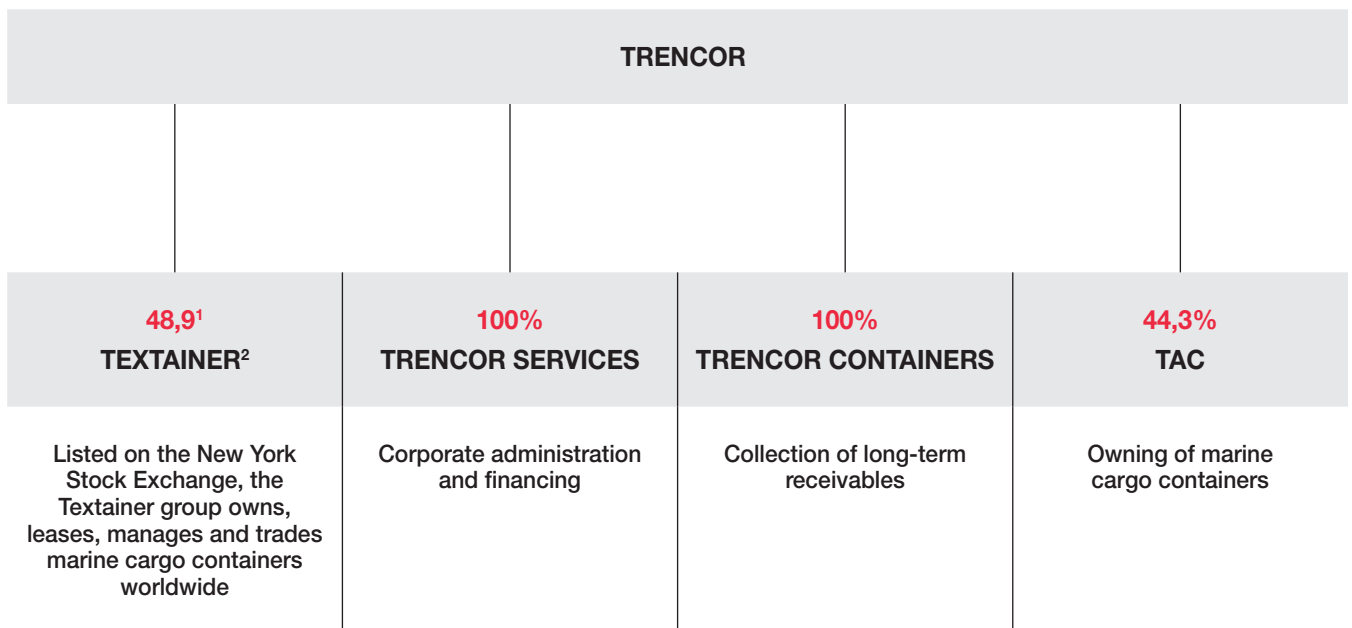
Textainer Group Holdings Limited

P K Brewer (USA)	President and Chief Executive Officer
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Textainer Equipment Management Limited

R D Pedersen (Denmark)	President and Chief Executive Officer
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Group Chart



¹ Reduced to 48,5 % subsequent to the year-end following the issue by Textainer of restricted share units and the exercise of share options.
² Refer to note 8.3 of the financial statements.

Five Year Review

	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Operating results					
Revenue	4 553	4 649	2 353	1 958	3 299
Profit before tax	1 834	1 745	1 091	635	1 122
Headline earnings attributable to shareholders	991	1 001	629	253	788
Statement of financial position summary					
Shareholders' equity	6 414	4 794	3 895	3 841	4 502
Non-controlling interests	4 628	2 188	2 056	1 905	2 117
Total equity	11 042	6 982	5 951	5 746	6 619
Interest-bearing borrowings	18 222	12 107	5 815	5 038	6 689
Funding of total net assets	29 264	19 089	11 766	10 784	13 308
Property, plant and equipment	24 798	15 600	9 604	7 858	9 198
Other non-current assets	2 183	1 989	1 752	2 204	2 816
Current assets	3 929	2 729	2 008	1 893	2 450
Total assets	30 910	20 318	13 364	11 955	14 464
Non-interest-bearing liabilities	1 646	1 229	1 598	1 171	1 156
Total net assets	29 264	19 089	11 766	10 784	13 308
Statistics					
Number of issued shares (million)	177	177	187	187	187
Equity book value per share (cents)	3 622	2 707	2 078	2 049	2 402
Headline earnings per share (cents)	560	559	336	135	421
Adjusted headline earnings per share (cents)	546	482	369	204	252
Ordinary dividends per share (cents)	215	175	140	120	110
Dividend cover based on adjusted headline earnings (times)	2,5	2,8	2,6	1,7	2,3
Liquidity (%)					
Ratio to total equity					
Total liabilities	180	191	125	108	119
Interest-bearing borrowings	165	173	98	88	101
Current ratio (times)	1,7	1,5	1,5	1,7	2,4
Profitability (%)					
Taxed profit to average total equity	20	25	19	11	18
Taxed profit before interest to average total assets	9	12	10	6	11
Headline earnings attributable to shareholders to average shareholders' equity	18	23	16	6	21
Number of employees	187	190	193	188	191

Chairman's Statement

Trencor's results for 2012 are most satisfactory and again reflect the outstanding performance of Textainer, the container leasing business listed on the New York Stock Exchange ('NYSE'), operating worldwide and headquartered in Bermuda, in which Trencor currently has a 48,5% beneficiary interest.

Trading profit after net financing costs from continuing operations increased by 7% from R1 529 million in 2011 to R1 636 million.

Headline earnings per share (including the effect of net realised and unrealised foreign exchange translation gains) were 559,6 cents (2011: 559,3 cents).

Adjusted headline earnings per share (which excludes the effect of net unrealised foreign exchange translation gains) at 546,1 cents (2011: 482,4 cents) were up by 13,2%.

Net unrealised foreign exchange gains arising on translation of net dollar receivables and the related valuation adjustments, not included in adjusted headline earnings per share, were R33 million or 13,5 cents per share (2011: gain R191 million or 76,9 cents per share).

These various earnings are better reflected in tabular form:

	2012 Cents per share	2011 Cents per share
Headline earnings (including, in 2011, 35,7 cents per share in gains on containers sold pursuant to TMCL restructuring)	559,6	559,3
Deduct: Unrealised foreign exchange translation gains	13,5	76,9
Adjusted headline earnings	546,1	482,4

It should be noted that these results were achieved while maintaining a conservative consolidated gearing ratio of 165% (173% last year).

TEXTAINER

The beneficiary interest in Textainer remains the core of Trencor and its future and I am including a direct quote of the annual letter from the President & CEO of Textainer and me, as Chairman, to the shareholders of Textainer:

"To Our Shareholders:

One year ago, we started this letter by noting that during 2011 we set many new records, including revenue, net income, EBITDA, fleet size, percentage of fleet owned and capital expenditures. As impressive as those records were, they did not last. Each of those 2011 records was surpassed by our strong performance during 2012. Of all the records set during 2012, perhaps the most impressive is that for the first time in our history we invested more than \$1 billion in containers. Last year we purchased almost two times more new containers than we purchased on average during each of the last nine years. Textainer's fleet now totals 2.8 million Twenty-Foot Equivalent Units ("TEU") or 1.9 million units.

2012: CONTINUED RECORD BREAKING PERFORMANCE OVERVIEW

2012 saw a more consistent level of container investment spread throughout the year compared to 2011 when most of our capital expenditure occurred during the first six months of the year. We purchased containers every month and while our investment varied month to month, it was almost evenly split between the first and second halves of the year.

Total industry production for 2012 was estimated to be 2.5 million TEU of dry freight containers. We estimate that container leasing companies purchased approximately 65% of total output, continuing the trend of the last few years of leasing companies purchasing more than half of all containers produced worldwide. Indeed, we believe it is likely that more containers will be produced in 2013 than last year and that lessors will continue to purchase more than half of the total produced. These are two of the reasons we are optimistic about our prospects in 2013.

Utilization averaged 97.2% for the year. While this is below the record level of 98.3% averaged in 2011, it is the second best year in our history and evidence that the demand for containers remains strong. We expect utilization to be slightly lower on average during 2013 than last year. However, with 82% of our fleet under long-term and finance leases, we do not expect any decline to be dramatic.

Similar to 2011, container prices in 2012 increased over the first half of the year. Prices peaked at slightly more than \$2,700 for a 20' standard dry freight container which was more than \$200 below the peak reached in 2011. Used container prices were below their highs of 18 months ago but remained at historically attractive levels. Due to the overall high level of utilization and limited supply of containers being disposed of during most of the year, used container prices averaged \$1,500-\$1,600 for a 20' container during 2012.

We continued to grow our refrigerated container fleet, purchasing more than 21,000 TEU of refrigerated containers in 2012, an 18% increase over 2011. Refrigerated containers today account for 10% of our fleet on a Cost Equivalent Unit ("CEU") basis. Unlike dry freight containers, we purchased significantly more refrigerated containers during the first half of the year than the second half. We now operate a fleet of approximately 65,000 TEU of refrigerated containers with an average age of 2.5 years.

Record Performance

It is worth repeating that the following records set during 2012 bettered 2011 results that were impressive records at the time they were set.

- *Record Capex:* We invested a record of almost \$1.2 billion, an increase of more than 25% over 2011, for 548,000 TEU of owned and managed, new and used containers, including \$192 million for purchases from our managed fleet. Purchases of managed containers are especially attractive as they are already on-lease and are immediately accretive to earnings;
- *Record Topline:* Revenues of \$487 million, an increase of 15% over 2011. Rental billings on both our owned and managed fleets totaled \$591 million;
- *Record Bottomline:* Net income attributable to common shareholders was \$207 million*, an increase of 9% over the prior year;
- *Record Asset Ownership:* We own 73% of our fleet today compared to 59% one year ago. 91% of our 2012 capital expenditure was for our own fleet. Owning a container is generally more profitable than managing a container; and
- *Record Percentages of Long-Term and Finance Leases:* 82% of our fleet is subject to long-term and finance leases, reducing utilization volatility and providing greater stability to our cash flow.

*US GAAP amount

These record results are the reason why our return on equity for 2012 was 26%. Indeed, each year since 2010 our financial results have set records that were then broken the subsequent year. This is one of the primary reasons why Textainer's annual return on equity has averaged 23% since we went public in 2007. Our return on equity is even more impressive when you consider that we are the least levered of all of our public competitors.

Liquidity

In order to remain the most reliable supplier of new containers and to have the flexibility to take advantage of investment opportunities when they arise, such as the purchase of a managed fleet or the acquisition of another container lessor, we maintain a liquid and flexible balance sheet. Our strong financial results and limited leverage, a debt-to-equity ratio of 2.2:1, have facilitated our access to the capital markets when and as needed and at very competitive terms.

In September we accessed the equity markets for the first time since our 2007 initial public offering ('IPO'), raising a total of \$272 million via the sale of \$193 million of primary and \$79 million of secondary shares.

A portion of the proceeds we received were used for \$309 million of fourth-quarter investments in new containers, purchases from our managed fleet and purchase lease-back transactions. Our ability to rapidly invest part of the proceeds benefited all shareholders.

During 2012, we executed \$2.2 billion in debt financings providing \$1.1 billion of incremental borrowing capacity. The debt markets were favorable throughout the year and financing rates continued to improve.

Dividends

Textainer paid a total of \$1.63 per share in dividends in 2012, an increase of 27% over the \$1.28 per share paid in 2011, and declared a \$0.45 per share dividend in the first quarter of 2013. This is Textainer's twelfth consecutive quarterly dividend increase. Since our IPO in October 2007, we are the only public container lessor to have maintained a stable or increasing dividend every quarter. We have paid dividends for 24 consecutive years. Dividends have averaged 44% of adjusted net income since the IPO, rewarding our shareholders while enabling Textainer to retain capital for growth. We consider dividends to be an important part of the return we provide to our shareholders.

OUTLOOK FOR 2013

There are many reasons to be optimistic about 2013.

- Manufacturers expect to produce 2.7 million TEU during 2013 compared to an estimated 2.5 million TEU produced during 2012.
- Lessors expect to continue to purchase more than half of the total production.
- 20' container prices are currently between \$2,300-\$2,400 and are projected by many to increase over the first half of the year. Prices at these levels not only encourage shipping lines to lease instead of buy but also help support residual values and higher fleet utilization.

- Sales prices for older containers are projected to be similar to 2012 levels which, although lower than 2011, are very attractive compared to average prices achieved over the last five years.
- World trade is projected to grow 4-6%. There is optimism that certain trade lanes, such as Intra-Asia, Asia-Africa, and Asia-Latin America, could be stronger than expected and result in even higher growth.
- In general the financial performance of shipping lines was stronger during 2012 than 2011. 2013 is expected to be at least as good as 2012 but achieving consistent profitability remains a challenge and capital available for investment in containers may be limited.
- We saw a marked increase during the last half of 2012 in shipping line disposals of old containers. This increased level of disposals has continued in 2013, not only providing opportunities for purchase lease-back and trading deals but also creating demand for replacement containers.

While the overall outlook for our industry is compelling, we cannot ignore areas of potential concern.

- Yields on new container investments remain under pressure given the liquidity available to almost all container lessors. As a result, we are being selective in determining which deals to pursue.
- We believe the overall credit risk of container shipping lines has improved materially over the past several years. However, if trade growth this year is significantly worse than expected or if one or several shipping lines' focus on profits reverts to a focus on market share, the credit profile of the industry could decline.

The outlook for achieving increases in freight rates is mixed. Idle vessel inventory is currently at 4-5%. New vessel capacity scheduled for delivery in 2013 is estimated to equal 10% of the existing fleet. Given a projected growth in trade of 4-6%, effective capacity management will be critical if shipping lines are to achieve freight rate increases this year. Higher freight rates improve the credit quality of the industry and help ensure shipping lines pay invoices on time.

We are optimistic that 2013 will be another good year for the industry in general and Textainer in particular. We invested \$1.2 billion over the course of last year in new and used containers. We expect to continue our focus on organic growth during 2013.

Investments in new and managed containers, purchase lease-backs of shipping line containers, trading deals and acquisitions of unrelated container fleets will all be pursued during 2013. Indeed, we are already off to a good start with over \$160 million invested year-to-date. Furthermore, we will have the benefit of a full year of cash flow from the new and managed containers we purchased late last year.

We would like to thank our shareholders for their commitment, our customers for their trust, our suppliers for their service and our employees for their dedication. Without the support of all of you, we could not have achieved these results."

CASH FLOW AND DIVIDEND

As reported during the year, the favourable trading conditions have boosted our profits and cash flow as well as the collection of our long-term receivables, and given the sound prospects for 2013, we have declared a final dividend of 150 cents per share, making a total distribution of 215 cents per share for the year – an increase of 23% over 2011.

However, it should be noted that the increase in worldwide liquidity and the availability of low cost funding has, of course, also affected the container leasing industry resulting in increased competition and pressure on margins.

EQUITY RAISE IN TEXTAINER AND SALE OF SHARES BY HALCO

At mid-year, Textainer's strong growth and prospects of opportunities requiring considerable capital expenditure indicated the desirability of expanding its capital base by raising additional equity.

Since the successful listing of Textainer on the NYSE in 2007, we had been advised that the 60% shareholding of Halco together with the small 'free-float' in the Textainer share caused a significant lack of liquidity in the market and limited the interest of institutional investors, and that a larger 'free float' could improve the rating of the share. A moderate dilution in Halco's shareholding in Textainer would also have benefits for Trencor and Halco from a corporate governance and regulatory perspective.

Accordingly, the Textainer and Halco boards decided on related transactions in which Textainer completed an underwritten public offer in aggregate of 8 625 000 shares at a price of US\$31,50 per share to the public; of these Textainer issued 6 125 000 new shares and Halco sold 2 500 000 of its then existing shareholding in Textainer.

The effects of the transactions were that Textainer received a net US\$184,8 million to employ in its business and that Halco's interest in Textainer was reduced from 60,8% to 48,9% and it received US\$75,1 million after all underwriting and offering expenses.

For Trencor, it is yet another step in our process over a long period of time to restructure the group with the ultimate objective of maximizing shareholder value. It is thus worth noting that, based on the spot exchange rate of US\$1,00 = R9,16 and the price of Textainer's shares on the NYSE (US\$40,05) on 24 April 2013, the net asset value of Trencor at that date was as follows:

	R million	R per share
Net beneficiary interest in Textainer	10 007	56,52
Net interest in long-term receivables	713	4,03
Cash	1 634	9,23
Net liabilities	(114)	(0,64)
	12 240	69,14

Following the transaction, Trencor is fully confident of the future potential of Textainer and remains a strategic and committed beneficiary shareholder in Textainer. It is our desire that our interest should be maintained at about the current level and that cash resources will be managed accordingly.

Pursuant to the above sale of Textainer shares by Halco, Trencor as beneficiary under the Halco Trust received a distribution of US\$95 million from the Halco Trust, which enabled the board to declare a special dividend of 360 cents per share payable on 29 April 2013.

STRATEGY

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

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

APPRECIATION

I wish to record my appreciation to the small and efficient Trencor staff who, under the leadership of our financial director, Jimmy McQueen, deal with the complexity of multiple exchange rates, different financial reporting standards and NYSE and JSE listing rules, together with the ever increasing regulatory requirements.

On top of all sits the board of directors – I thank them for their continued support and the total responsibility they assume for the conduct of Trencor's affairs.



N I Jowell

26 April 2013

Review of Operations

TEXTAINER

Textainer Group Holdings Limited ('Textainer') is, through its subsidiaries, primarily engaged in owning, leasing, managing and trading standard and special dry freight and refrigerated marine cargo containers to mainly global transportation companies. Textainer listed on the New York Stock Exchange (NYSE: TGH) in October 2007. At 31 December 2012 Trencor had a 48,9% (2011: 60,8%) beneficiary interest in the company. Textainer's net profit attributable to its shareholders in 2012 was a record US\$200,2 million (2011: US\$194,0 million). These amounts exclude a bargain purchase gain of US\$9,4 million in 2012 and include a non-cash gain of US\$15,5 million arising on the sale of containers to the prior non-controlling interest in Textainer Marine Containers Limited ('TMCL') in 2011. Textainer paid dividends totalling US\$1,63 per share in 2012 compared to US\$1,28 per share in 2011.

Total capital expenditure for both the owned and managed fleets was US\$1,26 billion for the year, used to purchase 317 000 twenty-foot equivalent units ('TEU') of new standard dry-freight containers, 21 000 TEU of new refrigerated containers and 210 000 TEU of used containers. Capital expenditure for Textainer's owned fleet was US\$1,05 billion of the total.

The following significant events occurred during the year:

- 18 April 2012: Textainer issued US\$400 million aggregate principal amount of Series 2012-1 Fixed Rate Asset Backed Notes. The proceeds of these Notes were used to repay certain outstanding indebtedness of TMCL and for general corporate purposes.
- 1 May 2012: Textainer Marine Containers II Limited ('TMCL II') entered into a secured debt facility that provides for an aggregate commitment amount of up to US\$1,2 billion and it acquired a portion of the containers owned by TMCL. TMCL used the proceeds it received from TMCL II for the containers to terminate TMCL's secured debt facility.
- 19 September 2012: Textainer completed an underwritten public offering of an aggregate of 8 625 000 of its common shares at a price to the public of US\$31,50 per share. Of the common shares sold, Textainer sold 6 125 000 new common shares and Halco Holdings Inc ('Halco') sold 2 500 000 of its existing common shares in Textainer. Textainer received US\$184,8 million and Halco received US\$75,4 million after deducting underwriting discounts and other offering expenses. Halco's total ownership and voting interest in Textainer's common shares before and after the offering were 60,0% and 48,9%, respectively.
- 24 September 2012: Textainer Limited extended the term of its revolving credit facility and amended certain terms thereof, including an increase in the aggregate commitment amount from US\$205 million to US\$600 million. The maturity date was changed from 22 April 2013 to 24 September 2017.
- On 20 December 2012: Textainer acquired a 50,1% interest in TAP Funding Limited ('TAP'), a container owning company whose containers are managed by Textainer, for

US\$20 million. The acquisition resulted in a bargain purchase gain, which has been recorded in the statement of comprehensive income. The bargain purchase gain arose due to Textainer's particular ability to accommodate the transaction needs of TAP's selling shareholders. Specifically, the transaction allows approximately half of TAP's existing shareholders to continue their investment in TAP and allows TAP to continue to buy containers that will be managed by Textainer on TAP's behalf, thus enabling TAP to maintain a young fleet of containers that can be readily financed. The transaction also allowed TAP's other shareholders immediate liquidity in cash. As Textainer was already managing TAP's assets, Textainer was able to complete the transaction in an expedited manner without the need for due diligence.

Average fleet utilisation for the year was 97,2% (2011: 98,3%).

Textainer remains the world's largest lessor of intermodal containers based on fleet size, with a total fleet of almost 1,9 million containers, representing approximately 2,8 million TEU. The company leases containers to more than 400 shipping lines and other lessees, including each of the world's top 20 container lines, as measured by the total TEU capacity of their container vessels. Textainer has provided an average of more than 181 000 TEU of new containers each year for the previous five years, and has also been one of the largest purchasers of new containers among container lessors over the same period. It is also one of the largest sellers of used containers among container lessors, having sold an average of more than 80 000 containers per year for the past five years to more than 1 200 customers. Textainer provides its services worldwide via an international network of 14 regional and area offices, and over 390 independent depots in more than 200 locations. Textainer's carefully designed specifications, in-house production quality control, depot selection and audit programme are all part of a system built to manage customers' costs and provide a high-quality container service. The company's senior management has an average of 15 years service with the company and has a long history in the container industry.

In addition to its own fleet, Textainer manages containers on behalf of 16 affiliated and unaffiliated owners, including TAC Limited ('TAC'), a container-owning company in which Trencor has a 44,3% beneficiary interest. Management fees and sales commissions arising from these arrangements continue to make significant contributions to the company's operating results and also reduce volatility, even in cyclical downturns. Including finance leases, the total fleet under Textainer's management at 31 December 2012 numbered 2 775 000 TEU, of which Textainer itself owned 73%, up 14% from 2011. 82% of the total operating lease fleet was on long-term lease compared to approximately 54% a decade ago. As at 31 December 2012 long-term leases had an average remaining duration of 3,5 years, assuming no leases are renewed. Of the containers in the fleet that are owned by Textainer, 82% were on long-term lease (2011: 79%).

The ratio of interest-bearing debt to total equity was 216% (2011: 217%), which is conservative by industry standards.

Textainer's website can be viewed at <http://www.textainer.com>.

Textainer: Salient information

	2012	2011	Change
Financial (US\$ million)			
Total revenue	549,4	612,7 ¹	-10,3%
Profit before tax	202,0 ²	211,2	-4,4%
Net profit	200,2	194,0	+3,2%
Profit attributable to Halco	113,8	118,2	-3,7%
Operational			
Average fleet utilisation	97,2%	98,3%	-1,1%
Fleet under management (TEU '000s) (excluding finance leases)	2 775	2 469	+306
Owned	2 016	1 447	+569
Managed	759	1 022	-263
Long-term lease fleet	2 113	1 832	+281
Short-term lease fleet	511	549	-38
Finance leases	151	88	+63

¹ Includes revenue of US\$133,0 million in respect of containers sold to non-controlling interest.

² Excludes bargain purchase gain of US\$9,4 million arising from the acquisition of a 50,1% interest in TAP, a container-owning company referred to above.

NET INVESTMENT IN LONG-TERM RECEIVABLES

The aggregate amount of outstanding long-term receivables denominated in United States dollars at 31 December 2012 was US\$134 million (2011: US\$179 million). The discount rate applied in the valuation of the long-term receivables is unchanged from 2011 at 8,5% per annum and the net present value of these receivables, before fair value adjustments, totalled R1,1 billion (2011: R1,4 billion). An exchange rate of US\$1 = R8,48 was used to translate dollar amounts into rand at 31 December 2012 (2011: US\$1 = R8,12). In compliance with the requirements of International Financial Reporting Standards, the resulting unrealised translation gain, amounting to R46 million at net present value (2011: R263 million), has been included in profit before tax.

A fair value adjustment is made to take account of the estimated timing of receipt and the possible non-collectability of the receivables, and the related effect on the portion attributable to third parties. The net fair value adjustment was reduced by R81 million (2011: R33 million). This increased earnings by 33 cents per share (2011: 13 cents per share). The net fair value adjustment at 31 December 2012 was R226 million (2011: R303 million). Approximately 98% (2011: 98%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income, and 2% (2011: 2%) relates to the possible non-collection of receivables.

The decrease in the value of the rand against the US dollar resulted in an unrealised loss of R13 million (2011: R72 million) on translation of the dollar-denominated fair value adjustment

against the receivables. At 31 December 2012, the net present value of long-term receivables after fair value adjustments amounted to R832 million (2011: R1 041 million).

The discount rate applied to reduce the rand amounts attributable to third parties to their net present values is unchanged from 2011 at 10% per annum.

TAC

44,3% of the issued share capital of TAC is owned by Halco, a company incorporated in British Virgin Islands and wholly owned by the Halco Trust, a trust resident in Liechtenstein. These shares were originally issued by way of a rights issue at zero cost. Trencor and certain of its wholly-owned South African subsidiaries are the nominated beneficiaries of the Halco Trust. The protectors of the Halco Trust are Messrs C Jowell, N I Jowell, J E McQueen, D M Nurek and E Oblowitz. Halco has an option to acquire the 55,7% of the issued shares of TAC that it does not presently own for US\$4 million plus a holding cost, which will become exercisable by no later than 31 December 2013. The option may be exercised by Halco at any time before 31 December 2015.

TAC and its wholly-owned subsidiary Leased Assets Pool Company Limited ('LAPCO') owned 161 942 TEU (2011: 145 726 TEU) of dry freight containers of various types and 2 171 (2011: 2 249) stainless steel tank containers at 31 December 2012, 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. 64,6% of the fleet is on long-term lease.

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

Average utilisation across the whole TAC fleet was 96,2% compared to 94,8% in 2011. Fewer of TAC's older containers (12 704 TEU) were disposed of during the year (14 154 TEU in 2011) largely as a result of the continuing high fleet utilisation.

In December 2011 LAPCO refinanced its term loan with a US\$150 million, two-year revolving facility provided by its bankers. This facility provided LAPCO with approximately US\$80 million of funding for investment in containers. During 2012 LAPCO purchased 25 730 TEU of new equipment costing US\$72 million, to be managed by Textainer.

While TAC traded profitably in 2012, it presently has negative equity, so that the value of the group's beneficiary interest continues to be carried at no value. The following table summarises the residual assets of TAC at 31 December, which ultimately support the major part of the long-term receivables:

	2012	2011
	US\$m	US\$m
Net interest	104	120
Comprising:		
Net book value of container fleet	224	168
Cash balances	8	7
Receivables	14	16
Total assets	246	191
Deduct:		
Bank loans	(123)	(69)
Payables	(19)	(2)
	104	120
Undiscounted value of long-term receivables supported by the residual assets of TAC	130	174
Net carrying value of long-term receivables supported by the residual assets of TAC	96	126

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.

Corporate Governance

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

The 75 principles recommended by the King Report have been assessed and the disclosure on how each has been applied or an explanation why or to what extent they were not applied is disclosed in a register available on the company's website.

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

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

BOARD OF DIRECTORS

COMPOSITION

The names and brief résumés of the directors appear on page 76.

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

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

Nominations for appointment to the board are formal and transparent and submitted by the nomination committee of the board to the full board for consideration.

CHAIRMAN/CEO

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

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

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

PROFESSIONAL ADVICE

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

COMPANY SECRETARY

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

MEETINGS

The board meets regularly on a scheduled quarterly basis and at such other times as circumstances may require. During the year ended 31 December 2012, four meetings were held and these were attended by all directors in person or by telephone/video link.

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS

The number of shares held by the directors and their associates in the issued share capital of the company at 31 December 2012 and 2011 was as follows:

	Beneficial		
	Direct	Indirect	Total
2012			
J E Hoelter	–	–	–
C Jowell	159 831	5 262 929	5 422 760
N I Jowell	47 832	5 579 018	5 626 850
J E McQueen	49 649	102 133	151 782
D M Nurek	–	10 000	10 000
E Oblowitz	10 000	–	10 000
R J A Sparks	–	4 000	4 000
H R van der Merwe	–	–	–
H Wessels	–	27 859	27 859
	267 312	10 985 939	11 253 251
2011			
J E Hoelter	–	–	–
C Jowell	159 831	5 262 929	5 422 760
N I Jowell	47 832	5 579 018	5 626 850
J E McQueen	49 649	102 133	151 782
D M Nurek	–	10 000	10 000
E Oblowitz	10 000	–	10 000
R J A Sparks	–	4 000	4 000
H R van der Merwe	–	–	–
H Wessels	–	2 859	2 859
	267 312	10 960 939	11 228 251

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

The number of shares held by the directors and their associates in the issued common stock of Textainer Group Holdings Limited at 31 December 2012 and 2011 was as follows:

	Beneficial		
	Direct	Indirect	Total
2012			
J E Hoelter	–	1 004 471	1 004 471
C Jowell	1 825	–	1 825
N I Jowell	1 825	62 981	64 806
J E McQueen	1 825	–	1 825
D M Nurek	1 825	–	1 825
E Oblowitz	–	–	–
R J A Sparks	–	–	–
H R van der Merwe	694	–	694
H Wessels	–	–	–
	7 994	1 067 452	1 075 446
2011			
J E Hoelter	–	1 003 340	1 003 340
C Jowell	694	–	694
N I Jowell	694	62 981	63 675
J E McQueen	694	–	694
D M Nurek	694	–	694
E Oblowitz	–	–	–
R J A Sparks	–	–	–
H R van der Merwe	694	–	694
H Wessels	–	–	–
	3 470	1 066 321	1 069 791

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

AUDIT COMMITTEE

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

In addition to the committee members, the other members of the board and certain other group executives are normally invited to attend meetings of the committee. The external auditors attend all meetings and have direct and unrestricted access to the audit committee at all times. In addition, the committee chairman meets separately with the external auditors on an ad-hoc basis.

During the year, the committee met on two occasions. The meetings were attended by all members.

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

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

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

REPORT BY CHAIRMAN OF THE AUDIT COMMITTEE

Membership

The audit committee, comprised of four independent non-executive directors, was appointed by shareholders at the previous annual general meeting and the board of directors appointed Mr E Oblowitz as chairman of the committee in respect of the 2012 financial year.

Shareholders will be requested to vote on and approve the appointment of the members of the audit committee for the 2013 financial year at the forthcoming annual general meeting.

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

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

Purpose

The primary purpose of the committee is:

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

Execution of functions

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

During the year under review:

- In respect of the external auditor and the external audit, the committee amongst other matters:
 - nominated KPMG to the shareholders for appointment as external auditor for the financial year ended 31 December 2012, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor. The committee confirms that the auditor and the designated auditor are accredited by the JSE;
 - approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditor;
 - reviewed the audit, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures;
 - obtained an annual written statement from the auditor confirming that its independence was not impaired;
 - determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services undertaken;
- In respect of the financial statements, the committee amongst other matters:
 - confirmed the going concern status as the basis of preparation of the interim and annual financial statements;
 - examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to the public, prior to submission and approval by the board;

- ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the group was determined to be a going concern;
- considered accounting treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- met separately with management and the external auditor.
- In respect of internal control, the committee amongst other matters:
 - received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof; and
 - based on the above, formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and maintaining effective material control systems.

INDEPENDENCE OF EXTERNAL AUDITOR

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

ANNUAL FINANCIAL STATEMENTS

Having achieved its objectives, the committee recommended the audited annual financial statements for the year ended 31 December 2012 for approval by the board. The board subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

BOARD AND BOARD COMMITTEE TERMS OF REFERENCE

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

COMMITTEES OF THE BOARD

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

NOMINATION COMMITTEE

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

The committee meets on an ad-hoc basis. During the year, the committee held one meeting which was attended by both members.

DIRECTORS OVER AGE 75

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

DIRECTORS' INDEPENDENCE

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

SUCCESSION PLANNING

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

EXECUTIVE COMMITTEE

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

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

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

course of business of the existing divisions and operations of the group.

REMUNERATION COMMITTEE

The remuneration committee reports directly to the board and comprises two independent non-executive directors. The committee's task is to review the compensation of executive and non-executive directors and senior management and to grant options in terms of The Trencor Share Option Plan. The chairman of the board is usually invited to attend meetings of the committee.

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

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

REMUNERATION REPORT

This report describes the remuneration practices and policies of the company with particular focus on the pay of executive directors.

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

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

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

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

DIRECTORS' REMUNERATION

The remuneration paid to the directors during the years ended 31 December 2012 and 2011 was as follows:

	Guaranteed remuneration R'000	Contributions to Medical aid R'000	Retirement funds R'000	Incentive bonuses R'000	Equity compensation benefits * R'000	Other R'000	Total remuneration R'000
2012							
NON-EXECUTIVE DIRECTORS							
J E Hoelter	917	–	–	–	291	–	1 208
D M Nurek	864	–	–	–	291	–	1 155
E Oblowitz	285	–	–	–	–	–	285
R J A Sparks	285	–	–	–	–	–	285
H Wessels	233	–	–	–	–	–	233
	2 584	–	–	–	582	–	3 166
EXECUTIVE DIRECTORS							
C Jowell	1 091	17	–	1 031	291	–	2 430
N I Jowell	2 380	32	–	2 578	291	–	5 281
J E McQueen	2 440	32	208	586	291	–	3 557
H R van der Merwe	903	36	95	200	–	10	1 244
	6 814	117	303	4 395	873	10	12 512
AGGREGATE REMUNERATION 2012	9 398	117	303	4 395	1 455	10	15 678
2011							
NON-EXECUTIVE DIRECTORS							
J E Hoelter	803	–	–	–	133	–	936
D M Nurek	799	–	–	–	133	–	932
E Oblowitz	275	–	–	–	–	–	275
R J A Sparks	274	–	–	–	–	–	274
H Wessels	154	–	–	–	–	–	154
	2 305	–	–	–	266	–	2 571
EXECUTIVE DIRECTORS							
C Jowell	1 050	15	–	925	133	–	2 123
N I Jowell	2 185	30	–	2 316	133	35	4 699
J E McQueen	2 260	30	193	528	133	35	3 179
H R van der Merwe	1 633	33	154	–	133	–	1 953
	7 128	108	347	3 769	532	70	11 954
AGGREGATE REMUNERATION 2011	9 433	108	347	3 769	798	70	14 525

* Award of shares in Textainer Group Holdings Limited.

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

GOVERNANCE COMMITTEE

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

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

CODE OF ETHICS

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

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

RESTRICTION ON TRADING IN SHARES

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

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

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

SOCIAL AND ETHICS COMMITTEE

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

In order to ensure good corporate governance, Trencor already has a shareholder appointed audit committee and board appointed executive, governance, remuneration, nomination and risk committees. Textainer, being listed on the New York Stock Exchange, has to, and does, ensure compliance with good corporate governance principles as required by the rules and regulations of that Exchange and the regulations of the

US Securities and Exchange Commission. Textainer has, inter alia, its own range of board committees to oversee such compliance. It also adheres to the laws of Bermuda (where it is registered and has its headquarters) and of the USA where it is listed and has its administrative offices.

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

RISK COMMITTEE

The risk committee comprises the members of the audit committee and Mr J E Hoelter. During the year, two committee meetings were held, which were attended by all members.

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

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

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

- **EXCHANGE RATE FLUCTUATIONS**

Trencor's interests are largely US dollar-based and, accordingly, changes in the R/US\$ exchange rate can and do significantly affect the translation of assets, liabilities, profits and losses into South African currency. The long-term export receivables are all denominated in US dollars. The board has decided that these receivables should remain in US dollars and should not be hedged into any other currency, save that the executive committee is authorised to sell limited amounts due to be collected forward, into rand, if it believes that doing so would enhance the rand receipts. Unrealised gains and losses arising on translation at reporting dates of the unhedged portion of the long-term receivables and related valuation adjustments are included in profit or loss and changes in the R/US\$ exchange rate may result in volatility in earnings when expressed in rand.

For each of the years ended 31 December 2012 and 2011, 36% 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 underway, it is not yet clear whether a sustainable recovery is currently taking place domestically or internationally. Any deceleration or reversal of the relatively slow and modest domestic and global economic recoveries could heighten a number of material risks to Textainer's business, results of operations, cash flows and financial condition, as well as its future prospects, including the following:

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

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

- **INTEREST RATES**

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

- **CREDIT RISK CONCENTRATION**

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

Textainer's five largest customers accounted for approximately 37,2% of its total owned and managed fleet's 2012 lease billings (2011: 34,8%). Lease billings from Textainer's 25 largest container lessees by lease billings represented 77,3% and 74,6% of total owned and managed fleet's container lease billings in 2012 and 2011 respectively.

A single lessee accounted for 11,7% of Textainer's owned lease billings for 2012 (2011: 12,3%). One single lessee accounted for 11,9% and 20,6% of Textainer's net accounts receivable as at 31 December 2012 and 2011 respectively.

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

- **CONTAINER OWNERSHIP**

Ownership of containers entails greater risk than management of containers for container investors. In 2012, Textainer increased the percentage of containers in its fleet that it owns from 59% at the beginning of the year to 73% at the end of the year. The increased number of containers in Textainer's owned fleet, increases its exposure to financing costs, financing risks, changes in per diem rates, re-leasing risk, changes in utilisation rates, lessee defaults, repositioning costs, storage expenses, impairment charges and changes in sales price upon disposition of containers. The number of containers in the owned fleet fluctuates over time as new containers are purchased, containers are sold into the secondary resale market, and other fleets are acquired. As part of its strategy, Textainer focuses on increasing the number of owned containers in its fleet and therefore ownership risk may be expected to increase correspondingly.

- **DECREASE IN CONTAINER FLEET UTILISATION**

A decline in utilisation, for example due to a reduction in world trade or in container traffic on particular routes or an oversupply of competitors' containers, could result in reduced revenue, increased storage expenses and thus lower profit. In order to reduce volatility in revenue and earnings of the containers in the on-hire fleet that are owned by Textainer, 82,2% (2011: 79,3%) 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 VALUE OF CONTAINERS**

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

INFORMATION RESOURCES MANAGEMENT

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

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

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

STAKEHOLDER COMMUNICATION

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

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

Sustainability Report

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

STRATEGY

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

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

BUSINESS STRATEGIES

We intend to grow our business profitably by pursuing the following strategies:

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

ORIGINS AND HISTORY

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

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

1977 marked the beginning of manufacturing of dry freight marine cargo containers for the export market. This was later expanded to include the manufacture of folding flatrack containers and stainless steel tank containers. In 1979 Trencor commenced financing the sale of containers on long-term credit.

The aggregate sales value of containers so exported from South Africa exceeded US\$1 billion.

With the advent of globalisation and the freeing up of the South African economy, the focus shifted to the current core activities of the group described above. Today, Textainer, operating since 1979, is the world's largest container-leasing company based on fleet size and its shares are listed on the New York Stock Exchange. Textainer leases containers to approximately 400 shipping lines and other lessees, including each of the world's top 20 container lines, as measured by their total container vessel fleet size.

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

SUSTAINABILITY STRATEGY

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

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

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

MANAGING SUSTAINABILITY

We are in the process of establishing a Sustainability Committee, 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 AREAS

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

MEASURING PERFORMANCE

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

The statement below reflects wealth created during the year ended 31 December 2012 and how it was distributed:

Wealth created:	Rm
Total revenue	4 553
Less: costs of goods and services	(1 587)
	2 966
Wealth distributed:	
Employees' compensation	252
Government (direct taxes)	61
Shareholders (dividends)	638
Depreciation and amortisation	880
Net earnings retained	1 135
	2 966
	Cents per share
Shareholders	
Growth of shareholder wealth and returns:	
Earnings	580
Dividends	215
Trencor share price at year-end	5 477

EMPLOYEES

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

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

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

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

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

REMUNERATION

The company's remuneration practices and policies are described in the Corporate Governance section of the integrated annual report.

CUSTOMERS

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

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

SUPPLIERS

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

REGULATORY MATTERS

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

EMPLOYMENT EQUITY

The group's South African workforce at 31 December 2012 comprised the employees of Trencor Services (Pty) Limited at the group's corporate head office consisting of 19 persons: four executive white male directors, four white males in senior management, one coloured male in mid management, one white disabled and one coloured male and one white female in junior management, two coloured and three white semi-skilled females and one unskilled coloured male and African woman.

ENVIRONMENT

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

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

Containers are made essentially of steel and timber and are constantly re-usable for 10-12 years per container. This contrasts with break-bulk where packaging material is typically only used once resulting in much more depletion of natural resources such as timber, for crates and cardboard, and other packaging material. Further, break-bulk results in the damage and deterioration of the environment because of the indiscriminate discarding of waste and packaging material. Huge quantities of world trade are involved and so the benefit to the environment and the preservation of natural resources resulting from the use of containers is immense.

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

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

COMMUNITY

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

EXTERNAL ASSURANCE

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

Trencor Limited and Subsidiaries

Audited annual financial statements

Audit committee report

The audit committee has fulfilled all of its functions in terms of the Companies Act of South Africa, as described in the corporate governance report on pages 12 and 13.

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Trencor Limited, comprising the statements of financial position at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

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

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

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

Preparation of financial statements

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

Approval of the consolidated and separate annual financial statements

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

Page

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

Signed on behalf of the board



N I Jowell
Chairman



E Oblowitz
Director and chairman
of the audit committee

Cape Town
26 April 2013

Declaration by the Company Secretary

It is hereby certified that for the year ended 31 December 2012, the company has lodged with the Companies and Intellectual Property Commission all returns as are required by a public company in terms of the Companies Act of South Africa and that such returns appear to be true, correct and up to date.



Trencor Services (Pty) Limited
Secretaries

Per G W Norval

Cape Town
26 April 2013

Directors' Report

General review

The nature of the company's business is described on the inside front cover. The financial results are reflected in the financial statements on pages 26 to 74.

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

	2012 Rm	2011 Rm
Container operations		
Container finance	15	15
Textainer	968	845
Exchange translation gains	48	147
Net long-term receivable adjustment	39	23
Interest and other corporate items	(43)	(39)
	1 027	991

Directors and secretary

The names of the directors appear on page 2 and that of the secretary on page 92.

In terms of the memorandum of incorporation Messrs N I Jowell, E Oblowitz and R J A Sparks retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

Brief résumés of the directors are presented on page 76.

Directors' interests

The aggregate of the direct and indirect beneficial interests of the directors in the issued shares of the company at 31 December 2012 was 6,4% (2011: 6,2%).

The direct and indirect beneficial interests of each director who held in excess of 1% of the issued shares at 31 December 2012 and 2011 was as follows:

	2012 %	2011 %
C Jowell	3,0	3,0
N I Jowell	3,2	3,2

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

Cash dividends

	Payment number	Record date	Payment date	Cents per share (gross)	Total Rm
2011					
Interim	91	16/09/11	19/09/11	50	88
Final	92	23/03/12	26/03/12	125	221
2012					
Interim	93	14/09/12	17/09/12	65	115
Final	94	22/03/13	25/03/13	150	266

Special dividend

On 19 September 2012 Halco Holdings Inc ('Halco') sold 2,5 million shares in Textainer, realising net proceeds of approximately US\$75 million. Subsequent to the end of the financial year Halco declared and paid a dividend of US\$95 million, the proceeds of which have since been distributed by the trustee of the Halco Trust to Trencor. On 25 March 2013, the board of Trencor declared a special gross cash dividend (number 95) of 360 cents per share payable to shareholders on 29 April 2013.

The Trencor Share Option Plan

In terms of The Trencor Share Option Plan, options were previously granted to certain executive directors and employees amounting in aggregate to 6 740 000 shares (2011: 6 740 000 shares) in the unissued share capital of the company. The maximum number of shares available for utilisation under the Plan was 8 884 209 (2011: 8 884 209). No options are currently outstanding.

Interest in significant subsidiaries

	Share capital & premium million	Effective interest		Shares at cost		Amount owing (to)/by company	
		2012 %	2011 %	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Indirect:							
Textainer Group Holdings Ltd ¹ (Incorporated in Bermuda) Owning, leasing, managing and trading of marine cargo containers	US\$363	48,9 ²	60,8	–	–	–	–
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	(499)	(399)
				1 068	1 068	(499)	(399)
Aggregate of all other subsidiaries				353	353	–	39
				1 421	1 421	(499)	(360)
Less impairment loss				(367)	(367)	–	–
				1 054	1 054	(499)	(360)

¹ 48,9% of the issued shares of Textainer at 31 December 2012 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. On 19 September 2012 Textainer completed an underwritten public offering of 8 625 000 of its common shares at a price of US\$31,50 per share. Of the common shares sold, Textainer sold 6 125 000 and Halco sold 2 500 000. Following these transactions, Halco's interest in Textainer reduced to 48,9%.

² Further reduced to 48,5% subsequent to the year-end following the issue of restricted share units and the exercise of share options.

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:

	2012 Rm	2011 Rm
Profits	1 064	1 026
Losses	–	(1)
	1 064	1 025

Special resolutions

At the annual general meeting held on 12 June 2012 shareholders passed special resolutions to approve the following:

- the provision of financial assistance, as contemplated in section 45 of the Companies Act, by the company to related or interrelated companies and others;
- the non-executive directors' remuneration, in their capacities as directors of the company, from 1 July 2012 until the next annual general meeting of the company; and
- general authority granted to the company for the acquisition by the company or any of its subsidiaries of shares issued by the company. This authority is valid until the earlier of the next annual general meeting or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that it shall not extend beyond fifteen months from the date of passing of the resolution.

Special resolutions of subsidiaries

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

Analysis of shareholders

An analysis of shareholders and of holders who held 5% or more of the issued shares at 28 December 2012 is presented on page 75.

Independent Auditor's Report

to the shareholders of Trencor Limited

Report on the financial statements

We have audited the consolidated and separate financial statements of Trencor Limited, which comprise the statements of financial position at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 26 to 74.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Trencor Limited at 31 December 2012 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc

Registered Auditor



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

26 April 2013

MSC House
1 Mediterranean Street
Foreshore
Cape Town 8001

Statements of Financial Position

at 31 December 2012

		Group		Company	
	Notes	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Assets					
Property, plant and equipment	4	24 798	15 600	–	–
Intangible assets	5	283	380	–	–
Investment in equity accounted investee	6	40	3	–	–
Other investments	7	66	14	–	–
Investment in subsidiaries	8	–	–	1 054	1 054
Long-term receivables	9	699	756	1	1
Net investment in finance leases	10	627	444	–	–
Deferred tax assets	11	20	22	–	–
Restricted cash	12	448	370	–	–
Total non-current assets		26 981	17 589	1 055	1 055
Inventories	13	195	169	–	–
Trade and other receivables	14	885	773	1	4
Current portion of long-term receivables	9	133	285	–	–
Current portion of net investment in finance leases	10	201	167	–	–
Current tax assets	15	2	2	–	–
Amount due by subsidiary	8	–	–	–	39
Cash and cash equivalents	16	2 513	1 333	–	–
Total current assets		3 929	2 729	1	43
Total assets		30 910	20 318	1 056	1 098
Equity					
Issued capital	17	1	1	1	1
Share premium		43	43	43	43
Reserves	17	6 370	4 750	510	652
Total equity attributable to equity holders of the company		6 414	4 794	554	696
Non-controlling interests		4 628	2 188	–	–
Total equity		11 042	6 982	554	696
Liabilities					
Interest-bearing borrowings	18	17 107	11 031	–	–
Amounts attributable to third parties in respect of long-term receivables	9	156	173	–	–
Amount due to subsidiary	8	–	–	499	399
Derivative financial instruments	19	89	131	–	–
Deferred revenue	20	27	9	–	–
Deferred tax liabilities	11	218	224	1	1
Total non-current liabilities		17 597	11 568	500	400
Trade and other payables	21	1 029	510	2	2
Current tax liabilities	15	83	78	–	–
Current portion of interest-bearing borrowings	18	1 115	1 076	–	–
Current portion of amounts attributable to third parties in respect of long-term receivables	9	30	53	–	–
Current portion deferred revenue	20	14	51	–	–
Total current liabilities		2 271	1 768	2	2
Total liabilities		19 868	13 336	502	402
Total equity and liabilities		30 910	20 318	1 056	1 098

Statements of Comprehensive Income

for the year ended 31 December 2012

	Notes	Group		Company	
		2012 Rm	2011 Rm	2012 Rm	2011 Rm
Revenue	22, 30	4 553	4 649	231	632
Other operating income		86	11	–	24
Changes in inventories		(841)	(1 378)	–	–
Direct leasing expenses		(203)	(131)	–	–
Staff costs		(252)	(205)	(2)	(1)
Depreciation		(839)	(582)	–	–
Other operating expenses		(151)	(162)	(13)	(7)
Net long-term receivable fair value adjustment		68	(40)	–	–
Operating profit before net finance (expenses)/income	22	2 421	2 162	216	648
Net finance (expenses)/income	23	(589)	(415)	1	–
Finance expenses					
Interest expense		(571)	(315)	–	–
Realised and unrealised losses on derivative financial instruments		(34)	(105)	–	–
Finance income					
Interest income		16	5	1	–
Share of profit/(loss) of equity accounted investee (net of tax)		2	(2)	–	–
Profit before tax		1 834	1 745	217	648
Income tax expense	24	(61)	(100)	(23)	(27)
Profit for the year		1 773	1 645	194	621
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		389	1 120	–	–
Change in fair value of available-for-sale financial asset		52	–	–	–
Income tax expense on other comprehensive income		(10)	–	–	–
Total comprehensive income for the year		2 204	2 765	194	621
Total comprehensive income for the year attributable to:					
Equity holders of the company		1 282	1 720	194	621
Non-controlling interests		922	1 045	–	–
		2 204	2 765	194	621
Profit for the year attributable to:					
Equity holders of the company		1 027	991	194	621
Non-controlling interests		746	654	–	–
		1 773	1 645	194	621
Basic earnings per share (cents)	25	579,9	554,3		
Diluted earnings per share (cents)	25	579,9	554,3		

Statements of Changes in Equity

for the year ended 31 December 2012

	Attributable to		
	Share capital Rm	Share premium Rm	Fair value reserve Rm
Group			
Balance at 31 December 2010	1	456	10
Total comprehensive income for the year			
Profit for the year	-	-	-
Other comprehensive income for the year			
Foreign currency translation differences	-	-	-
Total other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transactions with owners, recorded directly in equity			
Contributions by/(Distributions to) owners			
Share-based payments	-	-	-
Share options exercised	-	4	-
Repurchase of own shares from owners	-	(417)	-
Acquisition of non-controlling interest without a change in control	-	-	-
Dividends paid to equity holders	-	-	-
Total (distributions to)/contributions by owners	-	(413)	-
Total changes in ownership interests in subsidiaries	-	-	-
Total transactions with owners	-	(413)	-
Balance at 31 December 2011	1	43	10
Total comprehensive income for the year			
Profit for the year	-	-	-
Other comprehensive income for the year			
Foreign currency translation differences	-	-	-
Net change in fair value of available-for-sale financial asset	-	-	42
Total other comprehensive income for the year	-	-	42
Total comprehensive income for the year	-	-	42
Transactions with owners, recorded directly in equity			
Contributions by/(distributions to) owners			
Share-based payments	-	-	-
Share options exercised	-	-	-
Issue of shares by subsidiary	-	-	-
Acquisition of controlling interest of a subsidiary	-	-	-
Dividends paid to equity holders	-	-	-
Sale of shares of subsidiary without loss of control	-	-	-
Total contributions by/(distributions to) owners	-	-	-
Total changes in ownership interests in subsidiaries	-	-	-
Total transactions with owners	-	-	-
Balance at 31 December 2012	1	43	52

	Share capital Rm	Share premium Rm	Preference share amortisation adjustment Rm
Company			
Balance at 31 December 2010	1	456	600
Total comprehensive income for the year			
Profit for the year	-	-	-
Transactions with owners, recorded directly in equity			
Distributions to owners			
Dividends paid to equity holders	-	-	-
Share options exercised	-	4	-
Repurchase of own shares from owners	-	(417)	-
Total distributions to owners	-	(413)	-
Balance at 31 December 2011	1	43	600
Total comprehensive income for the year			
Profit for the year	-	-	-
Transactions with owners, recorded directly in equity			
Distributions to owners			
Dividends paid to equity holders	-	-	-
Total distributions to owners	-	-	-
Transfer between reserves	-	-	(600)
Balance at 31 December 2012	1	43	-

equity holders of the company							
	Foreign currency translation reserve Rm	Equity compensation reserve Rm	Gain/(Loss) on changes in ownership interests in subsidiaries Rm	Retained income Rm	Total Rm	Non- controlling interest Rm	Total equity Rm
	(234)	147	268	3 247	3 895	2 056	5 951
	–	–	–	991	991	654	1 645
	729	–	–	–	729	391	1 120
	729	–	–	–	729	391	1 120
	729	–	–	991	1 720	1 045	2 765
	–	42	–	–	42	25	67
	–	–	–	–	4	42	46
	–	–	–	–	(417)	–	(417)
	–	–	(177)	–	(177)	(801)	(978)
	–	–	–	(265)	(265)	(187)	(452)
	–	42	(177)	(265)	(813)	(921)	(1 734)
	–	–	(8)	–	(8)	8	–
	–	42	(185)	(265)	(821)	(913)	(1 734)
	495	189	83	3 973	4 794	2 188	6 982
	–	–	–	1 027	1 027	746	1 773
	213	–	–	–	213	176	389
	–	–	–	–	42	–	42
	213	–	–	–	255	176	431
	213	–	–	1 027	1 282	922	2 204
	–	52	–	–	52	36	88
	–	–	–	–	–	37	37
	–	–	–	–	–	1 519	1 519
	–	–	–	–	–	234	234
	–	–	–	(336)	(336)	(302)	(638)
	–	–	–	292	292	324	616
	–	52	–	(44)	8	1 848	1 856
	–	–	330	–	330	(330)	–
	–	52	330	(44)	338	1 518	1 856
	708	241	413	4 956	6 414	4 628	11 042

	Equity compensation reserve Rm	Retained income/ (Accumu- lated loss) Rm	Total Rm
	2	(306)	753
	–	621	621
	–	(265)	(265)
	–	–	4
	–	–	(417)
	–	(265)	(678)
	2	50	696
	–	194	194
	–	(336)	(336)
	–	(336)	(336)
	–	600	–
	2	508	554

Statements of Cash Flows

for the year ended 31 December 2012

		Group		Company	
		2012	2011	2012	2011
	Notes	Rm	Rm	Rm	Rm
Cash flows from operating activities					
Cash generated from operations	26	3 510	2 485	219	626
Increase in container leasing equipment		(8 036)	(5 912)	–	–
Finance income received		16	5	1	–
Finance expenses paid		(559)	(335)	–	–
Dividends paid to shareholders of the company		(336)	(265)	(336)	(265)
Dividends paid to non-controlling interest		(302)	(187)	–	–
Income taxes paid	15	(64)	(43)	(23)	(27)
Net cash (outflow)/inflow from operating activities		(5 771)	(4 252)	(139)	334
Cash flows from investing activities					
Acquisition of property, plant and equipment		(7)	(5)	–	–
Proceeds on disposal of property, plant and equipment		–	4	–	–
Increase in interest in equity accounted investee	6	(33)	(4)	–	–
Proceeds on disposal of investment		–	242	–	–
Amounts repaid by subsidiary		–	–	39	26
Acquisition of subsidiary	8	(175)	–	–	–
Decrease in finance leases		256	219	–	–
Increase in restricted cash		(43)	(220)	–	–
Sale of shares in subsidiary to non-controlling interest without a change in control		616	–	–	–
Decrease in investment in subsidiary		–	–	–	32
Net cash inflow from investing activities		614	236	39	58
Cash flows from financing activities					
Interest-bearing borrowings repaid		(8 969)	(4 388)	–	–
Interest-bearing borrowings raised		13 560	8 792	–	–
Debt issuance costs incurred	18	(202)	(61)	–	–
Repurchase of own shares from owners		–	(417)	–	(417)
Proceeds on issue of shares		–	4	–	4
Proceeds on issue of shares by subsidiary		1 556	42	–	–
Receipts from long-term receivables		368	217	–	–
Payments to third parties in respect of long-term receivables		(60)	(35)	–	–
Payment to non-controlling interest		–	(79)	–	–
Amounts advanced by subsidiary		–	–	100	21
Net cash inflow/(outflow) from financing activities		6 253	4 075	100	(392)
Net increase in cash and cash equivalents before exchange rate fluctuations					
Cash and cash equivalents at the beginning of the year		1 333	1 029	–	–
Effect of exchange rate fluctuations on cash and cash equivalents		84	245	–	–
Cash and cash equivalents at the end of the year	16	2 513	1 333	–	–

Notes to the Financial Statements

for the year ended 31 December 2012

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 2012 comprise the company and its subsidiaries (together referred to as the 'group' and individually as 'group entities') and the group's interest in associates. The group is primarily involved in owning, leasing, managing and trading marine cargo containers worldwide, and related financing activities.

2. Basis of preparation

2.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), the requirements of the Companies Act of South Africa and the JSE Listings Requirements. The consolidated financial statements were authorised for issue by the board of directors on 26 April 2013.

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 34.

2.5 The group early adopted IAS 1 *Presentation of Items of Other Comprehensive Income* which only becomes effective for years commencing on or after 1 July 2012. This amendment requires that an entity

present separately the items of other comprehensive income (OCI) that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; and change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. There was no impact on the group's financial statements and the name of the statement was not changed.

3. Significant accounting policies

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

3.1 Basis of consolidation

3.1.1 Subsidiaries

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

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

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.

Changes in any group entity's ownership interest in a subsidiary after control is obtained are accounted for as equity transactions i.e. transactions with owners in their capacity as owners. Accordingly, gains or losses which arise from acquisitions or disposals of non-controlling interests, calculated based on the carrying value of the assets and liabilities of the subsidiary, are accounted for as equity transactions provided control is retained after the conclusion of such transactions. Gains and losses are included in the appropriate reserve in equity (refer to note 17).

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

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

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 per cent of the voting power of another entity. Joint ventures are those entities over whose activities the group has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The 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 or joint control commences until the date that significant influence or joint control ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments that form part thereof is reduced to nil and recognition of further losses is discontinued except to the extent that the group has an obligation or made payments on behalf of the investee.

Gains or losses arising on the dilution of investments in associates are recognised in profit or loss and the net gain or loss attributable to the group is transferred the appropriate reserve in equity (refer to note 17).

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 fair value adjustments arising on acquisition, are translated to SA rand at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to SA rand at rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However if the operation is a non-wholly-owned subsidiary, then the relevant

proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal. When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is attributed to non-controlling interests.

3.3 Financial instruments

3.3.1 *Non-derivative financial instruments*

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

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

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

Available-for-sale financial assets

The group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets, unless they meet the requirements of another IAS 39 financial instrument classification. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy note 3.8), are recognised in other comprehensive income and presented within equity in the fair value reserve. The fair value of listed investments classified as available-for-sale is

their quoted bid price at the reporting date. The fair value of unlisted investments is based on valuations received from independent valuers during the period. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss.

Assets at fair value through profit or loss

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

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

Loans and receivables

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

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

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

Non-derivative financial liabilities

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

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

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

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

3.3.2 *Derivative financial instruments*

The group holds derivative financial instruments to economically hedge its foreign exchange and interest rate risk exposures arising from operational, financing and investment activities. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the

host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative, would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes.

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

Items of property, plant and equipment, which includes improvements made to leasehold premises are measured at cost less accumulated depreciation (refer to note 3.4.3) and accumulated impairment losses (refer to note 3.8). Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment (other than containers in the leasing fleet) are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in profit or loss. When containers in the leasing fleet cease to be rented or become held for sale they are transferred to inventory at their carrying amounts. On disposal the proceeds on the sale of these assets are recognised in revenue in accordance with IAS 18 Revenue (refer to note 3.9.1) and the carrying value is included in changes in inventories.

3.4.2 *Subsequent costs*

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

3.4.3 *Depreciation*

Depreciation is calculated on the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item

of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leasehold improvements are depreciated over the shorter of the lease term or their useful lives.

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

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

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

3.5 Intangible assets

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

3.5.1 *Subsequent expenditure*

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

3.5.2 *Amortisation*

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

	Years
Container management contracts	11 – 13

3.6 Net investment in finance leases

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

3.7 Inventories

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

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

3.8 Impairment

3.8.1 *Financial assets*

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated

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

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

3.8.2 *Non-financial assets*

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

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

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

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

3.9 Revenue

3.9.1 *Goods sold*

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

3.9.2 *Leasing income*

Marine cargo containers

Leasing income arises principally from operating and finance leases.

Under operating leases, container equipment owned by group companies is rented to various shipping lines and revenue is earned and recognised evenly over the period that the equipment is on lease, according to the terms of the contracts. These contracts are typically for terms of five years or less. Considerations

received in advance for future operating lease payments are discounted to their present values and deferred over the lease term.

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

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

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

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

3.9.3 *Management fees*

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

3.9.4 *Translation differences*

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

3.9.5 *Dividend income*

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

3.10 Expenses

3.10.1 *Operating lease payments*

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

3.10.2 *Net finance expenses*

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

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

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

3.11 Employee benefits

3.11.1 *Short-term employee benefits*

The cost of all short-term employee benefits is recognised during the year in which the employee renders the related service. The accruals for employee entitlements to remuneration and annual leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current remuneration rates.

3.11.2 *Retirement benefits*

Certain of the company's subsidiaries contribute to defined contribution retirement funds. A defined contribution 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.

3.11.3 *Share-based payments*

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

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

3.12 Income tax

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

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

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

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

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

3.13 Earnings per share

The group presents basic and diluted earnings per share data for its shares. Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the company by the weighted average number of shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding for the effects of all potential dilutive instruments, which comprise share options granted to employees.

3.14 Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues

and expenses that relate to transactions with any of the group's other components. All operating segments' results are reviewed regularly by the executive committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the executive committee include items that are directly attributable to the segment. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets. Based on the nature of the group's operations, geographical segment information is not distinguishable or relevant.

3.15 Financial guarantee contracts

Financial guarantee contracts are contracts that require the group or the company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable) determined in accordance with IAS 37 Provisions.

3.16 Accounting standards and interpretations in issue but not yet effective

Refer to note 35.

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

4. Property, plant and equipment

Cost

2011

Balance at the beginning of the year	11	11 975	17	64	12 067
Additions	–	5 391	–	5	5 396
Effect of movements in exchange rates	3	3 127	3	14	3 147
Transfer to container inventory	–	(1 538)	–	–	(1 538)
Transfer to finance leases	–	(236)	–	–	(236)
Disposals	–	–	(4)	(5)	(9)
Balance at the end of the year	14	18 719	16	78	18 827

2012

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

Depreciation and impairment losses

2011

Balance at the beginning of the year	5	2 392	10	56	2 463
Depreciation for the year	1	575	1	5	582
Effect of movements in exchange rates	2	554	2	11	569
Impairment loss for the year	–	18	–	–	18
Transfer to container inventory	–	(393)	–	–	(393)
Transfer to finance leases	–	(6)	–	–	(6)
Disposals	–	–	(1)	(5)	(6)
Balance at the end of the year	8	3 140	12	67	3 227

2012

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

Carrying amounts:

At 1 January 2011	6	9 583	7	8	9 604
At 31 December 2011	6	15 579	4	11	15 600
At 31 December 2012	5	24 776	3	14	24 798

Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 18):

At 31 December 2011	–	15 579	–	–	15 579
At 31 December 2012	–	24 776	–	–	24 776

4.1 An impairment loss of R6 million (2011: R9 million) represents the write-down of the carrying amounts to fair value, less costs to sell, in respect of containers identified for sale. Evaluations are carried out at the time containers come off-hire from leases to determine whether such containers should be repaired and returned to service or sold. In 2011, a further impairment loss of R9 million was incurred in respect of containers on lease to a customer, whose account had been impaired, to take into account the potential non-recovery of the equipment on lease to the customer, refer to note 22.

4.2 For commitments on property, plant and equipment, refer to note 28.

Group
Container management contracts Rm

5. Intangible assets

Cost

2011

Balance at the beginning of the year	563
Effect of movements in exchange rates	118
Disposals	(100)
Balance at the end of the year	581

2012

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

Amortisation

2011

Balance at the beginning of the year	163
Amortisation for the year	44
Effect of movements in exchange rates	39
Disposals	(45)
Balance at the end of the year	201

2012

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

Carrying amounts:

At 1 January 2011	400
At 31 December 2011	380
At 31 December 2012	283

- 5.1 The amortisation charge is recognised in other operating expenses in the statement of comprehensive income. No impairment losses have been recognised against these assets during the current or previous financial year.
- 5.2 The disposals represent the reduction arising from the relinquishment of management rights from the purchase of containers from a previously managed fleet.

6. Investment in equity accounted investee

The group's share of profit from its 25% investment in TW Container Leasing Limited was R2 million (2011: loss R2 million). TW Container Leasing, which is not publicly listed, leases containers to lessees under finance leases.

Carrying value of the group's investment:

	Group	
	2012 Rm	2011 Rm
Opening balance	3	–
Profit/(Loss) for the year	2	(2)
Effect of movements in exchange rates	2	1
Cash investments during the year	33	4
	40	3

7. Other investments

Equity instruments available-for-sale		
Unlisted shares	66	14
	66	14

7.1 The investment represents a 15% interest in the company that owns and operates Grand Central Airport in Midrand, Gauteng.

7.2 The fair value of the investment is based on the latest valuation of the property in the company, using the Depreciated Replacement Cost method, undertaken by an independent valuer in December 2012.

	Company	
	2012 Rm	2011 Rm
Ordinary shares at cost	408	408
Preference shares including amortisation adjustment	1 013	1 013
Investment in subsidiaries before impairment loss	1 421	1 421
Less impairment loss	(367)	(367)
Investment in subsidiaries	1 054	1 054
Amount due by subsidiary – short-term	–	39
	1 054	1 093
Amount due to subsidiary – long-term	(499)	(399)
	555	694

8. Interest in subsidiaries

Ordinary shares at cost	408	408
Preference shares including amortisation adjustment	1 013	1 013
Investment in subsidiaries before impairment loss	1 421	1 421
Less impairment loss	(367)	(367)
Investment in subsidiaries	1 054	1 054
Amount due by subsidiary – short-term	–	39
	1 054	1 093
Amount due to subsidiary – long-term	(499)	(399)
	555	694

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

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

Dividend income (refer to note 22)	–	102
Capital distribution from trust (refer to note 22)	231	530
	231	632

8.3 Issue of new shares by Textainer and disposal of shares in Textainer by Halco

On 19 September 2012 Textainer issued 6 125 000 new shares and Halco Holdings Inc ('Halco') disposed of 2 500 000 shares in Textainer in a combined public offering of 8 625 000 shares. The transaction:

- provided Textainer with capital required for capital expenditures and general corporate purposes;
- facilitated increased liquidity in the Textainer share on the New York Stock Exchange due to the enlarged free float, with a view to improving shareholder value;
- enhanced the efficacy of the existing Trencor group structure from a corporate governance and regulatory perspective; and
- was another step in a series of transactions implemented by Trencor over a long period of time to restructure the Trencor group with the ultimate objective of maximizing shareholder value over time.

Notwithstanding the reduction in Halco's holding in Textainer to 48,9%, the results of Textainer have been consolidated on the basis that Halco has de facto control. Halco is the largest shareholder with a 48,9% holding. No other shareholder has a holding of greater than 5% in Textainer. There has been no history of the other shareholders in Textainer voting differently to Halco on significant matters nor have they organised their interests in such a way that they commonly exercise more votes than Halco as the largest significant shareholder.

The following summarises the effect of the changes in Halco's investment in Textainer:

	Group
	Rm
Investment at 1 January 2012	3 397
Disposal of shares in Textainer by Halco	(324)
Issue of new shares by Textainer	355
Share of comprehensive income	1 150
Other equity movements*	(367)
Investment at 31 December 2012	4 211

* Other equity movements includes dividends, share based payments and share options exercised.

8.4 Acquisition of subsidiary and non-controlling interests

On 20 December 2012 Textainer's wholly owned subsidiary, Textainer Limited ('TL'), acquired a 50,1% interest in TAP Funding Limited ('TAP Funding') from TAP Limited ('TAP') for R175 million and a reduced management fee of R32 million (refer below). TAP Funding is a container-owning company whose containers are managed by Textainer. The acquisition resulted in a bargain purchase gain of R80 million, which has been recorded in the statement of comprehensive income in other operating income. The bargain purchase gain arose due to Textainer's particular ability to accommodate the transaction needs of TAP Funding's selling shareholders. Specifically, the transaction allows approximately half of TAP Funding's existing shareholders to continue their investment in TAP Funding, and allows TAP Funding to continue to buy containers that will be managed by Textainer on TAP Funding's behalf, thus enabling TAP Funding to maintain a young fleet of containers that can be readily financed. The transaction also allowed TAP immediate liquidity in cash. As Textainer was already managing TAP Funding's assets, Textainer was able to complete the transaction in an expedited manner without the need for due diligence. In addition, TL has an option to purchase the remaining outstanding common shares of TAP Funding from 1 January 2019 to 1 December 2020 for a consideration equal to the equity book value of TAP plus 6% of TAP's percentage ownership interest in TAP Funding minus the sum of any and all U.S. federal, state and local taxes of any nature that would be recognised by TL if TAP Funding were liquidated by TL immediately after TL purchased its shares.

Fair value of assets acquired and liabilities assumed:

	Group
	Rm
Property, plant and equipment	1 372
Net investment in finance leases	35
Restricted cash	16
Trade and other receivables	56
Inventories	4
Interest-bearing borrowings	(924)
Derivative financial instruments	(2)
Trade and other payables	(36)
Net assets	521
Non-controlling interest	(234)
Net assets acquired	287
Cash consideration	(175)
Deferred revenue	(32)
Bargain purchase gain	80

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

The fair value of the reduced management fee was recognised as deferred revenue and will be amortised to management fees over the period commencing from the acquisition date to 1 January 2019.

Cumulative income or expense included in profit or loss

For the period from 20 December to 31 December 2012 revenue of R6 million and net profit attributable to TAP Funding's operations of R0,2 million (net of non-controlling interests of R0,6 million) was included in the consolidated statement of comprehensive income.

8. Interest in subsidiaries (continued)

8.4. Acquisition of subsidiary and non-controlling interests (continued)

It is impracticable to disclose the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date TAP Funding had been as of the beginning of the annual reporting period. With the purchase transaction being effected by Textainer in the United States, the impracticability of the disclosure is attributed to the lack of financial information available prior to acquisition in line with IFRS.

Acquisition-related costs of R1 million were incurred in respect of legal and consultancy expenses. These costs have been included in other operating expenses in the consolidated statement of comprehensive income.

Group		Company	
2012	2011	2012	2011
Rm	Rm	Rm	Rm

9. Net investment in long-term receivables

Net investment in long-term receivables comprises:

Long-term receivables	699	756	1	1
Amounts attributable to third parties in respect of long-term receivables	(156)	(173)	–	–
	543	583	1	1
Represented by:				
Total receivables	1 135	1 453	1	1
Less deferred income	23	36	–	–
Net present value of long-term receivables	1 112	1 417	1	1
Less amounts attributable to third parties in respect of long-term receivables	240	299	–	–
Total amount	253	319	–	–
Less deferred expenditure	13	20	–	–
Net present value of net investment in long-term receivables	872	1 118	1	1
Less fair value adjustment to net investment, relating to:	226	303	–	–
Long-term receivables	280	376	–	–
Amounts attributable to third parties in respect of long-term receivables	(54)	(73)	–	–
	646	815	1	1
Less current portion of net investment included in:	103	232	–	–
Current assets	133	285	–	–
Current liabilities	(30)	(53)	–	–
	543	583	1	1

9.1 Total receivables in base currency amounted to US\$134 million (2011: US\$179 million).

9.2 Long-term receivables are valued by discounting future cash flows. The discount rate applied to the receivables (denominated in US\$) is 8,5% p.a. (2011: 8,5% p.a.). An appropriate fair value adjustment is made to the net investment for the estimated timing of receipt and the possible non-collectability of these receivables, and the related effect on the payment to third parties. The net present value of the long-term receivables and the related fair value adjustment were translated into SA rand at US\$1 = R8,48 (2011: US\$1 = R8,12). Approximately 98% (2011: 98%) of the net adjustment relates to the estimated timing of receipt and is in the nature of deferred income, and approximately 2% (2011: 2%) relates to the possible non-collection of receivables. There has been a base currency decrease equal to R81 million (2011: R33 million) in the fair value adjustment.

9.3 The amounts attributable to third parties in respect of the long-term receivables are denominated in SA rand and are valued by discounting future cash flows at 10% p.a. (2011: 10% p.a.). These are payable as and when the proceeds from the related long-term receivables are received.

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

	Group	
	2012 Rm	2011 Rm
Total amounts attributable to third parties	253	319
Less deferred expenditure	13	20
Net present value of amounts attributable to third parties	240	299
Fair value adjustment	(54)	(73)
Fair value of amounts attributable to third parties	186	226
Current portion	(30)	(53)
	156	173

Group					
Mini- mum lease pay- ments	Un- earned finance income	Present value of mini- mum lease pay- ments	Minimum lease pay- ments	Un- earned finance income	Present value of minimum lease pay- ments
2012			2011		
Rm	Rm	Rm	Rm	Rm	Rm

10. Net investment in finance leases

Amounts receivable under finance leases:

Within one year	273	72	201	218	51	167
Between one and five years	684	121	563	477	78	399
After five years	75	11	64	51	6	45
	1 032	204	828	746	135	611

	Group	
	2012 Rm	2011 Rm
Present value of minimum lease payments analysed as:		
Non-current finance lease receivables	627	444
Current finance lease receivables included in current assets	201	167
	828	611

- 10.1 Net investment in finance leases represents amounts receivable in respect of containers leased to shipping lines under finance lease agreements. These agreements provide that the containers are leased for their useful lives with a bargain purchase option at the end of the lease term. There are no contingent rentals.
- 10.2 The interest rates inherent in the leases are fixed at the contract date for the full term of the leases. The average effective interest rate contracted approximates 9,42% p.a. (2011: 8.14% p.a.).
- 10.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R0,6 million (2011: R0,4 million).
- 10.4 The net investment in finance leases has been pledged as security for interest-bearing borrowings (refer to note 18).
- 10.5 The fair value of the net investment in finance leases is R801 million (2011: R592 million) (refer to note 31). No impairment loss has been recognised as the difference between carrying value and fair value resulted from changes in current market interest rates without any changes to future contractual cash flows.

Group					
Assets		Liabilities		Net	
2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm

11. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Property, plant and equipment	-	-	165	133	165	133
Net investment in long-term receivables	-	-	88	80	88	80
Investments	-	-	12	2	12	2
Export partnerships	-	-	1	2	1	2
Trade and other receivables	-	-	14	15	14	15
Trade and other payables	(60)	(56)	-	-	(60)	(56)
Tax loss carry-forwards	(99)	(64)	-	-	(99)	(64)
Deferred income	-	-	77	90	77	90
Tax (assets)/liabilities	(159)	(120)	357	322	198	202
Set-off of tax	139	98	(139)	(98)	-	-
Net tax (assets)/liabilities	(20)	(22)	218	224	198	202

Movement in temporary differences for the group during the year:

	Balance at the begin- ning of the year Rm	Recog- nised in profit or loss Rm	Recog- nised in equity Rm	Ex- change adjust- ment in equity Rm	Acquired in busi- ness combi- nation Rm	Long- term receiva- bles Rm	Balance at the end of the year Rm
2011							
Property, plant and equipment	99	10	-	24	-	-	133
Net investment in long-term receivables	14	65	-	-	-	1	80
Investments	2	-	-	-	-	-	2
Export partnerships	1	-	-	-	1	-	2
Trade and other receivables	12	-	-	3	-	-	15
Trade and other payables	(36)	(7)	-	(13)	-	-	(56)
Tax loss carry-forwards	(38)	(16)	-	(10)	-	-	(64)
Deferred income	94	(11)	-	7	-	-	90
	148	41		11	1	1	202
2012							
Property, plant and equipment	133	25	-	7	-	-	165
Net investment in long-term receivables	80	6	-	-	-	2	88
Investments	2	-	10	-	-	-	12
Export partnerships	2	(1)	-	-	-	-	1
Trade and other receivables	15	(2)	-	1	-	-	14
Trade and other payables	(56)	(1)	-	(3)	-	-	(60)
Tax loss carry-forwards	(64)	(31)	-	(4)	-	-	(99)
Deferred income	90	(14)	-	1	-	-	77
	202	(18)	10	2	-	2	198

11.1 The group has deferred tax assets of R99 million relating to tax loss carry-forwards (2011: R64 million) which will expire between 2013 and 2032 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 2012 cumulative earnings of approximately R16 million (2011: R6 million) would be subject to income taxes of approximately R5 million (2011: R1 million) if such earnings of foreign companies were transferred out of such jurisdictions in the form of dividends. The amounts reported previously have been corrected to align with current year presentation.

11.3 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 (2011: nil).

11.4 In the case of the company, the deferred tax liability of R1 million (2011: R1 million) arises as a result of its participation in export partnerships.

12. Restricted cash

The restricted cash is held by lenders as additional collateral for Textainer's interest-bearing borrowings (refer to note 18).

Group	
2012	2011
Rm	Rm

448	370
448	370

The terms of the bonds payable and the secured debt facility require that a minimum of nine (2011: eight) months interest be held as restricted cash. The net operating income of the borrowing company is also required to be placed in a trust account and cannot be withdrawn until the monthly principal and interest payments are made.

13. Inventories

Container equipment held for resale (at lower of cost or net realisable value)

133	64
-----	----

Trading containers (at cost)

62	105
----	-----

195	169
-----	-----

14. Trade and other receivables

Trade receivables

800	702	-	-
-----	-----	---	---

Prepayments

30	45	1	-
----	----	---	---

Other

55	26	-	4
----	----	---	---

885	773	1	4
-----	-----	---	---

15. Current tax

Amounts payable at the beginning of the year

78	64	-	-
----	----	---	---

Amounts receivable at the beginning of the year

(2)	(3)	-	-
-----	-----	---	---

Effect of movements in exchange rates

3	14	-	-
---	----	---	---

Recognised in profit or loss

South African normal

32	14	1	1
----	----	---	---

Foreign normal

32	26	-	-
----	----	---	---

Secondary tax on companies

22	26	22	26
----	----	----	----

Excess tax benefit on equity settled share based payments

(20)	(22)	-	-
------	------	---	---

Amounts payable at the end of the year

(83)	(78)	-	-
------	------	---	---

Amounts receivable at the end of the year

2	2	-	-
---	---	---	---

Amounts paid during the year

64	43	23	27
----	----	----	----

16. Cash and cash equivalents

Bank balances

905	769
-----	-----

Call and term deposits

1 608	564
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2 513	1 333
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Group		Company	
2012	2011	2012	2011
Rm	Rm	Rm	Rm

17. Capital and reserves

Share capital

Authorised

Ordinary shares of 0,5 cent each

200 000 000 (2011: 200 000 000) 1 1 1 1

Issued

Ordinary shares of 0,5 cent each

177 068 011 (2011: 177 068 011) 1 1 1 1

Number of shares (million)

In issue at the beginning of the year 177,1 187,5 177,1 187,5

Shares repurchased – (10 8) – (10 8)

Issued for cash – 0 4 – 0 4

In issue at the end of the year 177,1 177,1 177,1 177,1

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

Rm	Rm	Rm	Rm
----	----	----	----

17.3 Dividends

Dividends declared and paid during the year were as follows:

Final dividend in respect of financial year 2011 – 125 cents per share
(2010: 100 cents)

221 177 221 177

Interim dividend in respect of financial year 2012 – 65 cents per share
(2011: 50 cents)

115 88 115 88

336 265 336 265

A final gross dividend of 150 cents per share in respect of financial year 2012 (2011: 125 cents per share) was declared by the board on 21 February 2013. No secondary tax on companies' credits are available. Dividend withholding tax at the rate of 15% is applicable to shareholders who are not exempt, which results in a net dividend of 127,5 cents per share.

On 25 March 2013 the board declared a special gross dividend of 360 cents per share. Dividend withholding tax at the rate of 15% is applicable to shareholders who are not exempt, which results in a net dividend of 306 cents per share.

17.4 Reserves

Fair value reserve

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

Foreign currency translation reserve

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

Equity compensation reserve

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

Gain/Loss in changes in ownership interests in subsidiaries

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

Preference share amortisation adjustment

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

	Group								
	Current Interest rate % p.a.	Interest fixed or indexed to	Repayment terms	Annual Instal-ment Rm	Final Maturity	Foreign amount		2012 Rm	2011 Rm
						2012 US\$m	2011 US\$m		
18. Interest-bearing borrowings									
Secured (refer to note 18.1)									
Bonds payable	0,74	LIBOR	Monthly	437	May 2015	124	176	1 055	1 429
Bonds payable	4,70	Fixed	Monthly	339	June 2021	340	380	2 883	3 085
Bonds payable	4,21	Fixed	Monthly	339	April 2022	373	–	3 166	–
Debt facility	3,03	LIBOR	–	–	–	–	821	–	6 664
			Partial repayment commencing May 2014, final repayment May 2019						
Debt facility	2,84	LIBOR	2019	741	May 2019	874	–	7 412	–
			Full amount repayable						
Revolving debt facility	1,76	US Prime or LIBOR	September 2017	2 989	September 2017	353	125	2 989	1 015
			Repayable monthly from October 2014, final repayment October 2015						
Revolving debt facility	3,96	LIBOR	2015	920	October 2015	108	–	920	–
Total								18 425	12 193
Less unamortised debt issuance costs								(203)	(86)
								18 222	12 107
Less current portion included in current liabilities								(1 115)	(1 076)
								17 107	11 031

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, 10 and 12 respectively).

18.2 Debt issuance costs of R202 million (2011: R61 million) were capitalised during the year.

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

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

	Group	
	2012 Rm	2011 Rm
Total borrowing facilities	23 386	16 532
Actual borrowings at the end of the year	18 425	12 193
Unutilised facilities	4 961	4 339

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.

Type of contract	Group				
	Final maturity	Underlying	Notional amount of contracts outstanding Rm	Fair Value	
				Assets Rm	Liabilities Rm

19. Derivative financial instruments

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

2012

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

2011

Interest rate cap contracts	November 2015	Interest rates	2 831	–	–
Interest rate swap contracts	December 2015	Interest rates	4 132	–	131
				–	131

19.1 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.

19.2 The variable interest rate debt principal outstanding amounted to R12 249 million at 31 December 2012 (2011: R9 073 million) of which R8 248 million (2011: R6 963 million) in notional value was covered by interest rate cap and swap contracts.

19.3 Textainer uses third party valuation software called FINCAD Analytics Suite to perform the fair valuation of its interest rate swap transactions. The fair valuation of interest rate swaps is derived from the discounting of future net cash flows utilising the US dollar swap curve (US\$ LIBOR) and incorporates an appropriate credit risk adjustment.

20. Deferred revenue

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

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

	Group	
	2012 Rm	2011 Rm
Balance at the beginning of the year	60	65
Transactions entered into during the year	–	51
Deferred revenue arising from business combination	32	–
Recognised in profit or loss	(49)	(69)
Terminations	(2)	–
Effect of movements in exchange rates	–	13
Balance at the end of the year	41	60
Analysed as:		
Non-current deferred revenue	27	9
Current deferred revenue	14	51
	41	60

21. Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Trade payables	39	22	–	–
Accrued expenses	137	155	1	1
Amounts due to container owners	107	124	–	–
Amounts due in respect of container acquisitions	744	207	–	–
Other	2	2	1	1
	1 029	510	2	2

22. Operating profit before net finance expenses/income

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

Income

Dividend income (included in revenue)

Subsidiaries	–	–	–	102
Capital distribution from trust	–	–	231	530
Bargain purchase gain on acquisition of subsidiary	80	–	–	–
Net profit on disposal of property, plant and equipment:				
Container leasing equipment	250	353	–	–
Other property, plant and equipment	–	1	–	–
Fair value adjustment – investment designated at fair value through profit or loss	–	6	–	–
Other net realised and unrealised exchange gains not included in revenue	2	–	–	11

Expenses

Amortisation of intangible assets	41	44	–	–
Auditors' remuneration	16	11	1	1
Audit fee – current year	11	9	1	1
– under provision prior year	4	1	–	–
Other services	1	1	–	–
Directors' emoluments	16	15	2	1
Executive directors				
Short-term employee benefits	12	11	–	–
Share-based payments – equity settled	1	1	–	–
Non-executive directors				
Remuneration	2	3	2	1
Share-based payments – equity settled	1	–	–	–
Impairment losses/(reversal of losses)	8	12	–	(12)
Property, plant and equipment	6	18	–	–
Investment in subsidiaries	–	–	–	(12)
Trade and other receivables – losses	13	22	–	–
Trade and other receivables – reversals	(11)	(28)	–	–
Operating leases – premises	14	13	–	–
Share-based payments included in staff costs – equity settled	57	40	–	–
Share-based payments to suppliers – equity settled	9	1	–	–
Retirement benefit contributions included in staff costs	3	3	–	–

23. Net finance expenses/(income)

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Finance expenses – incurred by Textainer	605	420	–	–
Interest expense	571	315	–	–
Realised and unrealised losses on derivative financial instruments	34	105	–	–
Finance income				
Interest income received on cash and cash equivalents	(16)	(5)	(1)	–
	589	415	(1)	–

24. Income tax expense

South African normal				
Current	32	14	1	1
Foreign normal	32	26	–	–
Current	46	44	–	–
Adjustment for prior years	(14)	(18)	–	–
Secondary tax on companies	22	26	22	26
Associated tax credit – current year	(6)	(5)	–	–
– prior year	(1)	(2)	–	–
South African deferred				
Origination and reversal of temporary differences	7	58	–	–
Foreign deferred	(25)	(17)	–	–
Origination and reversal of temporary differences	(17)	(7)	–	–
Adjustment for prior years	(1)	(6)	–	–
Reduction in tax rate	(7)	(4)	–	–
	61	100	23	27
The effective tax rate is reconciled as follows:	%	%	%	%
Statutory tax rate	28,0	28,0	28,0	28,0
Non-taxable income	(1,3)	(2,6)	(29,8)	(28,1)
Non-deductible expenses	0,3	0,6	2,2	0,2
Foreign rate differential	(23,6)	(20,0)	–	–
Over provided in prior years	(0,9)	(1,5)	–	–
Secondary tax on companies	1,2	1,5	10,2	4,1
Reduction in tax rate	(0,4)	(0,3)	–	–
Effective tax rate	3,3	5,7	10,6	4,2

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

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

25. Earnings per share

Basic earnings per share

	Group	
	2012	2011
Profit for the year attributable to equity holders of the company (R million)	1 027	991
Weighted average number of shares in issue (million)	177,1	178,8
Issued ordinary shares at 1 January (million)	177,1	187,5
Effect of shares repurchased during the year (million)	–	(8,7)
Basic earnings per share (cents)	579,9	554,3

Diluted earnings per share is equal to basic earnings per share.

Headline earnings per share

Undiluted

	Group			
	2012		2011	
	Gross Rm	Net Rm	Gross Rm	Net Rm
Profit for the year attributable to equity holders of the company		1 027		991
Impairment of property, plant and equipment	6	3	18	10
Gain on disposal of property, plant and equipment	–	–	(1)	–
Gain on bargain purchase of subsidiary	(80)	(39)	–	–
Headline earnings attributable to equity holders of the company		991		1 001
Weighted average number of shares in issue (million)		177,1		178,8
Headline earnings per share (cents)		559,6		559,3

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

Adjusted headline earnings per share

Adjusted headline earnings per share is the more appropriate measure of Trencor's financial performance in that it excludes net unrealised foreign exchange 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		991		1 001
Net foreign exchange loss on translation of long-term receivables	(33)	(24)	(191)	(138)
Adjusted headline earnings attributable to equity holders of the company (diluted)		967		863
Adjusted headline earnings per share (cents)		546,1		482,4

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

26. Cash generated from operations

Reconciliation of profit for the year to cash generated from operations:

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Profit for the year	1 773	1 645	194	621
Adjusted for:				
Finance expenses	605	420	–	–
Finance income	(16)	(5)	(1)	–
Unrealised foreign exchange gains	(49)	(263)	–	–
Net (increase)/decrease in adjustment to the net investment in long-term receivables	(77)	31	–	–
Other non-cash flow adjustments to the net investment in long-term receivables	(4)	(27)	–	–
Depreciation	839	582	–	–
Gain on disposal of property, plant and equipment, excluding container-leasing equipment	–	(1)	–	–
Cost of containers disposed of transferred to profit or loss	503	421	–	–
Net impairment losses/(reversals)	8	12	–	(12)
Share-based payments	68	42	–	–
Amortisation of intangible assets	41	44	–	–
Finance lease income	(70)	(52)	–	–
Deferred revenue recognised in profit or loss	(49)	(69)	–	–
Bargain purchase gain on acquisition of subsidiary	(80)	–	–	–
Gain on sale of containers to non-controlling interest	–	(138)	–	–
Share of (profit)/loss from equity accounted investee	(2)	2	–	–
Income tax expense	61	100	23	27
Operating profit before working capital changes	3 551	2 744	216	636
Working capital changes	(41)	(259)	3	(10)
Decrease/(Increase) in inventories	49	(126)	–	–
(Increase)/Decrease in trade and other receivables	(24)	(125)	3	(4)
Decrease in trade and other payables	(66)	(8)	–	(6)
Cash generated from operations	3 510	2 485	219	626

27. Operating lease commitments

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	15	13
	41	46
	2	2
	58	61

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

28. Capital commitments

For container leasing equipment authorised by the board:

	193	277
	193	277

29. Employee benefits

29.1 Share-based payments

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

	Number of shares	
	Trencor	Textainer
Shares available for utilisation under the plans at 31 December 2010	8 884 209	1 845 881
Share options and restricted share units granted in 2011, net of forfeitures	–	(356 735)
Previously authorised shares cancelled during 2011	–	(2 263)
Shares available for utilisation under the plans at 31 December 2011	8 884 209	1 486 883
Share options and restricted share units granted in 2012, net of forfeitures	–	(407 833)
Previously authorised shares cancelled during 2012	–	(502)
Shares available for utilisation under the plans at 31 December 2012	8 884 209	1 078 548

Summary of activity in share option plans:

Trencor

All options granted in terms of The Trencor Share Plan have been exercised in prior periods and consequently there are no options outstanding.

Textainer

Textainer has one share option and restricted share unit plan, the 2007 Plan. The 2007 Plan provides for the grant of share options, restricted share units, restricted shares, share appreciation rights and dividend equivalent rights. No grants have been made of share appreciation rights. The 2007 Plan provides for grants of incentive share options only to its employees or employees of any parent or subsidiary of Textainer. Awards other than incentive share options may be granted to its employees, directors and consultants or the employees, directors and consultants of any parent or subsidiary of Textainer. There are no performance criteria attached to the option plan. The options vest over a total period of four years in increments of 25% per annum beginning approximately one year from grant date. All options lapse after a period of ten years from date of grant. Beginning approximately one year after a restricted share unit's grant date for each restricted share unit granted in 2007, 2008 and 2009, each employee's restricted share units vest in increments of 15% per year for the first two years, 20% for the third year and 25% for the fourth and fifth year. Beginning approximately one year after a restricted share unit's grant date for each restricted share unit granted in 2010, 2011 and 2012, 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 2010	1 039 880	218 202	1 258 082	16,51	2017
Granted	173 350	–	173 350	28,54	2021
Vested	(361 782)	361 782	–	15,02	2017
Exercised	–	(358 884)	(358 884)	15,29	2017
Forfeited	(3 503)	–	(3 503)	18,48	2017
Outstanding at 31 December 2011	847 945	221 100	1 069 045	18,86	2017
Granted	201 658	–	201 658	28,21	2022
Vested	(398 340)	398 340	–	16,28	2018
Exercised	–	(302 100)	(302 100)	15,45	2017
Forfeited	(2 675)	–	(2 675)	22,63	2020
Outstanding at 31 December 2012	648 588	317 340	965 928	21,87	2020

29. Employee benefits (continued)

29.1 Share-based payments (continued)

Restricted share units

	Restricted share units	Weighted average fair value at grant date US\$
Outstanding at 31 December 2010	1 265 896	13,90
Granted	191 449	25,45
Vested	(274 172)	13,23
Forfeited	(4 561)	14,73
Outstanding at 31 December 2011	1 178 612	15,95
Granted	213 295	28,29
Vested	(376 056)	14,37
Forfeited	(4 445)	17,58
Outstanding at 31 December 2012	1 011 406	19,13

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				
	20 January 2012 and 14 November 2012	16 November 2011	18 November 2010	8 November 2009	19 November 2008
Number of options granted under the 2007 Plan	201 658	173 350	151 687	218 904	251 418
Fair value at measurement date (US\$)	9,42	11,60	9,82	4,69	0,60
Share price at grant date (US\$)	28,21	28,54	28,26	16,97	7,19
Expected life option time (years)	5,2 – 5,7	5,7	6,3	6,3	6,3
Volatility %	62,5 – 67,1	68,0	50,1	46,0	35,3
Dividend yield %	4,5 – 6,3	4,9	3,8	5,4	13,0
Risk-free % rate (based on US Treasury bonds)	0,7 – 1,1	1,1	2,0	2,6	2,5

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

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

	Group	
	2012 Rm	2011 Rm
Equity-settled	68	42

29.3 Retirement benefit funds

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

At 31 December 2012 the fund had 16 members (2011: 16 members) whose aggregate share of the fund amounted to R92 million (2011: R78 million). The fund has no liability in respect of pensions as all pensioners were transferred to an insurer and all new retirees purchase annuities from insurers.

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

30. Segment reporting

Business segments

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

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

	Container finance		Container owning, leasing, management and trading		Consolidated	
	2012	2011	2012	2011	2012	2011
	Rm	Rm	Rm	Rm	Rm	Rm
Revenue	70	296	4 483	4 353	4 553	4 649
Goods sold	–	–	1 134	1 765	1 134	1 765
Leasing income	2	2	3 128	2 376	3 130	2 378
Management fees	–	–	221	212	221	212
Finance income	14	18	–	–	14	18
Realised and unrealised exchange gains	54	276	–	–	54	276
Reportable segment profit before net finance expenses and income tax	130	248	2 330	1 934	2 460	2 182
Finance income	–	–	1	–	1	–
Finance expenses	–	–	(605)	(420)	(605)	(420)
Depreciation and amortisation	(1)	–	(879)	(625)	(880)	(625)
Income tax expense	(28)	(63)	(15)	(15)	(43)	(78)
Other material non-cash items:						
Net long-term receivable valuation adjustment	77	(31)	–	–	77	(31)
Impairment losses						
Property, Plant and equipment	–	–	(6)	(18)	(6)	(18)
Trade receivables	–	–	(13)	(22)	(13)	(22)
Trade receivables reversed	–	–	11	28	11	28
Net profit on disposal of property, plant and equipment	–	1	250	353	250	354
Share-based payments	–	–	68	42	68	42
Reportable segment assets	842	1 048	28 264	18 488	29 106	19 536
Capital expenditure	–	–	8 646	5 396	8 646	5 396
Reportable segment liabilities	186	227	19 364	12 795	19 550	13 022

30. Segment reporting (continued)

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

	Reportable segment total	Unallocated	Consolidated total	Reportable segment total	Unallocated	Consolidated total
	2012			2011		
	Rm	Rm	Rm	Rm	Rm	Rm
Revenue	4 553	–	4 553	4 649	–	4 649
Profit before net finance expenses and income tax ¹	2 460	(39)	2 421	2 182	(20)	2 162
Finance income	1	15	16	–	5	5
Finance expenses	(605)	–	(605)	(420)	–	(420)
Depreciation and amortisation	(880)	–	(880)	(625)	(1)	(626)
Income tax expense	(43)	(18)	(61)	(78)	(22)	(100)
Capital expenditure	8 646	1	8 647	5 396	–	5 396
Assets ²	29 106	1 804	30 910	19 536	782	20 318
Liabilities ²	19 550	318	19 868	13 022	314	13 336

¹ Unallocated amount includes corporate expenses of R41 million (2011: R34 million).

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

	Assets		Liabilities	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Property, plant and equipment	2	–	–	–
Investment in equity accounted investee	39	3	–	–
Other investments	66	14	–	–
Deferred tax assets/liabilities	20	22	218	224
Income tax assets/liabilities	2	2	83	78
Trade and other receivables/payables	6	14	17	12
Cash and cash equivalents	1 669	727	–	–
	1 804	782	318	314

30.4 Major customer

Leasing revenue from a single customer in the container owning, leasing, management and trading operating segment amounted to 12% (2011: 12%) of the group's leasing revenue. The group had no other customer that individually accounted for more than 10% of revenue.

31. Financial instruments and risk management

31.1 Categories of financial assets and liabilities

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

	Group							
	Designated at fair value through profit or loss Rm	Held for trading Rm	Available- for-sale Rm	Loans and receivables Rm	Liabilities at amortised cost Rm	Other Rm	Total carrying amount Rm	Fair value Rm
2012								
Financial assets								
Other investments	-	-	66	-	-	-	66	66
Long-term receivables	832	-	-	-	-	-	832	832
Net investment in finance leases	-	-	-	-	-	828	828	801
Restricted cash	-	-	-	448	-	-	448	448
Trade and other receivables	-	-	-	855	-	-	855	855
Cash and cash equivalents	-	-	-	2 513	-	-	2 513	2 513
	832	-	66	3 816	-	828	5 542	5 515
Financial liabilities								
Interest-bearing borrowings	-	-	-	-	18 425	-	18 425	18 607
Amounts attributable to third parties in respect of long-term receivables	186	-	-	-	-	-	186	186
Derivative financial instruments	-	89	-	-	-	-	89	89
Trade and other payables	-	-	-	-	1 029	-	1 029	1 029
	186	89	-	-	19 454	-	19 729	19 911
2011								
Financial assets								
Other investments	-	-	14	-	-	-	14	14
Long-term receivables	1 041	-	-	-	-	-	1 041	1 041
Net investment in finance leases	-	-	-	-	-	611	611	592
Restricted cash	-	-	-	370	-	-	370	370
Trade and other receivables	-	-	-	728	-	-	728	728
Cash and cash equivalents	-	-	-	1 333	-	-	1 333	1 333
	1 041	-	14	2 431	-	611	4 097	4 078
Financial liabilities								
Interest-bearing borrowings	-	-	-	-	12 193	-	12 193	11 980
Amounts attributable to third parties in respect of long-term receivables	226	-	-	-	-	-	226	226
Derivative financial instruments	-	131	-	-	-	-	131	131
Trade and other payables	-	-	-	-	510	-	510	510
	226	131	-	-	12 703	-	13 060	12 847

31. Financial instruments and risk management (continued)

31.1 Categories of financial assets and liabilities (continued)

	Company							
	Designated at fair value through profit or loss	Held for trading	Available- for-sale	Loans and receivables	Liabilities at amortised cost	Other	Total carrying amount	Fair value
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
2012								
Financial assets								
Long-term receivables	-	-	-	1	-	-	1	1
Trade and other receivables	-	-	-	1	-	-	1	1
	-	-	-	2	-	-	2	2
Financial liabilities								
Amounts due to subsidiary	-	-	-	-	499	-	499	499
Trade and other payables	-	-	-	-	2	-	2	2
	-	-	-	-	501	-	501	501
2011								
Financial assets								
Amount due by subsidiary	-	-	-	39	-	-	39	39
Long-term receivables	-	-	-	1	-	-	1	1
Trade and other receivables	-	-	-	4	-	-	4	4
	-	-	-	44	-	-	44	44
Financial liabilities								
Amount due to subsidiary	-	-	-	-	399	-	399	399
Trade and other payables	-	-	-	-	2	-	2	2
	-	-	-	-	401	-	401	401

31.2 Overview

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

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

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

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

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

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

The audit 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 committees.

31.3 Credit risk

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

31.3.1 Credit risk exposure

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

	Group		Company	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Available-for-sale financial assets				
Other investments	66	14	–	–
Financial assets designated at fair value through profit or loss				
Long-term receivables	832	1 041	1	1
Net investment in finance leases	828	611	–	–
Loans and receivables excluding cash and cash equivalents				
Trade receivables	800	702	1	4
Restricted cash	448	370	–	–
Other	55	26	–	–
Amount due by subsidiary – short-term	–	–	–	39
Cash and cash equivalents	2 513	1 333	–	–
	5 542	4 097	2	44

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

Available-for-sale financial assets

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-collection of these receivables and the related effect on the payment to third parties.

The most significant long-term receivable at 31 December 2012 relates to TAC totalling R441 million (2011: R614 million). Approximately 88% (2011: 84%) of the TAC containers measured on a twenty-foot equivalent unit basis are managed by Textainer.

Net investment in finance receivables

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

Loans and receivables

Credit risk with respect to trade and other receivables is mitigated by the diverse customer base. The risk arising on short-term trade and other receivables is also managed through a group policy on the granting of credit limits and continual review and monitoring of these limits. At 31 December 2012 one customer accounted for 12% of the group's trade receivables (2011: 21%).

31. Financial instruments and risk management (continued)

31.3 Credit risk (continued)

31.3.1 Credit risk exposure (continued)

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

	Group	
	2012 Rm	2011 Rm
Container leasing customers	798	702
Other	2	–
	800	702

Cash and cash equivalents

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

31.3.2 Impairment losses

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

Group							
Gross ¹	Gross ²	Total Impair- ment	Net trade receiva- bles	Gross ¹	Gross ²	Total Impair- ment	Net trade receiva- bles
2012				2011			
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm

The ageing of trade receivables at the reporting date was:

Not past due	2	–	–	2	–	–	–	–
Past due 0 – 30 days	386	–	(10)	376	296	–	(7)	289
Past due 31 – 120 days	413	2	(9)	406	369	6	(11)	364
Past due 121 – 180 days	13	5	(5)	13	43	9	(9)	43
More than 180 days	3	44	(44)	3	7	36	(37)	6
	817	51	(68)	800	715	51	(64)	702

¹ Gross receivables not subject to specific impairment.

² Gross receivables subject to specific impairment.

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

	Group	
	2012 Rm	2011 Rm
Balance at the beginning of the year	64	57
Impairment loss recognised	13	22
Impairment loss reversed	(11)	(28)
Effect of movements in exchange rates	2	13
Balance at the end of the year	68	64

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

31.4 Liquidity risk

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

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

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

	Group					
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	Total Rm
2012						
Non-derivative financial liabilities						
Bonds payable	7 104	8 328	1 378	4 058	2 892	8 328
Debt facility	7 412	8 507	213	3 371	4 923	8 507
Revolving debt facility	3 909	4 259	89	4 170	–	4 259
Trade and other payables	1 029	1 029	1 029	–	–	1 029
	19 454	22 123	2 709	11 599	7 815	22 123
Derivative financial liabilities						
Derivative financial instruments	89	98	–	98	–	98
	89	98	–	98	–	98
2011						
Non-derivative financial liabilities						
Bonds payable	4 514	5 233	892	2 723	1 618	5 233
Debt facility	6 664	7 797	536	3 284	3 977	7 797
Revolving debt facility	1 015	1 032	13	1 019	–	1 032
Trade and other payables	510	510	510	–	–	510
Guarantee	–	183	183	–	–	183
	12 703	14 755	2 134	7 026	5 595	14 755
Derivative financial liabilities						
Derivative financial instruments	131	163	–	163	–	163
	131	163	–	163	–	163

31. Financial instruments and risk management (continued)

31.4 Liquidity risk (continued)

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

	Company					Total
	Carrying amount	Contractual cash flows	One year or less	One to five years	Over five years	
	Rm	Rm	Rm	Rm	Rm	
Non-derivative financial liabilities						
2012						
Amount due to subsidiary	499	499	–	499	–	499
Trade and other payables	2	2	2	–	–	2
	501	501	2	499	–	501
2011						
Amount due to subsidiary	399	399	–	399	–	399
Trade and other payables	2	2	2	–	–	2
Guarantee	–	183	183	–	–	183
	401	584	185	399	–	584

31.5 Market risk

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

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

31.5.1 Currency risk

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

The group enters into forward exchange contracts from time to time and as required to buy and sell specified amounts of various foreign currencies in the future at predetermined exchange rates. The contracts are entered into in order to manage the group's exposure to fluctuations in foreign currency exchange rates. The contracts are generally matched with anticipated future cash flows in foreign currencies primarily from sales and purchases. As at 31 December 2012 the group had no exposure to forward exchange contracts (2011: nil).

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

Denominated in	Group					
	2012			2011		
	SA rand Rm	US\$ Rm	Total Rm	SA rand Rm	US\$ Rm	Total Rm
Assets						
Other investments	66	–	66	14	–	14
Long-term receivables	–	832	832	–	1 041	1 041
Net investment in finance leases	–	828	828	–	611	611
Restricted cash	–	448	448	–	370	370
Trade and other receivables	4	851	855	9	719	728
Cash and cash equivalents	191	2 322	2 513	50	1 283	1 333
	261	5 281	5 542	73	4 024	4 097
Liabilities						
Interest-bearing borrowings	–	17 310	17 310	–	11 117	11 117
Amounts attributable to third parties in respect of long-term receivables	186	–	186	226	–	226
Derivative financial instruments	–	89	89	–	131	131
Trade and other payables	13	1 016	1 029	11	499	510
Current portion of interest-bearing borrowings	–	1 115	1 115	–	1 076	1 076
	199	19 530	19 729	237	12 823	13 060

The following exchange rates applied during the year:

	US\$1=	US\$1=
Year-end rate	8,48	8,12
Average rate	8,16	7,20

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

Sensitivity analysis

The group is exposed to currency risk only on those financial instruments that are denominated in a currency other than the respective functional currencies of group entities, namely the group's long-term receivables. A one percent weakening of the rand against the US dollar would have increased the group's profit by approximately R6 million for the year ended 31 December 2012 (2011: R6 million). This analysis assumes that all other variables, in particular interest rates, remain constant. A one percent strengthening of the SA rand against the US dollar would have had the equal and opposite effect to the amounts shown above, on the basis that all other variables remain constant.

31. Financial instruments and risk management (continued)

31.5 Market risk (continued)

31.5.2 Interest rate risk

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

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

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

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

	Group		Company	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Fixed rate				
Financial liabilities	6 049	3 085	–	–
Variable rate instruments				
Financial assets	2 961	1 703	–	39
Financial liabilities	(18 425)	(12 193)	–	–
	(15 464)	(10 490)	–	39

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 R38 million (2011: R40 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 R117 million (2011: R77 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

The discount rate that is applied to reduce the future long-term dollar receivable stream to its net present value reflects the applicable risk free rate (being the United States Daily Treasury yield curve rate for the appropriate term) adjusted for an industry specific risk premium (refer to note 34). An increase/decrease in the discount rate of 100 basis points would decrease/increase profit by R1 million (2011: R2 million).

The discount rate that is applied to reduce the future stream of rand amounts attributable to the company's export partners in respect of the long-term receivables to its net present value reflects the applicable risk free rate (being the Bond Exchange of South Africa yield curve rate for the appropriate term) adjusted for an appropriate risk premium (refer to note 34). An increase/decrease in the discount rate of 100 basis points would increase/decrease profit by R1 million (2011: R1 million).

31.7 Capital management

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

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

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

	Group		Company	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
Interest-bearing borrowings	18 222	12 107	–	–
Total equity	11 042	6 982	554	696
Ratio of interest-bearing borrowings to total equity	165,0%	173,4%	–	–

This ratio has been affected by the increase in total equity as a result of the combined public offering of Textainer common shares referred to in note 8.3, the increase in Textainer's interest-bearing borrowings and the weakening of the SA rand against the US Dollar from US\$1 = 8,12 to US\$1 = 8,48 as at December 2011 and 2012 respectively.

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

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

31. Financial instruments and risk management (continued)

31.8 Fair values

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

31.8.1 Fair value hierarchy

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

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

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.

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
2012				
Assets				
Long-term receivables	–	–	832	832
Other investments	–	66	–	66
	–	66	832	898
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	186	186
Interest rate swap contracts	–	89	–	89
	–	89	186	275
2011				
Assets				
Long-term receivables	–	–	1 041	1 041
Other investments	–	14	–	14
	–	14	1 041	1 055
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	226	226
Interest rate swap contracts	–	131	–	131
	–	131	226	357

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

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

	Group		
	Long-term receivables Rm	Amounts attributable to third parties in respect of long-term receivables Rm	Total Rm
2011			
Balance at the beginning of the year	977	(245)	732
Total gains/(losses) in profit or loss	281	(16)	265
Settlements	(217)	35	(182)
Balance at the end of the year	1 041	(226)	815
2012			
Total gains/(losses) in profit or loss	159	(20)	139
Settlements	(368)	60	(308)
Balance at the end of the year	832	(186)	646

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:

2012

Total gains or losses included in profit or loss for the year			
Operating profit	159	(27)	132
Associate tax credit	–	7	7

Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year

Operating profit	79	(12)	67
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2011

Total gains or losses included in profit or loss for the year			
Operating profit	281	(22)	259
Associate tax credit	–	6	6

Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year

Operating profit	216	(12)	204
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31. Financial instruments and risk management (continued)

31.8 Fair values (continued)

31.8.1 Fair value hierarchy (continued)

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

	Effects on profit or loss		Effects on other comprehensive income	
	Favourable Rm	Unfavourable Rm	Favourable Rm	Unfavourable Rm
2012				
Long-term receivables	7	(7)	–	–
Amounts attributable to third parties in respect of long-term receivables	1	(1)	–	–
	8	(8)	–	–
2011				
Long-term receivables	9	(9)	–	–
Amounts attributable to third parties in respect of long-term receivables	1	(1)	–	–
	10	(10)	–	–

Long-term receivables and amounts due to third parties in respect of long-term receivables are valued by discounting future cash flows. These cash flows are determined according to the estimates and judgements discussed in note 34. The discount rate applied to the long-term receivables (denominated in US\$) is 8,5% p.a. (2011: 8,5% p.a.), and amounts attributable to third parties in respect of long-term receivables is 10% p.a. (2011: 10% p.a.). An appropriate fair value adjustment is made to the net investment for the estimated timing of receipt and the possible non-collectability of these receivables, and the related effect on the payment to third parties. The net present value of the long-term receivables and the related fair value adjustment were translated into SA rand at US\$1 = R8,48 (2011: US\$1 = R8,12). The table above demonstrates the effects of a 100 basis point change in discount rates and a one percent change in exchange rates.

32. Related parties

32.1 Identity of related parties

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

32.2 Intra-group transactions and balances

Amounts due by and to subsidiaries (refer to note 8).

Interest income from subsidiary (refer to notes 8 and 23).

Dividend income from subsidiaries (refer to notes 8 and 22).

Administration fee paid to subsidiary R4 million (2011: R3 million).

32.3 Transactions with key management personnel

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

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

The number of shares held by the directors and their associates in the issued share capital of the company at 31 December 2012 and 2011 was as follows:

	Direct	Indirect	Total
2012			
C Jowell	159 831	5 262 929	5 422 760
N I Jowell	47 832	5 579 018	5 626 850
J E McQueen	49 649	102 133	151 782
D M Nurek	–	10 000	10 000
E Oblowitz	10 000	–	10 000
R J A Sparks	–	4 000	4 000
H Wessels	–	27 859	27 859
	267 312	10 985 939	11 253 251
2011			
C Jowell	159 831	5 262 929	5 422 760
N I Jowell	47 832	5 579 018	5 626 850
J E McQueen	49 649	102 133	151 782
D M Nurek	–	10 000	10 000
E Oblowitz	10 000	–	10 000
R J A Sparks	–	4 000	4 000
H Wessels	–	2 859	2 859
	267 312	10 960 939	11 228 251

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

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Short-term employee benefits	29	33	2	1
Equity compensation benefits	16	14	–	–
	45	47	2	1
Paid to:				
Directors	16	15	2	1
Executive officers (Textainer)	29	32	–	–
	45	47	2	1

The number of executive officers for 2012 was 2 (2011: 3).

32. Related parties (continued)

The remuneration paid to the directors during the years ended 31 December 2012 and 2011 was as follows:

	Guaranteed remuneration R'000	Medical aid R'000	Retirement funds R'000	Incentive bonuses R'000	Equity compensation benefits* R'000	Other R'000	Total remuneration R'000
2012							
Non-executive directors							
J E Hoelter	917	–	–	–	291	–	1 208
D M Nurek	864	–	–	–	291	–	1 155
E Oblowitz	285	–	–	–	–	–	285
R J A Sparks	285	–	–	–	–	–	285
H Wessels	233	–	–	–	–	–	233
	2 584	–	–	–	582	–	3 166
Executive directors							
C Jowell	1 091	17	–	1 031	291	–	2 430
N I Jowell	2 380	32	–	2 578	291	–	5 281
J E McQueen	2 440	32	208	586	291	–	3 557
H R van der Merwe	903	36	95	200	–	10	1 244
	6 814	117	303	4 395	873	10	12 512
Aggregate remuneration 2012	9 398	117	303	4 395	1 455	10	15 678
2011							
Non-executive directors							
J E Hoelter	803	–	–	–	133	–	936
D M Nurek	799	–	–	–	133	–	932
E Oblowitz	275	–	–	–	–	–	275
R J A Sparks	274	–	–	–	–	–	274
H Wessels	154	–	–	–	–	–	154
	2 305	–	–	–	266	–	2 571
Executive directors							
C Jowell	1 050	15	–	925	133	–	2 123
N I Jowell	2 185	30	–	2 316	133	35	4 699
J E McQueen	2 260	30	193	528	133	35	3 179
H R van der Merwe	1 633	33	154	–	133	–	1 953
	7 128	108	347	3 769	532	70	11 954
Aggregate remuneration 2011	9 433	108	347	3 769	798	70	14 525

*Award of shares by Textainer.

33. Contingent liabilities, guarantees and other commitments

The company has warranted the performance and obligations of certain subsidiary companies in terms of a number of partnership agreements entered into with third parties. The partnerships were established for the purposes of purchasing and selling marine cargo containers. At 31 December 2012, 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 R253 million (2011: R319 million) (refer to note 9).

34. Accounting estimates and judgements

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

34.1 Long-term receivables**34.1.1 Discount rate***US dollar cash streams*

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

Rand cash streams

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

34.1.2 Fair value adjustment

In calculating the amount of the fair value adjustment to the value of the net investment in long-term receivables that arose from the sale of marine cargo containers, mainly through export partnerships, management considers both the collectability and the anticipated timing of the receipt of future instalments.

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

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

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

34.2 Marine cargo containers**34.2.1 Residual values**

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

34.2.2 Impairment

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the group are set out below. The group does not plan to adopt these standards early.

- 35.1 IFRS 9 *Financial Instruments* (effective for years commencing on or after 1 January 2015) – this standard addresses the initial measurement and classification of financial assets as either measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows. All other financial assets are measured at fair value with changes recognised in profit or loss. For an investment in an equity instrument that is not held for trading, an entity may on initial recognition elect to present all fair value changes from the investment in other comprehensive income. IFRS 9 retains the classification and measurement requirements in IAS 39 for financial liabilities. The standard however requires for financial liabilities designated under the fair value option (other than loan commitments and financial guarantee contracts), that the amount of change in fair value attributable to changes in the credit risk of the liability be presented in other comprehensive income. The remaining amount of the total gain or loss is included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value. IFRS 9 becomes mandatory for the group's 2015 consolidated financial statements. The impact on the financial statements has not yet been estimated.

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

- 35.2 IFRS 10 *Consolidated Financial Statements* (effective for years commencing on or after 1 January 2013) – this standard introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with that investee, it has the ability to affect those returns through its power over that investee and there is a link between power and returns. Control is reassessed as facts and circumstances change. IFRS 10 supersedes IAS 27 (2008) and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.
- 35.3 IFRS 11 *Joint Arrangements* (effective for years commencing on or after 1 January 2013) – this standard focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures, and always requires the equity method for jointly controlled entities that are now called joint ventures. IFRS 11 supersedes IAS 31 and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.
- 35.4 IFRS 12 *Disclosure of Interests in Other Entities* (effective for years commencing on or after 1 January 2013) – this standard combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The required disclosures aim to provide information to enable the user to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard may impact the disclosure to be provided by the company, but will have to be assessed based on IFRS 10 and IFRS 11 conclusions.
- 35.5 IFRS 13 *Fair Value Measurement* (effective for years commencing on or after 1 January 2013) – this standard introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value as an exit price, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. IFRS 13 will be adopted for the first time for the year ending 31 December 2013. The impact on the financial statements has not yet been estimated.
- 35.6 IAS 27 *Separate Financial Statements* (2011) supersedes IAS 27 (2008) and is effective for years commencing on or after 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.
- 35.7 IAS 28 *Investments in Associates and Joint Ventures* (2011) supersedes IAS 28 (2008) and is effective for years commencing on or after 1 January 2013. IAS 28 (2011) makes the following amendments: (i) IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (ii) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.
- 35.8 Amendments to IFRS 7 *Financial Instruments: Disclosures*: Offsetting Financial Assets and Financial Liabilities – The amendments contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position; or are subject to enforceable master netting arrangements or similar agreements. These amendments to IFRS 7 will be adopted for the first time for the year ending 31 December 2013 and there should be no significant impact on the financial statements.
- 35.9 Amendments to IAS 32 *Financial Instruments: Presentation*: Offsetting Financial Assets and Financial Liabilities – The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. These amendments to IAS 32 will be adopted for the first time for the year ending 31 December 2014 and there should be no significant impact on the financial statements.

Analysis of Shareholders

at 28 December 2012

	Number of holders	% of holders	Number of shares	% interest
Size of shareholding				
1 – 1 000 shares	2 694	62,2	751 867	0,4
1 001 – 10 000 shares	1 111	25,6	3 795 827	2,2
10 001 – 100 000 shares	374	8,6	12 884 710	7,3
100 001 – 1 000 000 shares	120	2,8	40 243 215	22,7
1 000 001 shares and over	35	0,8	119 392 392	67,4
Total	4 334	100,0	177 068 011	100,0
Distribution of shareholders				
Mutual funds	173	4,0	64 732 027	36,6
Banks and insurance companies	71	1,6	34 354 336	19,4
Retirement funds	155	3,6	47 244 578	26,8
Other corporate bodies	284	6,6	9 019 049	5,1
Individuals	3 111	71,8	6 074 377	3,4
Nominee companies and trusts	521	12,0	3 982 800	2,2
Investment companies	10	0,2	611 234	0,3
Jowell family	9	0,2	11 049 610	6,2
Total	4 334	100,0	177 068 011	100,0
Shareholder spread				
Public shareholders	4 316	99,6	123 489 601	69,7
Non-public shareholders	18	0,4	53 578 410	30,3
Directors and associates	16	0,4	11 253 251	6,4
Strategic holdings (more than 10%)	2	0,0	42 325 159	23,9
Total	4 334	100,0	177 068 011	100,0

Major shareholders

The direct and indirect beneficial interests of shareholders who, in so far as is known, held 5% or more of the issued shares at 28 December 2012 was as follows:

	%
Government Employees Pension Fund	13,4
Old Mutual Life Assurance Company (Pty) Ltd	10,5
Corolife Special Opportunities Portfolio Fund	6,4
Jowell family	6,2
	36,5

Directorate: Brief Résumés

Executive

Neil Ian Jowell (79)

B Com LLB (UCT) MBA (Columbia). Chairman of the board and of the executive committee. He is the elder son of Trencor's founder, Joe Jowell, and joined the company on 1 January 1956. He was appointed to the board on 30 December 1966 and, following the death of his father in 1973, as chairman. He is Chairman of Textainer Group Holdings Ltd. 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 (77)

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

James (Jimmy) Ernest McQueen (68)

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

Hendrik (Hennie) Roux van der Merwe (65)

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

Non-executive

James (Jim) Edward Hoelter (73)

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

the boards and committees of various unlisted companies in the USA. He is chairman of Textainer's nominating and governance committees and a member of its compensation and audit committees. He is a member of Trencor's risk committee.

Independent non-executive

David Morris Nurek (62)

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

Edwin (Eddy) Oblowitz (55)

B Com (UCT) CA (SA) CPA (Isr). He was appointed as a non-executive director on 3 March 2004 and is chairman of the audit and risk committees. He was previously an international partner of Andersens in South Africa and now serves as the 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 (53)

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

Herman Wessels (68)

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

Notice to Shareholders

Notice is hereby given that the fifty-seventh 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 Monday, 10 June 2013 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, 26 April 2013 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, 31 May 2013. Accordingly, only shareholders who are registered in the register of members of the company on Friday, 24 May 2013 will be entitled to participate in and vote at the annual general meeting.

Electronic participation in the annual general meeting

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

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

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

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

Explanatory note:

Memorandum of Incorporation

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

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

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

1. To present and consider the audited annual financial statements, the directors' report and the audit committee report of the company and the Trencor group for the year ended 31 December 2012.

In terms of the Companies Act, the audited financial statements will be presented to the shareholders together with the directors' report and audit committee report. The audited annual financial statements, the directors' report and the audit committee report of the company and its subsidiaries, are set out on pages 22 to 74 of the document of which this notice of annual general meeting forms part (the integrated annual report).

2. To consider, and if deemed fit, to re-elect, on an individual basis, the following directors who retire in terms of the MOI but, being eligible, offer themselves for re-election: Messrs N I Jowell, E Oblowitz and R J A Sparks. Brief résumés of the directors of the company are presented on page 77 of the integrated annual report.

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

Ordinary resolution number 1.1

Appointment of Mr 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 1.2

Appointment of Mr E Oblowitz as director

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

Ordinary resolution number 1.3

Appointment of Mr R J A Sparks as director

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

Explanatory note:

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

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

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

Ordinary resolution number 2:

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

Explanatory note:

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

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

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

4. To table the remuneration policy of the company (as set out on pages 14 and 15 of the integrated annual report) for consideration and submit same for a non-binding advisory vote by the shareholders.

Advisory vote:

"Resolved that the remuneration policy of the company, as set out on pages 14 and 15 of the integrated annual report of which this notice of annual general meeting forms part, be and is hereby endorsed through a non-binding advisory vote as recommended in terms of the King Code on Governance for South Africa 2009."

Explanatory note:

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

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

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

Ordinary resolution number 3:

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

Explanatory note:

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

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

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

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

Ordinary resolution number 4.1:

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

"Resolved that Mr E Oblowitz be and is hereby elected as a member of the audit committee of the company, subject to his re-election as a director of the company in terms of ordinary resolution 1.2."

Ordinary resolution number 4.2:

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

"Resolved that Mr R J A Sparks be and is hereby elected as a member of the audit committee of the company, subject to his re-election as a director of the company in terms of ordinary resolution 1.3."

Ordinary resolution number 4.3:

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

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

Explanatory note:

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

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

Section 94(4)(a) of the Companies Act requires, among other things, that each member of the audit committee must be a director of the company. Brief résumés of the directors are presented on page 76 of the integrated annual report.

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

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

Special resolution number 1:

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

Explanatory note:

The reason for special resolution number 1 is to obtain approval from the shareholders so as to enable the company to provide financial assistance, when the need arises, in accordance with the provisions of section 45 of the Companies Act. The effect of special resolution number 1 is that the company will have the necessary authority to provide such financial assistance to any one or more related or inter-related companies or corporations of the company as contemplated in special resolution number 1 as and when required to do so. The board of the company undertakes that, in so far as the Companies Act requires, it will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act. The minimum percentage of voting rights that is required for this resolution to be adopted is at least 75% of the voting rights to be cast on the resolution.

8. To resolve as a special resolution that the non-executive directors’ annual remuneration, in their capacity only as directors of the company, from 1 July 2013 until the next annual general meeting of the company be approved.

Special resolution number 2:

“Resolved that the non-executive directors’ annual remuneration, in their capacities only as directors of the company, from 1 July 2013 until the next annual general meeting of the company be paid in accordance with the following:

For services as:

Basic remuneration as director	R191 600
Chairman of the audit/risk committee	R127 700
Member of the audit committee/risk committee	R 69 700
Member of the governance committee	R 19 000
Member of the remuneration committee	R 19 000
Member of the nomination committee	R 19 000
In the case of Mr J E Hoelter	US\$44 200”

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 8,0% compared to the remuneration in respect of the 12 months ended 30 June 2013.

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 at least 75% of the voting rights to be cast on the resolution.

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

Special resolution number 3:

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

1. any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;

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

this annual general meeting. The effect of the passing of this special resolution will be to authorise the company or any of its subsidiaries to acquire shares issued by the company. If relevant in the circumstances, compliance with section 48(8)(b) of the Companies Act will be required if the company is to acquire more than 5% of its shares.

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

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

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

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

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

- (a) the intention of the directors of the company is to utilise the general authority to acquire shares in the company if at some future date the cash resources of the company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and the interests of the company;
- (b) in determining the method by which the company intends to repurchase its shares, the maximum number of shares to be acquired and the date on which such acquisition will take place, the directors of the company will only make the acquisition if at the time of the acquisition they are of the opinion that:
 - the company and the group will be able to pay their debts as they become due in the ordinary course of business for the next twelve months after the date of the general repurchase;
 - the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and recognised and measured in accordance with the accounting policies used in the latest audited financial statements will be in excess of the liabilities of the company and the group for the next twelve months after the date of the general repurchase;
 - the issued share capital and reserves of the company and the group will be adequate for

ordinary business purposes of the company or any acquiring subsidiary for the next twelve months after the date of the general repurchase;

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

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

Special resolution number 4

"Resolved as a special resolution to replace in its entirety the company's existing memorandum of incorporation with a new memorandum of incorporation (a draft of which has been tabled at the annual general meeting and initialled by the chairperson of the annual general meeting for identification purposes, as posted on the company's website at www.trencor.net (the 'new MOI'))."

Attached as Annexure A to this notice of annual general meeting is a summary of the salient features (which in the company's view might be thought to be material) of the proposed new MOI of the company to enable shareholders to make a considered assessment in deciding how to vote on this special resolution.

Shareholders are alerted to their rights in terms of section 164, read with section 37(8), of the Companies Act in terms of which, if any of the amendments proposed in the new MOI will materially and adversely alter the preferences, rights, limitations or other terms of the company's shares, then at any time before this special resolution is to be voted on, a dissenting shareholder may give the company a written notice objecting to this special resolution and such dissenting shareholder will have the rights more fully set out in section 164 of the Companies Act. A copy of the relevant portions of section 164 of the Companies Act is attached as Annexure B to this notice.

The company has not, in preparing the summary of the salient features of the proposed new MOI, considered which, if any, of the changes to be made by the proposed new MOI to the existing MOI might be considered by shareholders to be adverse as contemplated in section 164 of the Companies Act. Shareholders should conduct their own detailed analysis and comparison of the company's existing MOI and the proposed new MOI. Reference to section 164 of the Companies Act does not constitute a concession or admission by the company that shareholders are entitled to invoke the provisions of section 164 as a consequence of this special resolution number 4 being proposed or passed.

The full text of the proposed new MOI, as referred to in special resolution number 4, and a copy of the existing MOI are available on the company website at

www.trencor.net. Alternatively, shareholders can request a copy of such proposed new MOI to be posted to them or emailed to them by contacting the company by telephone on 021 421 7310, or by email at info@trencor.net, or by post at 1313 Main Tower, Standard Bank Centre, Heerengracht 8001.

Explanatory note:

The reason for special resolution number 4 is to bring the company's incorporation documents into harmony with the provisions of the Companies Act and to deal with the effects of the Companies Act. The company has also used this opportunity to do a thorough review of the contents of the existing MOI and to update, amend or omit parts thereof as necessary. The passing of this special resolution will have the effect of replacing the company's existing MOI with the proposed new MOI referred to in special resolution number 4.

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

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

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

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

- the remuneration policy of the company on page 14;
- the directors, senior management and secretary of the company on page 2 and 92 respectively;
- the major shareholders of the company on page 75;
- the directors' interests in shares in the company on page 12; and
- the share capital of the company in note 17 on page 48, and an analysis of the shareholders (including beneficial shareholders who hold 5% or more of the issued share capital of the company and of which the company is aware, but who are not registered shareholders) on page 75.

There have been no material changes to the company and the group's financial or trading position (other than as disclosed in the accompanying integrated annual report) nor are there any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had, a material effect on the financial position of the group between 30 April 2012 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 Security Depository Participant ('CSDP') to hold your shares in your own name on the company's sub-register), then:

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

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

- if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from them; alternatively

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

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

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

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

By order of the board



Trencor Services (Pty) Ltd

Secretaries

Per: G W Norval

Cape Town

26 April 2013

Annexure A

Summary of salient features of the proposed new Memorandum of Incorporation (the '**MOI**') to be adopted by Trencor Limited (Registration No. 1955/002869/06) (the '**Company**');

In this summary, numbers that appear in bold and in square brackets refer to the corresponding clause in the MOI to which the preceding words refer.

	Theme or clause	Contents of new MOI
1	Public company	The Company is a public company. [3]
2	Powers and capacity of Company	The Company has the powers and capacity of an individual in terms of the Companies Act, 2008 (the ' Companies Act ') [4.1] . No special resolution may be put to shareholders to ratify any action by the Company or the directors which is inconsistent with the JSE Limited Listings Requirements (the ' Listings Requirements '), unless the JSE agrees. [4.2]
3	Amendments to the MOI	Save for correcting errors substantiated as such from objective evidence or which are self-evident errors in the MOI, which the board of directors of the Company (the ' Board ') is empowered to do, all other amendments to the MOI shall be effected by a special resolution and in accordance with s 16(1) and 16(4) of the Companies Act. [5]
4	Making of rules	The Board shall not make, amend or repeal any rules for so long as the Listings Requirements prohibit rules. [6]
5	Authorised securities	The Company is authorised to issue 200 000 000 (two hundred million) ordinary par value shares of 0.5c (one half of one cent) each, which shall all have equal voting rights. [7.1] The Board does not have the power to amend the authorisation and classification of shares [7.2] .
6	Financial assistance in connection with subscription for securities	The Board may not authorise financial assistance by the Company in connection with the subscription for or purchase of securities of the Company, or those of a related or inter-related company, without complying with s 44(3) of the Companies Act. [7.5]
7	Authority to issue securities	The Board shall not have the power to issue authorised securities, other than capitalisation shares, without the approval of the JSE (where necessary) [8.1] and the prior approval of a special resolution in respect of the issue of shares contemplated in section 41(1) and (3) of the Companies Act or issues for cash and an ordinary resolution in respect of other securities. [8.2] No special privileges may be granted to secured and unsecured debt instruments. The Board may issue capitalisation shares or offer a cash payment in lieu thereof. [8.4] No shares may be issued other than as fully paid. [8.5]
8	Pre-emption on issue of equity securities	Authorised but unissued equity securities intended to be issued for cash shall first be offered to the existing shareholders by way of a <i>pro rata</i> rights offer. The pre-emption will not apply in cases where a capitalisation issue, an issue for an acquisition of assets or an issue for the purposes of an amalgamation or merger is to be undertaken, or where the issue has been approved by shareholders, or where equity securities are to be issued in terms of option or conversion rights, or where equity securities are to be issued to a share incentive plan approved by ordinary resolution, or if otherwise approved by the JSE. [9.1] The Company may, however, exclude from any rights offer any shareholders in accordance with section 99(7) of the Companies Act and with the approval of the JSE (to the extent necessary) or if the Company is precluded by any law or regulatory requirement from doing so. [9.2]
9	Certificates	The securities issued by the Company may either be certificated or uncertificated. When any new securities are issued, the subscriber shall be entitled to elect whether all or part of the securities offered to him shall be in certificated or uncertificated form. [10.1]
10	Beneficial interests and liens over securities	The Company shall permit securities to be held by one person for the beneficial interest of another. The Company shall not permit securities to be voted upon by the holder of a beneficial interest who does not hold a proxy form from the registered holder [11.1] unless the beneficial interest includes the right to vote on the matter and the beneficial interest holder's name is on the company's register of disclosures as the holder of a beneficial interest in respect of those securities [18.14] . The Company shall not be entitled to take any lien over any securities issued by it. [11.2]
11	Listings on other stock exchanges	The Company may seek listings on other stock exchanges. [12.1]
12	Commission	The Company may pay commission not exceeding 10% of the subscription price at which securities are issued to any person in consideration of such person subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions, whether absolute or conditional, for securities. [13]

	Theme or clause	Contents of new MOI
13	Transfer of securities	There is no restriction on the transfer of the Company's securities. [14.1]
14	Transmission of securities by operation of law	Subject to the applicable laws, the parent or guardian or curator of any holder who is a minor, the trustee of an insolvent holder, the liquidator of a body corporate holder, the tutor or curator of a holder under disability, the executor or administrator of the estate of a deceased holder, or any other person becoming entitled to any securities held by a holder by any lawful means other than transfer in terms of the MOI, shall have the right either to exercise the same rights and to receive the same distributions and other advantages to which he would be entitled if he were the registered holder of the securities or to be registered as the holder in respect of those securities and to make such transfer of those securities as the holder could have made. [15]
15	Accounting records and financial statements	The Company shall maintain the necessary accounting records which shall be accessible from its registered office. [16.1] The Company shall prepare its financial statements in accordance with the International Financial Reporting Standards and shall have its annual financial statements audited. [16.2] The Company shall notify the holders of the publication of any annual financial statements of the Company, setting out the steps required to obtain a copy of same. If a holder demands a copy of the annual financial statements, the Company shall make same available to such holder free of charge. To the extent permitted by the Companies Act and the Listing Requirements, where the Company is required to provide a person with its annual financial statements, it may provide a summarised version thereof provided that the notification also contains instructions as to how such person may obtain a complete version of the annual financial statements. [16.6]
16	Audit committee and auditor	At each annual general meeting, the Company must elect an audit committee. [17.1] The Company shall appoint an auditor at its annual general meeting. [17.9]
17	Shareholders' meetings	The Company shall convene an annual general meeting once in every calendar year. [18.1] All shareholders' meetings shall be convened in accordance with the Companies Act and the Listings Requirements and on 15 (fifteen) business days notice. [18.8] The quorum for a shareholders' meeting and for any matter to be considered at a shareholders' meeting is sufficient persons present at the shareholders meeting to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting but the meeting may not begin, and a matter may not begin to be considered, unless in addition at least 3 (three) persons entitled to vote are present. [18.16] [18.17] Shareholders holding at least 10% of the voting rights on any matter may demand a shareholder meeting on any subject. This percentage could be set at a lower level (but not higher), but it is proposed that a lower percentage is not set and that the statutory percentage is used. [18.5]
18	Shareholders' resolutions	Every resolution of shareholders is either an ordinary resolution or a special resolution. An ordinary resolution, save to the extent expressly provided in respect of a particular matter contemplated in the MOI, shall require to be adopted with the support of more than 50% of the voting rights exercised on the resolution. A special resolution shall require to be adopted with the support of at least 75% of the voting rights exercised on the resolution. For as long as the Company's securities are listed on the JSE, if any of the Listings Requirements require a resolution to be passed with a 75% majority, the resolution shall be required to be passed by a special resolution. [18.28] Any shareholder that abstains from voting in respect of any resolution will be regarded as being present for the purpose of determining whether sufficient shareholders are present to constitute a quorum, but, for the purposes of determining the number of votes exercised in respect of that resolution, will be deemed not to have exercised a vote. [18.36] Any minutes of a meeting, or a resolution, signed by the chairperson of the meeting, or by the chairperson of the next shareholders meeting, are/is evidence of the proceedings of that meeting, or adoption of that resolution, as the case may be. [18.37]
19	Record date	The Board shall determine the record date in accordance with the applicable rules of the central securities depository and the Listings Requirements (including for purposes of distributions to shareholders). [19.1]

20	Theme or clause Election of directors and alternate directors and filling of vacancies	Contents of new MOI
		The minimum number of directors is 4 (four) and the maximum is 12 (twelve). Any failure by the Company at any time to have the minimum number of directors, does not limit or negate the authority of the Board, or invalidate anything done by the Board or the Company. [20.1] Each of the directors and the alternate directors, other than a director appointed by the Board until the next general meeting to fill a vacancy on the board shall be elected by shareholders. [20.3] There are no general qualifications prescribed by the Company for a person to serve as a director or an alternate director in addition to the requirements of the Companies Act [20.6] . The Board may fill any vacancy occurring on the Board but the individual appointed shall cease to hold office at the termination of the first shareholders meeting to be held after their appointment unless elected at such shareholders meeting [20.11] . For as long as the Company's securities are listed on the JSE, life directorships and directorships for an indefinite period are not permissible. [20.5]
21	Retirement of directors in rotation	One-third of all directors, or if their number is not a multiple of 3, then the number nearest to, but not less than one-third of the directors, shall retire from office at each annual general meeting. The directors so to retire at each annual general meeting shall be those who have been longest in office since their last election. Retiring directors shall be eligible for re-election. [20.2]
22	Cessation of office as director or alternate director	A director or alternate director shall cease to hold office as such if, <i>inter alia</i> , he becomes ineligible or disqualified, his term of office expires (unless he is re-elected), he resigns, the Board determines that he has become incapacitated to an extent where he cannot perform the functions of a director, if he is declared delinquent by a court, if he is removed by ordinary resolution, if he is removed by resolution of the Board for being negligent or derelict in performing his functions or if he files a petition for the surrender of his estate, files an application for an administration order, commits an act of insolvency or makes any arrangement or composition with his creditors generally or if he is otherwise removed in accordance with any provision of the MOI. [21]
23	Remuneration of directors and members of board committees	The directors, alternate directors and members of Board committees shall be entitled to such remuneration for their services as such as may have been determined from time to time by special resolution within the previous two years. In addition, the directors and alternate directors shall be entitled to all reasonable expenses in travelling to and from meetings of the directors and holders, and the members of the board committees shall be entitled to all reasonable expenses in travelling to and from meetings of the members of the Board committees in accordance with any policy for same adopted by the Board from time to time. The Company may pay or grant any type of remuneration contemplated in s 30(6)(b) to (g) of the Companies Act to any executive directors. [22.1]
24	Financial assistance to directors	The Board's powers to provide direct or indirect financial assistance in terms of section 45(2) of the Companies Act are not limited. [23.1]
25	Powers and duties of directors	The Board must appoint a chief executive officer and an executive financial director. The Board may from time to time appoint one or more of the directors to an executive office (provided always that the number of directors so appointed, who have not been elected by shareholders, shall at all times be less than one-half of the number of directors in office) for such period (not exceeding 3 (three) years) and at such remuneration and generally on such terms as they may think fit. [24.2]
26	Board committees	The Board may appoint any number of Board committees and delegate to such committees any authority of the Board. A director may be appointed to more than one Board Committee. The directors must, as a minimum, appoint a remuneration committee, a risk committee and a nomination committee (the audit committee is appointed by shareholders – see 16 above). The members of any such committees (other than the nominations committee which shall have as its members only non-executive directors, the majority of whom must be independent) may include persons who are not directors if the Board so determines. [25.1]
27	Personal financial interest	The directors, prescribed officers and members of Board committees shall comply with the provisions of the Companies Act with regard to the disclosure of personal financial interests. [26]
28	Proceedings of directors	A director may at any time on reasonable notice in the circumstances summon a meeting of the Board and must call a meeting of the Board if required to do so by at least 2 (two) directors. [27.1] The quorum for a directors' meeting is 4 (four) directors [27.6] . The directors may elect a chairperson of their meetings and determine the period for which he is to hold office [27.7] . Each director has 1 (one) vote on a matter before the Board and a majority of the votes cast on a resolution is sufficient to approve that resolution. [27.8] In the case of a tied vote, the chairperson may cast a deciding vote. [27.9] Any minutes of a meeting, or a resolution, signed by the chairperson of the meeting, or by the chairperson of the next meeting of the Board, are/is evidence of the proceedings of that meeting, or adoption of that resolution, as the case may be. A round robin resolution of directors shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted, provided that each director who is able to receive notice, has received notice of the matter to be decided.

	Theme or clause	Contents of new MOI
29	Prescribed Officers	No person shall hold office as a prescribed officer of the Company if he/she is ineligible or disqualified as contemplated in clause 1.2.6 of the MOI. [28]
30	Company secretary	The directors must appoint a company secretary in compliance with the requirements of the Companies Act. [29]
31	Distributions	The Company may make distributions from time to time provided that, among other things, it reasonably appears that the Company will satisfy the solvency and liquidity test (as contained in section 4 of the Companies Act) and the Board, by resolution, has acknowledged that it has applied the solvency and liquidity test and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed distribution [30.1] . All unclaimed dividends or other distributions will not bear interest against the Company and will be held in trust, provided that any dividend or distribution remaining unclaimed for a period of at least 3 (three) years may be forfeited by resolution of the directors for the benefit of the Company. If a resolution is passed providing for the Company to be wound up voluntarily or deregistered, such resolution may provide that any dividends or other distributions unclaimed for a period of 3 (three) years and not previously forfeited may be forfeited by resolution of the directors for the benefit of the Company. [30.3] The directors may determine that from any specified date all future payments of all amounts to holders shall be made by way of electronic funds transfer directly to the bank account of the holder entitled to such payment and that no future payments shall be made by cheque or any other means, except if the Company is specifically requested in writing by any particular holder to make payment by cheque to that holder. [30.5]
32	Loss of documents	The Company shall not be responsible for the loss in transmission of any cheque, warrant, certificate or other document sent through the post either to the registered address of any holder or to any other address requested by the holder. [31]
33	Notices and Electronic Communication	The Company may give notices, documents, records or statements or notices of availability of the foregoing by personal delivery to a holder or by sending them prepaid through the post or by transmitting them by telegram, telex, fax or by electronic communication to such person's last known address. [32.1] If joint holders are registered in respect of any securities or if more than 1 person is entitled to securities, all notices shall be given to the person named first in the securities register, and this shall be sufficient notice to all the holders of or persons entitled to or otherwise interested in the securities. [32.4]
34	Indemnity	The Company may not indemnify a director, unless in accordance with the provisions of the Companies Act, and may purchase insurance to this effect to the extent permitted by the Companies Act. [33]
35	Repurchases of securities	The Company is authorised to repurchase its securities subject to compliance with the Companies Act and the Listings Requirements. [34]
36	Register of disclosures and notification	The Company must establish and maintain a register of disclosures made in terms of section 56(7) of the Companies Act and otherwise comply with all the requirements of Section 56 of the Companies Act and the Listings Requirements. [35]
37	Social and Ethics Committee	The Board shall appoint a social and ethics committee unless the Company has been exempted in terms of the Companies Act from having to have a social and ethics committee. [36]
38	Odd-lot Offers	The Company may make odd-lot offers to securities holders holding odd-lots. [37.1] Odd-lot offers may provide that securities holders who do not make an alternative election in response to the odd-lot offer will by default be deemed to have elected to sell their odd-lot holding to the company, provided that the specific odd-lot offer has been approved by shareholders in general meeting and the Company complies with clause 34 and clause 8 of the MOI. [37.2]

The MOI should be read in its entirety for a full appreciation of the contents thereof.

Annexure B

Relevant portions of section 164 of the Companies Act - Dissenting shareholders appraisal rights

164. (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to-
- (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
 - (b) enter into a transaction contemplated in section 112, 113 or 114, that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who-
- (a) gave the company a written notice of objection in terms of subsection (3); and
 - (b) has neither-
 - (i) withdrawn that notice; or
 - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if-
- (a) the shareholder-
 - (i) sent the company a notice of objection, subject to subsection (6); and
 - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
 - (b) the company has adopted the resolution contemplated in subsection (2); and
 - (c) the shareholder-
 - (i) voted against that resolution; and
 - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within-
- (a) 20 business days after receiving a notice under subsection (4); or
 - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state-
 - (a) the shareholder's name and address;
 - (b) the number and class of shares in respect of which the shareholder seeks payment; and
 - (c) a demand for payment of the fair value of those shares.
 - (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless-
 - (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
 - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
 - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
 - (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
 - (11) Within five business days after the later of-
 - (a) the day on which the action approved by the resolution is effective;
 - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
 - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
 - (12) Every offer made under subsection (11)-
 - (a) in respect of shares of the same class or series must be on the same terms; and
 - (b) lapses if it has not been accepted within 30 business days after it was made.
 - (13) If a shareholder accepts an offer made under subsection (12)-
 - (a) the shareholder must either in the case of-
 - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
 - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and

- (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and-
 - (i) tendered the share certificates; or
 - (ii) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has-
 - (a) failed to make an offer under subsection (11); or
 - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- (15) On an application to the court under subsection (14)-
 - (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
 - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
 - (c) the court-
 - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
 - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
 - (iii) in its discretion may-
 - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
 - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
 - (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
 - (v) must make an order requiring-
 - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
 - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.
- (15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case-
 - (a) that shareholder must comply with the requirements of subsection 13(a); and
 - (b) the company must comply with the requirements of subsection 13(b).
- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
- (17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months-
 - (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
 - (b) the court may make an order that-
 - (i) is just and equitable, having regard to the financial circumstances of the company; and
 - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
- (18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
- (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to-
 - (a) the provisions of that section; or
 - (b) the application by the company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent--
 - (a) expressly provided in this section; or
 - (b) that the Panel rules otherwise in a particular case, a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.

Form of Proxy

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

For use at the annual general meeting of shareholders of the company to be held at 1313 Main Tower, Standard Bank Centre, Heerengracht, Cape Town on Monday, 10 June 2013 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 that may attend or participate at such meeting.

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

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

- may only delegate his/her authority to act on my/our behalf at the annual general meeting to a director of the company;
- must provide written notification to the transfer secretaries of the company, namely Computershare Investor Services (Pty) Limited of the delegation by my/our proxy of his/her authority to act on my/our behalf at the annual general meeting by no later than 15:00 on Friday, 7 June 2013, being 24 hours (excluding Saturdays, Sundays and public holidays) before the annual general meeting to be held at 15:00 on Monday, 10 June 2013; and
- must provide to his/her delegate a copy of his/her authority to act on my/our behalf at the annual general meeting.

Refer to notes on page 91.

To be returned to:

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

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

I/we (full names)

of (address)

Telephone: Work

Home

Mobile

being a shareholder(s) of the company, holding

shares in the company

hereby appoint (refer note 1):

or failing him/her

or failing him/her

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

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

	For	Against	Abstain
Election of directors:			
Ordinary resolution number 1.1: Election of N I Jowell as director.			
Ordinary resolution number 1.2: Election of E Oblowitz as director.			
Ordinary resolution number 1.3: Election of R J A Sparks as director.			
Ordinary resolution number 2: Placing the 8 884 209 unissued shares of the company reserved for The Trencor Share Option Plan ('the Plan') under the control of the directors and granting them authority to allot and issue such shares in terms of the Plan.			
Non-binding advisory vote: Endorsement of the remuneration policy of the company.			
Ordinary resolution number 3: Reappointment of KPMG Inc as independent auditor.			
To appoint an audit committee with the following members:			
Ordinary resolution number 4.1: Election of E Oblowitz as audit committee member.			
Ordinary resolution number 4.2: Election of R J A Sparks as audit committee member.			
Ordinary resolution number 4.3: Election of H Wessels as audit committee member.			
Special resolution number 1: To approve and authorise the provision of financial assistance, as contemplated in section 45 of the Companies Act, by the company to related or inter-related companies and others.			
Special resolution number 2: To approve the non-executive directors' remuneration, in their capacities as directors only, from 1 July 2013 until the next annual general meeting.			
Special resolution number 3: To approve the granting of a general authority to the company or its subsidiaries to acquire the issued shares of the company upon such terms and conditions and in such amounts as the directors may from time to time determine.			
Special resolution number 4: To approve the new memorandum of incorporation of the company to replace the existing one.			

Signed at _____ on this _____ day of _____ 2013

Signature _____ Assisted by (where applicable) signature _____

Name of signatory _____ Name of assistant _____

Capacity _____ Capacity _____

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

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

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

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

Please also read the notes opposite.

Notes to the Form of Proxy

1. A certificated or own name dematerialised shareholder or nominee of a CSDP or broker registered as a shareholder in the company's sub-register may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the chairperson of the annual general meeting', but any such deletion must be initialled by the shareholder. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, then the chairperson shall be deemed to be appointed as the proxy.
 2. A shareholder's instructions to the proxy must be indicated in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy will be deemed to be authorised to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable by the shareholder.
 3. Proxy forms should be lodged with the company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 or posted to Computershare Investor Services (Pty) Limited, PO Box 61051, Marshalltown, 2107. Forms of proxy should, for administrative reasons, be received or lodged by no later than 24 hours (excluding Saturdays, Sundays and public holidays) before the annual general meeting (i.e. 15:00 on Friday, 7 June 2013).
 4. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.
 5. Where there are joint holders of shares, the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the register of shareholders, will be accepted.
 6. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the company's transfer secretaries or waived by the chairperson of the annual general meeting. CSDPs or brokers registered as shareholders in the company's sub-register voting on instructions from owners of shares registered in the company's sub-sub-register, are requested that they identify the owner in the sub-sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the company's transfer secretaries together with this form of proxy.
 7. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but may not be accepted by the chairperson.
 8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.
 9. Certificated shareholders which are a company or body corporate may by resolution of their directors, or other properly authorised body, in terms of section 57 of the Companies Act, authorise any person to act as their representative.
 10. The chairperson of the annual general meeting may, in his/her discretion, accept or reject any form of proxy which is completed other than in accordance with these notes.
 11. If required, additional forms of proxy are available from the company's transfer secretaries or the registered office of the company.
 12. If you are the owner of dematerialised shares held through a CSDP or broker (or its nominee) and are not an own name dematerialised shareholder, then you are not a shareholder of the company, but appear as the holder of a beneficial interest on the relevant sub-register of the company held by your CSDP. Accordingly, in these circumstances, do NOT complete this proxy form. Subject to the mandate between yourself and your CSDP or broker:
 - if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from them; alternatively
 - if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish them with your voting instructions in respect of the annual general meeting and/or request them to appoint a proxy. You must not complete the attached form of proxy. Your instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be.
- CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strate should, when authorised in terms of their mandate or instructed to do by the person on behalf of whom they hold the dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the company's transfer secretaries to be received, for administrative reasons, not less than 24 hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

Corporate Information

Company registration

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

Year listed

1955

Registered office and postal address

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

Secretary

Trencor Services (Pty) Limited

Internet address

<http://www.trencor.net>

E-mail

info@trencor.net
investorrelations@trencor.net

Transfer secretaries

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

Auditor

KPMG Inc
MSC House
1 Mediterranean Street
Foreshore Cape Town 8001
P O Box 4609 Cape Town 8000

Designated auditor

G M Pickering

Attorneys

Edward Nathan Sonnenbergs Inc

Sponsors

Rand Merchant Bank (a division of FirstRand Bank Limited)

Industry Classification Benchmark (ICB)

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

Market name

Trencor

JSE share code

TRE

ISIN

ZAE000007506

Diary

10 June 2013	Annual general meeting
31 December 2013	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	March and September: dividend paid

TRENCOR LIMITED
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