

TRENCOR®

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TRENCOR LIMITED
INTEGRATED ANNUAL REPORT 2016

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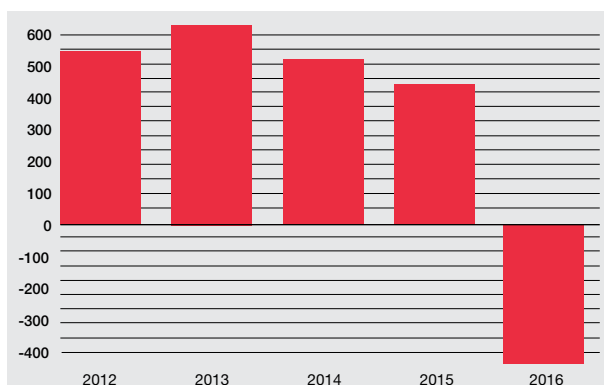
Financial Summary

		2016	2015
Trading (loss)/profit after net finance costs ¹	Rm	(1 862)	1 608
	US\$m	(127)	126
(Loss)/Profit before tax	Rm	(3 757)	4
	US\$m	(264)	13
Headline (loss)/earnings	Rm	(771)	908
	US\$m	(50)	62
Headline (loss)/earnings per share	SA cents	(435)	513
	US cents	(28)	35
Adjusted headline (loss)/earnings per share ²	SA cents	(435)	443
	US cents	(28)	34
Dividends per share	SA cents	130	300
Net asset value per share	SA cents	4 630	6 653
	US cents	341	428
Ratio of interest-bearing borrowings to total equity	%	289	224

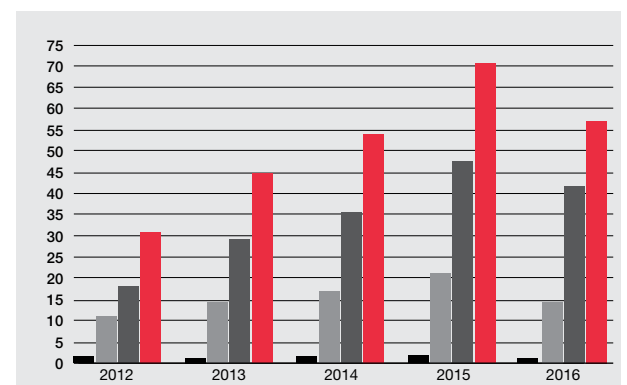
¹ Trading (loss)/profit after net finance costs is defined as operating profit less net finance costs adjusted for realised and unrealised exchange differences on translation of long-term receivables, the fair value adjustment on net long-term receivables and the gross value of headline earnings adjustments included in operating profit.

² Refer to note 25 to the financial statements.

Adjusted Headline (Loss)/Earnings (SA cents per share)



Funding of Total Assets (R billion)



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

Directors and Committees

Directors

David Nurek	Chairman/Independent
Jim Hoelter (USA)	
Jimmy McQueen*	Chief Executive Officer
Eddy Oblowitz	Independent
Ric Sieni*	Financial
Roddy Sparks	Independent
Hennie van der Merwe*	
Herman Wessels	Independent

* Executive

Executive committee

Jimmy McQueen	Chairman
Ric Sieni	
Hennie van der Merwe	

Audit committee

Eddy Oblowitz	Chairman
Roddy Sparks	
Herman Wessels	

Remuneration committee

Roddy Sparks	Chairman
David Nurek	
Herman Wessels	

Nomination committee

David Nurek	Chairman
Roddy Sparks	
Herman Wessels	

Risk committee

Eddy Oblowitz	Chairman
Jim Hoelter	
Jimmy McQueen	
David Nurek	
Roddy Sparks	
Herman Wessels	

Governance committee

Roddy Sparks	Chairman
David Nurek	
Herman Wessels	

Social and ethics committee

Roddy Sparks	Chairman
Jimmy McQueen	
David Nurek	
Ric Sieni	
Herman Wessels	

Brief résumés of the directors are presented on page 80.

Textainer Group Holdings Limited

Phil Brewer (USA)	President and Chief Executive Officer
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Group Profile

Trencor Limited is an investment holding company listed on the JSE.

Trencor benefits from operations that focus on the provision, management and integration of equipment and services to facilitate the movement of goods by customers. These operations have as their business the owning, leasing, managing and trading of marine cargo containers worldwide, and related financing activities. It is the aim of these operations to pursue growth and improvement in their existing businesses and to include in their activities similar businesses that have the potential to render acceptable returns.

Group Chart

at 31 December 2016

TRENCOR			
48,04%^{1, 2}	100%¹	100%	100%
TEXTAINER	TAC	TRENCOR SERVICES	TRENCOR CONTAINERS
Listed on the New York Stock Exchange, the Textainer group owns, leases, manages and trades marine cargo containers worldwide	Owning of marine cargo containers	Corporate administration and financing	Collection of long-term receivables

¹ Indirect beneficiary interest through Halco Holdings Inc under the Halco Trust.

² Reduced to 48,01% subsequent to the year-end following the issue by Textainer of restricted share units and share options exercised.

Five-year Review

	2016 Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm
Operating results					
Revenue	9 373	9 277	8 055	6 590	4 553
(Loss)/Profit before tax	(3 757)	4	2 049	2 423	1 834
Headline (loss)/earnings attributable to shareholders	(771)	908	970	1 401	991
Statement of financial position summary					
Shareholders' equity	8 199	11 780	9 204	7 852	6 414
Non-controlling interests	6 218	9 479	7 712	6 426	4 628
Total equity	14 417	21 259	16 916	14 278	11 042
Interest-bearing borrowings	41 668	47 577	35 537	29 276	18 222
Funding of total net assets	56 085	68 836	52 453	43 554	29 264
Property, plant and equipment	49 060	59 636	44 911	36 505	24 798
Other non-current assets	2 289	3 126	3 418	3 143	2 183
Current assets	5 773	7 829	5 728	5 096	3 929
Total assets	57 122	70 591	54 057	44 744	30 910
Non-interest-bearing liabilities	1 037	1 755	1 604	1 190	1 646
Total net assets	56 085	68 836	52 453	43 554	29 264
Statistics					
Number of issued shares (million)	177	177	177	177	177
Equity book value per share (cents)	4 630	6 653	5 198	4 435	3 622
Headline (loss)/earnings per share (cents)	(435)	513	548	791	560
Adjusted headline (loss)/earnings per share (cents)	(435)	443	521	629	546
Dividends per share (cents)	130	300	267	230	215
Dividend cover based on adjusted headline (loss)/earnings (times)	(3,3)	1,5	1,9	2,7	2,5
Liquidity (%)					
Ratio to total equity					
Total liabilities	296	232	220	213	180
Interest-bearing borrowings	289	224	210	205	165
Current ratio (times)	0,2	2,7	1,3	1,9	1,7
Profitability (%)					
Taxed (loss)/profit to average total equity ¹	(21)	–	13	19	20
Taxed (loss)/profit before interest to average total assets ²	(3)	2	6	8	9
Headline (loss)/earnings attributable to shareholders to average shareholders' equity	(8)	9	11	20	18
Number of employees	186	186	187	183	187

¹ (Loss)/Profit after tax divided by average total shareholders equity.

² (Loss)/Profit after tax plus interest after tax divided by average total assets.

Chairman's Statement

Trencor's results largely reflect the performance of Textainer, the global container leasing business, in which Trencor has a 48% beneficiary interest through Halco Holdings under the Halco Trust. Textainer operates worldwide and is listed on the New York Stock Exchange, with its headquarters in Bermuda.

The container industry has had the most challenging year since 2009, compounded by the bankruptcy of Hanjin Shipping Co, then the world's 7th largest shipping line and a major customer of Textainer, in August 2016. The negative impact of these difficult trading conditions is explained in Textainer's letter to its shareholders, quoted below.

Trencor's trading profit after net financing costs decreased by 216% from R1 608 million in 2015 to a trading loss of R1 862 million. This loss reflects the weaker performance by Textainer due to the circumstances referred to above and includes additional depreciation required upon the conversion of US GAAP results of Textainer and TAC to IFRS.

IFRS further required Trencor to record an impairment of the container fleets in an amount of R2 107 million; no such impairment was required under US GAAP.

Headline loss per share (including the effect of net realised and unrealised foreign exchange translation gains) was 435,1 cents (2015: headline earnings per share 512,6 cents).

Adjusted headline loss per share (which excludes the effect of net unrealised foreign exchange translation gains) was 435,1 cents (2015: adjusted headline earnings per share 443,3 cents).

Net unrealised foreign exchange gains arising on translation of net dollar receivables and the related valuation adjustments, not included in adjusted headline (loss)/earnings, were nil (2015: R123 million or 69,3 cents per share).

These amounts are better reflected in tabular form:

	2016	2015
	Cents per share	Cents per share
Basic loss per share	(984,4)	(82,7)
Headline (loss)/earnings per share	(435,1)	512,6
Deduct:		
Net unrealised foreign exchange translation gains*	-	69,3
Adjusted headline (loss)/earnings per share	(435,1)	443,3
Year-end rate of exchange:		
SA rand to US dollar	13,58	15,53
Average rate of exchange for the year: SA rand to US dollar	14,72	12,75

* There were no unrealised foreign exchange translation gains in 2016 due to the receivables book being collected during the year.

Based on the spot exchange rate of US\$1 = R13,58 and the price of Textainer's shares listed on the NYSE on 31 December 2016 (US\$7,45), the net asset value ('NAV') of Trencor at that date was as follows:

	R million	R per share
Beneficiary interest in Textainer	2 759,8	15,58
Beneficiary interest in TAC (US GAAP NAV)	1 069,0	6,04
Cash	1 488,8	8,40
Other net assets (includes TAC IFRS adjustments)	238,1	1,35
	5 555,7	31,37

TEXTAINER

I include, as a direct quote, the annual letter sent by the Chairman of the Textainer board and the President and CEO of Textainer to the shareholders of Textainer:

"To Our Shareholders:

Since 1979 Textainer has been leasing containers to shipping lines throughout the world. Container leasing is a cyclical business and over that time we have successfully navigated both strong and weak markets. 2016 proved to be perhaps the most challenging year in our experience with historically low new and used container prices and rental rates. The August insolvency of Hanjin Shipping Co, the largest shipping line bankruptcy in history, had a material negative effect on what was already a difficult year. However, it also served as a catalyst for change and ushered in improved market conditions that we expect to continue into 2017.

2016 started off weakly with muted global trade growth and limited container demand. New container prices and lease rates reached historic lows over the course of the year. Used container prices were similarly low, resulting in impairments of containers put to sale and reducing the proceeds we ultimately received from those sales. Following the Hanjin bankruptcy, the market improved dramatically. New and used container prices, lease-out demand and new and depot container lease rates all rose significantly. These trends continue to benefit us as we recover and re-lease Hanjin containers and should help mitigate the large "held-for-sale" impairment charges we took in 2016. Notwithstanding these positive trends, we recognize that continued operational discipline is necessary for us to return to the level of financial performance that Textainer shareholders have historically enjoyed.

Year in Review

We were cautious at the start of the year given the weak projections for global economic growth and lack of a typical pre-Lunar New Year increased demand. The market remained weak during the first quarter. Utilisation declined to its low point for the year of 94.0% in March. New container prices declined to approximately \$1,250 for a 20' standard container

in April. This historically low price level was due to both low commodity prices, specifically iron ore and steel, and container manufacturers' willingness to sell containers at a loss to maintain their market share. Rental rates also fell to record low levels. Demand picked up significantly in May and remained strong throughout the summer. As we entered the third quarter, new container prices increased modestly to around \$1,450 in the wake of increasing steel prices. Used container prices continued declining throughout the summer reaching their low point for the year in August.

The Hanjin bankruptcy and its aftermath defined the second half of the year. Hanjin filed for bankruptcy protection in South Korea on August 31, 2016. At the time of its bankruptcy, Hanjin was the world's 7th largest shipping line. Textainer had approximately 114,000 containers on lease to Hanjin, representing 6.4% of our total fleet, on both operating and finance leases. Hanjin was by far the largest shipping line ever to file for bankruptcy. The impact from its disorderly ceasing of operations reverberated throughout the shipping industry. Although Hanjin's bankruptcy imposed significant costs on many participants in the container shipping industry, including Textainer, it also had a silver lining.

Hanjin's 1 million TEU were largely unavailable as these containers were tied up in the company's slow unwinding. Other shipping lines sought to capitalize on the void left by Hanjin's cancelled sailings. As a result, demand for containers at the end of the third quarter and beginning of the fourth quarter was stronger than in previous years. New container prices increased by approximately \$600, or more than 40%, from September to December. Container price increases gained momentum as steel prices increased 80% from the beginning of the year and manufacturers focused on returning to profitability. Used container prices also increased approximately 25% during the fourth quarter.

Perhaps most importantly, new container rental rates more than doubled. New container rental rates are correlated to new container prices and interest rates. In the first half of 2016, the combination of falling container prices, continued low interest rates and weak demand led to significant declines in both new and depot container rental rates. These decreases exceeded the percentage decline in new container pricing, compressing the yield earned on investments made on new containers. Following the Hanjin bankruptcy, increased demand coupled with a spike in new container prices and limited supply resulted in rental rates for new and depot containers returning to levels not experienced in several years.

We are pleased to say that as of the end of February 2017, we had recovered or were in the process of recovering 80% of the containers leased to Hanjin. We were also actively negotiating the release of another 13% of our Hanjin containers although we do not know whether all these negotiations will be successful. The remaining 7% of Hanjin containers are being recovered in small batches. We have also already leased out about one third of these recovered containers at attractive rates.

We expect ultimately to recover at least 90% of these containers. We have \$80 million of insurance for customer defaults and we expect it will cover the great majority of losses from any unrecovered containers, lost revenue and recovery and repair costs.

As a result of the declines in used container prices experienced in 2015 and most of 2016, at the start of the third quarter of 2016 we changed our depreciation policy, decreasing the residual value for 20' standard, 40' standard, 40' high cube and 40' open top containers from \$1,050, \$1,300, \$1,450 and \$2,000 to \$950, \$1,150, \$1,300 and \$1,700, respectively. We also increased the useful lives for 40' standard containers from 13 to 14 years and increased the useful lives of certain specialized containers by one year. These changes resulted in a \$25.1 million increase in depreciation expense for the year. We expect quarterly depreciation will increase by \$10 million in 2017 due to these changes.

We also recognized significant asset impairments in 2016. Impairments arise when containers are off-hired and identified for sale. If the sales price in the location of the container is less than the book value of the container, we write down the value of the container to the local sales price. Should sales prices decline again before we sell the container, we further write down its value. We then record a gain if we sell the container above its written down value. These asset impairments totaled \$66.5 million for the year. We saw reduced impairments in the fourth quarter compared to the previous quarters of 2016 as used container prices increased and a smaller quantity of containers were put to disposal. We expect asset impairments to continue to decrease in 2017.

We sold approximately 187,000 in-fleet and trading containers in 2016, the highest quantity of containers we have ever sold in one year. While the prices were well below the levels seen during the previous five years, they were in line when compared to the low new container prices that prevailed during the first half of the year. Fortunately, used prices have started increasing along with the recovery in new container prices. We invested \$480 million to purchase more than 286,000 TEU of new and purchase-leaseback containers in 2016, 87% of which was for our own fleet. A large percentage of our purchases were made when prices were at or near the historical low levels seen last year. At year-end, our fleet totaled 3.21 million TEU. We own 81% of our fleet.

Utilisation remained high, decreasing 0.4 percentage points from 94.6% at the beginning of the year to 94.2% at the end of the year, after adjusting for Hanjin. Utilisation has subsequently increased and currently is 94.9%.

We continue to invest in tank containers via our joint venture with Trifleet, one of the leading tank lessors. Trifleet has proven to be an excellent partner with a similar operating and growth strategy as Textainer. We look forward to building on our excellent relationship.

Our adjusted net loss for the year was \$56.1 million, or \$0.99 per diluted common share, a 150.9% decrease from the prior year. If container impairments, bad debt expense and recovery costs, net of accrued insurance proceeds related to Hanjin, and the settlement of Haikou Nanqing Container's 2015 bankruptcy insurance claim, are excluded, adjusted net income would have decreased 110.0% to \$11.5 million. This adjusted net loss was largely due to declines in rental rates, utilisation and gains on sales and an increase in impairments for containers identified for sale, interest rates and storage costs, partially offset by an increase in the size of our owned fleet.

We continue to maintain a strong balance sheet. Our debt-to-equity ratio at 2.6:1 remains the lowest among all our publicly listed peers.

Outlook

As discussed above, the second half of 2016 saw the emergence of many positive trends that are continuing in 2017. Higher new and used container prices, limited new container production, solid demand and higher rental rates are all helping us quickly re-activate containers recovered from Hanjin, maintain depot inventory at low levels and obtain better rental rates on new leases and lease renewals.

Total new dry container output in 2016 was approximately 1.8 million TEU, a significant decline from the approximately 2.7 million TEU produced in 2015 and 3.2 million TEU in 2014. We estimate leasing companies purchased 70% of these containers. Typically, 1.5 million TEU of old containers are disposed each year. Low container production coupled with continued container disposals kept the worldwide container fleet almost static in 2016. The factory inventory of new containers also steadily declined in 2016 and currently stands at about 400,000 TEU, less than half of normal inventory levels for this time of year. This is further evidence that our industry does not over-order containers when market conditions do not support new investment.

New container prices are currently above \$2,000, or about \$800 higher than the lowest level seen in 2016. All manufacturers in China are required to switch to waterborne paint in April 2017, which is expected to increase production costs \$100 to \$150 per TEU and result in supply disruptions. Prices for iron ore and steel remain well off the lows seen in 2016 and container manufacturers seem determined not to produce containers at a loss.

We expect the container shipping industry to perform better in 2017 than it did last year. Container trade growth of 2%-4% is projected for 2017 which is low on an historical basis, but higher than the 1%-2% growth experienced during 2016. Shipping lines continue to face problems of vessel overcapacity which, although likely to remain for at least the next two years, are not as severe as in recent years given the low vessel order book and high level of scrapping. Planned new ship deliveries are being delayed and the idle fleet

remains high at around 1.4 million TEU. Vessel scrapping reached a record 650,000 TEU during 2016 and is expected to be even higher in 2017. Average freight rates increased more than 20% over the course of last year and Drewry, the maritime and research consulting firm, is projecting 2017 freight rates to increase an additional 20%-40%. Shipping line consolidation and the growth of three major alliances is expected to result in more freight rate stability. These factors should increase the profitability and creditworthiness of our customers.

If new container prices maintain their current levels, we expect used container prices to continue to improve, particularly in high demand locations. Rental rates for both new and used containers have more than doubled and are at levels we have not seen in several years. Rental rates have risen much faster than new container prices, demonstrating that margins have improved. Increased new and used container prices and rental rates, low new and depot container inventory levels, and stronger customers are all positive signs for 2017.

Whether these positive trends continue will depend on many factors including the continued growth of international trade, the avoidance of trade disputes, the on-going strength of container demand, the quantity of new containers purchased by shipping lines and lessors, and the extent to which shipping lines rely on leasing as opposed to buying. Furthermore, the impact of new container rental rates will only be felt over time as our fleet reprices and we put new containers on lease.

As noted at the beginning of this letter, our industry is and always has been cyclical. We have been in business for 37 years and have successfully managed through many ups and downs. 2016 was the most challenging year we have faced and one that made us especially appreciative of the support and dedication of our shareholders, customers, suppliers and employees. We thank you for your continued trust in Textainer."

End of Textainer letter.

REPORTING UNDER IFRS

The results of Textainer and TAC, reporting under US GAAP, are converted into IFRS for inclusion in the results of Trencor which is required to report under IFRS. In years prior to 2015, limited insignificant adjustments were necessary in so converting from US GAAP to IFRS. However, in the year to 31 December 2015 and continuing for the year ended 31 December 2016, differences in accounting treatment between US GAAP and IFRS in the areas of impairment testing and a revision of the residual values of the container fleets, caused significant differences in the financial results reported under the respective accounting conventions. The process of conversion into IFRS has proved to be enormously time-consuming and expensive and has regrettably resulted in delays in producing our financial reports.

Good progress has been made in designing and implementing a software system for recording fixed assets under both accounting

conventions which will, when brought on stream, significantly reduce the cost of preparing the information required for the IFRS financial statements, as well as reducing the time required to produce the information. In addition, we are at the same time exploring other possible ways of addressing the issues associated with this requirement to convert from US GAAP to IFRS. Shareholders will be informed when we have positive developments to report.

Adjusted to conform with IFRS, Trencor's consolidation of the results of Textainer required a non-cash impairment of the container fleet under IFRS of R2 107 million in 2016 (2015: R1 363 million) whereas no such impairment was necessary under US GAAP in either of these years. Furthermore, Trencor recorded an additional depreciation charge of R1 149 million which was required under IFRS for the year ended 31 December 2016, over and above the amount provided under US GAAP.

CASH FLOW AND DIVIDEND

The container leasing market remains in a fairly fluid state, as noted by the Chairman last year and elsewhere in this integrated annual report. This has had a severe impact on the results of Textainer and, to a lesser extent, TAC. Whilst Trencor and Halco remain very liquid, the boards of both of these companies are of the view that it is prudent and in their best interests to retain substantial cash balances. Halco remains ready to advance further funds to assist TAC in continuing to invest in new containers should it so require or to invest further in Textainer should such an opportunity arise in the future.

The board declared a final dividend of 50 cents per share, making a total of 130 cents per share for the year (2015: total 300 cents per share).

APPRECIATION

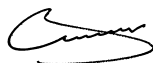
As announced earlier, at the forthcoming AGM Jimmy McQueen will retire as chief executive officer, executive director and chairman of the executive committee but has offered to stand for re-election as a director in a non-executive capacity. Hennie van der Merwe, previously managing director of Trencor from 2003 to 2011 and currently a part-time executive director, will become chief executive officer and chairman of the executive committee in his place. These changes are subject to them being re-elected as directors.

Jimmy will also retire from the boards of all local and off-shore group entities on which he serves, other than that of Textainer.

The board extends its appreciation to Jimmy for his dedication and hard work over the past 41 years with Trencor, during which he was an integral part of the senior management team that led Trencor to many successes. The board wishes him well in his deserved retirement.

Jim Hoelter will also retire at the AGM. Jim has served as a non-executive director of Trencor since 2002. He joined Textainer in 1987 and was President and CEO of Textainer until 1998, whereafter he served as a non-executive director on its board until his retirement in May 2016. The board extends its appreciation to Jim for his excellent contribution over so many years and wishes him well in his retirement.

I thank the directors of Trencor and our employees for their unstinting efforts and the contribution that they make to our affairs.



David Nurek

28 June 2017

Review of Operations

Trencor's core interests are in operations ('the Operations') that focus on the provision, management and integration of equipment and services to facilitate the movement of goods by customers. The principal focus of the Operations is owning, leasing, managing and trading marine cargo containers worldwide, and related financing activities.

TEXTAINER

(The amounts presented in this Textainer review are all in US\$ and in accordance with US GAAP.)

Textainer Group Holdings Limited ('Textainer') is, through its subsidiaries, primarily engaged in owning, leasing, managing and trading standard dry freight, special dry freight, tank and refrigerated marine cargo containers to global transportation and other companies. Textainer listed on the New York Stock Exchange (NYSE: TGH) in October 2007. At 31 December 2016, Trencor had a 48,04% (2015: 48,25%) beneficiary interest in the company through Halco Holdings Inc ('Halco'), wholly-owned by the Halco Trust. Net loss attributable to Textainer's shareholders in 2016 was US\$50,7 million (2015: net income US\$108,4 million – an immaterial correction was recorded for US GAAP statutory reporting purposes from the amount previously reported). Adjusted to conform to IFRS Textainer's net loss attributable to Textainer shareholders in 2016 was US\$260,6 million (2015: net income US\$23,0 million).

Textainer has reported that 2016 proved to be one of the most challenging years in its history with historically low new and used container prices and rental rates. The insolvency of Hanjin Shipping Co ('Hanjin'), then the world's seventh largest shipping line, had an adverse effect on what was already a difficult year. The company had approximately 114 000 containers on lease to Hanjin, representing 6,4% of Textainer's leasing fleet. Hanjin was by far the largest shipping line ever to file for bankruptcy and the impact of its disorderly ceasing of operations reverberated throughout the shipping industry. During 2016, Textainer recorded a container impairment of US\$22,1 million, net of insurance proceeds of US\$20,2 million for containers on operating and direct financing leases to Hanjin and also recorded US\$19,0 million of bad debt expense, net of insurance proceeds of US\$2,6 million to fully provide for Hanjin's outstanding accounts receivable. Textainer incurred significant upfront costs for the recovery, repair and repositioning of the containers formerly leased to Hanjin. The company has US\$80 million of insurance after a US\$5 million deductible to cover the majority of its Hanjin losses, but believes the final claim, resolution of which is expected late in 2017, will exceed the insurance coverage by US\$10 to US\$20 million. On 4 May 2017, Textainer reported that 94% of the containers that had been on lease to Hanjin had been recovered or were under recovery negotiation.

At 31 December 2016 the total size of Textainer's owned and managed fleet was 3 142 556 TEU (twenty foot equivalent units)

compared to 3 147 690 TEU at 31 December 2015. Approximately 286 000 TEU of new and purchase-leaseback containers costing US\$480 million were purchased for lease-out in 2016, 87% of which was for Textainer's own fleet. Textainer sold 187 000 in-fleet and trading containers in 2016 – the highest number ever sold in a single year; the company recognised a US\$66,5 million impairment on containers that had been off-hired and identified for sale. The percentage of the fleet owned by Textainer grew from 80,1% at the end of 2015 to 81% at 31 December 2016. Fleet utilisation remained high, decreasing 2,1% from 96,8% to 94,7% over the course of the year.

As a result of declines in used container prices in 2015 and most of 2016, Textainer reduced the residual values of certain container types and also increased the useful lives for forty foot standard containers and certain specialised containers. These changes resulted in a net increase in depreciation expense charged in the US GAAP statements for the year of US\$25,1 million.

Textainer remains one of the world's largest lessors of intermodal containers based on fleet size, with a total fleet of more than 2,1 million containers, representing more than 3,1 million TEU. The company leases containers to more than 320 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. The company has a long track record in the industry, operating since 1979, and has developed long-standing relationships with key industry participants. Its top twenty customers, as measured by revenues, have leased containers from the company for an average of 29 years. Textainer has provided an average of almost 230 000 TEU of new containers each year for the past 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 120 000 containers per year for the past five years to more than 1 400 customers. Textainer provides its services worldwide through an international network of 14 regional and area offices and approximately 530 independent depots in more than 240 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. Textainer's senior management has an average of 13 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 100% beneficiary interest. Management fees and sales commissions arising from these arrangements continue to make significant contributions to Textainer's operating results and also reduce volatility, even in cyclical downturns. 84,3% of the total on-hire lease fleet was on long-term and finance

lease compared to 85,3% one year ago. As at 31 December 2016, long-term leases had an average remaining duration of 38 months, assuming no leases are renewed, and the average remaining term of the finance leases was 23 months.

Textainer's ratio of interest-bearing borrowings to total equity was 256% (2015: 237%) which is conservative by industry standards.

During 2016 and early 2017, Textainer entered into amendments for certain of its secured borrowing facilities which resulted in various changes to the related covenants and an increase in the interest margin of 0,55% for the secured debt facility and to a range of between 1,5% p.a. and 2,5% p.a. for the revolving credit and term loan facilities.

Further information regarding Textainer and its businesses can be viewed on its website at www.textainer.com.

Textainer: Salient information

	2016	2015	Change
Financial (US\$ million)			
Total revenue	498,2	544,3	-8,5%
(Loss)/Income before income tax and non-controlling interest	(59,4)	120,7	-149,2%
Net (loss)/income attributable to common shareholders	(50,7)	108,4	-146,8%
Net (loss)/income attributable to Halco*	(24,4)	51,9	-147,0%
Operational			
Average fleet utilisation	94,7%	96,8%	-2,1%
Fleet under management (TEU'000s)	3 143	3 148	-5
Owned	2 546	2 522	24
Managed	597	626	-29
Analysis of fleet under management	3 143	3 148	-5
Standard dry freight containers	2 913	2 931	-18
Refrigerated containers	161	140	21
Other specialised containers	69	77	-8
Long-term lease fleet	76,9%	76,3%	+0,6%
Short-term lease fleet	13,0%	12,7%	+0,3%
Finance leases	7,4%	9,0%	-1,6%
Spot leases	2,7%	2,0%	+0,7%

* Halco's year-end effective interest in Textainer decreased from 48,25% in 2015 to 48,04% in 2016. Reduced to 48,01% subsequent to the year-end following the issue by Textainer of restricted share units and share options exercised.

TAC

(The amounts presented in this TAC review are all in US\$ and in accordance with US GAAP.)

TAC, a company that has been investing in and owning marine cargo containers since 1993, and its wholly-owned subsidiary Leased Assets Pool Company Limited ('LAPCO'), at 31 December 2016 owned 179 417 TEU (2015: 172 450 TEU) of dry freight containers of various types and 1 193 (2015: 1 615) stainless steel tank containers, which are managed by a number of equipment managers who lease these containers to shipping lines. Textainer continues to manage the largest portion of TAC's dry freight container fleet and Exsif Worldwide Inc manages most of the stainless steel tank containers. 83% of the fleet measured on a TEU basis is on long-term lease (2015: 78%).

100% of the issued share capital of TAC is owned by Halco, wholly-owned by the Halco Trust. During the year, TAC procured the subscription by Halco for additional shares in TAC to the value of US\$56,4 million, thereby strengthening its balance sheet. TAC used a portion of the subscription proceeds to repay residual amounts due for containers acquired in prior years on extended credit terms.

During the year, the company committed to the purchase of 19 562 TEU of containers of varying types at a total cost of US\$23 million. 11 766 TEU of TAC's older containers were disposed of during the year (9 724 TEU in 2015).

The container leasing industry had been in a cyclical downturn in 2015 and 2016 and the low point was the bankruptcy of Hanjin in August 2016. The container leasing industry has strengthened significantly since this event with improving lease rates and used container sale prices. Utilisation remained high at 94,8% at the end of 2016 (93,4% at end of 2015).

LAPCO amended the terms of its revolving credit facility as at 31 December 2016 to change the calculation of the earnings before interest and tax ('EBIT') covenant. LAPCO'S EBIT had been negatively impacted by the losses it incurred in the bankruptcy of Hanjin. The interest margin remained unchanged but an arrangement fee was paid to the banks and LAPCO may not distribute cash during the remainder of the revolving period which ends in November 2017.

TAC recorded a loss attributable to Halco of US\$1,9 million in 2016 (2015: profit of US\$2,5 million); the change from 2015 included lower revenue (US\$5,7 million), higher depreciation (US\$2,3 million), higher container impairment (US\$1,9 million) and losses on the sale of older containers (US\$0,5 million).

TAC expects the leasing market to be stronger in 2017 with higher new container prices leading to improved lease rates and higher used container resale prices. TAC should return to profitability if these stronger market conditions continue for the remainder of 2017.

Containers are a long-term investment and TAC believes that it will continue to generate profits by using its access to competitive bank funding and its relationships with competent managers including Textainer.

TAC: Salient information

	2016	2015	Change
Financial (US\$ million)			
Total revenue	34	39	-12,8%
Net (loss)/income	(2)	6	-133,3%
(Loss)/Income attributable to Halco	(2)	3	-166,7%
Operational			
Average fleet utilisation	91,5%	94,1%	-2,6%
Total fleet (TEU'000s)	181	174	+7
Long-term lease fleet	150	136	+14
Short-term lease fleet	31	38	-7

NET INVESTMENT IN LONG-TERM RECEIVABLES

The aggregate amount of outstanding long-term receivables, US\$66 million at 31 December 2015, was settled in full in 2016.

PROPERTY INTEREST

On 17 June 2016, Trencor disposed of the 15% interest held in the companies that own and operate Grand Central Airport in Midrand, Gauteng, realising proceeds of R39,7 million.

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 company.

The 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 some were not applied is contained 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 King IV Report on Corporate Governance for South Africa 2016 was launched in November 2016 and will be dealt with in the 2017 integrated annual report.

The salient features of corporate governance as applied in the group are set out below.

BOARD OF DIRECTORS COMPOSITION

The names and brief résumés of the directors appear on page 82.

Following the various board changes during the year as noted in the directors' report, the board now comprises eight directors, three of whom are executive and five non-executive of whom four qualify as independent non-executive directors in terms of the King Report.

The board is satisfied that there is a clear balance of power and authority at board level and that no one individual director or block of directors has undue influence on decision-making. The directors have considerable experience and an excellent understanding of the 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 to the full board for consideration.

CHAIRMAN/CHIEF EXECUTIVE OFFICER

Prior to 1 March 2016, Trencor had an executive chairman in the person of Neil Jowell and did not require a separate chief executive officer, due to its small corporate office and the limited nature of its activities as an investment holding company.

In view of the fact that the chairman was an executive, David Nurek acted as the lead independent non-executive director.

On 1 March 2016, Jimmy McQueen was appointed as chief executive officer and, following Neil Jowell's retirement on 5 August 2016, the board appointed David Nurek as independent non-executive chairman from that date. There is accordingly now a separation between chairman and chief executive officer.

Moreover, as the chairman is an independent non-executive director, there is no longer a need for a lead independent director.

The appointment of the chairman is reviewed on an annual basis.

BOARD DIVERSITY

Trencor recognises the benefits of a diverse board and during the year the board adopted a formal diversity policy. A diverse board would be able to include and make good use of differences in the skills, regional and industry experience, background, race, gender and other attributes of directors. Thus, in reviewing board composition, the nomination committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, and will consider candidates on merit against objective criteria and with due regard for and balance between the benefits of diversity on the board and the other requirements of the board. The committee will consider and agree at appropriate intervals all measurable objectives for achieving diversity on the board and recommend them to the board for adoption.

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 Proprietary Limited, a wholly-owned subsidiary of the company, which is mainly responsible for corporate administration of the company's corporate office functions. The board is of the opinion that, in view of the fact that the company secretary is a wholly-owned subsidiary, an arm's length relationship is not feasible. Based on the outcome of an annual assessment conducted by the executive committee, the board is satisfied that the specific individual employed by Trencor Services Proprietary Limited to carry out the duties of a secretary of a public company has the requisite competence, knowledge and experience to effectively perform the role as the gatekeeper of good governance.

MEETINGS

The board meets on a scheduled quarterly basis and at such other times as circumstances may require. During the year ended 31 December 2016, five meetings were held and these were attended by all directors in person or by telephone/video link, save for Jim Hoelter who attended three meetings.

Board papers are timeously issued to all directors prior to each meeting and contain relevant detail to inform members of the financial and trading position of the company and each of the operations. 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 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 engagement letters which provide 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 2016 and 2015 was as follows:

	Beneficial		Total
	Direct	Indirect	
2016			
Jim Hoelter	-	-	-
Jimmy McQueen	49 649	102 133	151 782
David Nurek	-	10 000	10 000
Eddy Oblowitz	10 000	-	10 000
Ric Sieni	-	-	-
Roddy Sparks	-	4 000	4 000
Hennie van der Merwe	-	-	-
Herman Wessels	-	27 859	27 859
	59 649	143 992	203 641

Cecil Jowell and Neil Jowell retired on 5 August 2016. At that date, their total interests were 5 422 760 and 5 713 050 shares respectively.

2015

Jim Hoelter	-	-	-
Cecil Jowell	159 831	5 262 929	5 422 760
Neil Jowell	47 832	5 665 218	5 713 050
Jimmy McQueen	49 649	102 133	151 782
David Nurek	-	10 000	10 000
Eddy Oblowitz	10 000	-	10 000
Roddy Sparks	-	4 000	4 000
Hennie van der Merwe	-	-	-
Herman Wessels	-	27 859	27 859
	267 312	11 072 139	11 339 451

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

The number of shares held by the directors and their associates in the issued common stock of Textainer at 31 December 2016 and 2015 was as follows:

	Beneficial		Total
	Direct	Indirect	
2016			
Jim Hoelter*	-	562 816	562 816
Jimmy McQueen	7 292	-	7 292
David Nurek	7 292	-	7 292
Eddy Oblowitz	-	-	-
Ric Sieni	-	-	-
Roddy Sparks	-	-	-
Hennie van der Merwe	694	-	694
Herman Wessels	-	-	-
	15 278	562 816	578 094

* Reduction from 2015 number the result of distribution of shares to family members.

	Beneficial		Total
	Direct	Indirect	
2015			
Jim Hoelter	-	1 007 971	1 007 971
Cecil Jowell	5 080	-	5 080
Neil Jowell	5 080	62 981	68 061
Jimmy McQueen	5 080	-	5 080
David Nurek	5 080	-	5 080
Eddy Oblowitz	-	-	-
Roddy Sparks	-	-	-
Hennie van der Merwe	694	-	694
Herman Wessels	-	-	-
	21 014	1 070 952	1 091 966

Subsequent to the financial year-end, Jim Hoelter's shareholding decreased to 502 816 shares following the sale of 60 000 shares. On 19 May 2017, 3 270 restricted share units vested in respect of each of Jimmy McQueen and David Nurek. There have been no other changes in the above 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, comprises three independent non-executive directors. The committee normally meets at least twice a year, prior to and for purposes of 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 four 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 chairman.

Textainer has its own audit committee comprising Textainer board members who are not executives of that entity. The external auditors of Textainer have direct and unrestricted access to its audit committee.

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

BOARD AND BOARD COMMITTEE TERMS OF REFERENCE

The board is ultimately accountable and responsible for the performance and affairs of the company. In essence, it provides strategic direction, monitors and evaluates operational performance and executive management, 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 and the various changes during the year are noted in the directors' report.

NOMINATION COMMITTEE

The nomination committee comprises of three 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 all the then members.

Directors' independence

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

Succession planning

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

EXECUTIVE COMMITTEE

The executive committee currently comprises three executive directors and met formally on a regular basis throughout the year and informally as and when required. During the year, nine formal monthly meetings were held which were attended by all the then members, save for Neil Jowell who did not attend three of the meetings and Ric Sieni who did not attend two of the meetings. The minutes of these meetings are distributed to non-executive directors after each meeting.

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

- do not have major policy implications; 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.

REMUNERATION COMMITTEE

The remuneration committee reports directly to the board and comprises three independent non-executive directors, following the appointment of Herman Wessels to the committee on 29 November 2016. The committee's task is to review the compensation of executive and non-executive directors and senior management of the company. The chief executive officer is usually invited to attend meetings of the committee, but does not participate in any discussion relating to his own remuneration.

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

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

Remuneration policies and practices

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

- Executive directors

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

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

- Members of management who are not executive directors

The company's policy in respect of these executives is that their guaranteed pay, determined on a cost to company basis, should be attractive compared to levels paid in equivalent positions in other companies. The policy is on the same terms as for executive directors.

- Changes to incentive bonus arrangements for executives and senior management

With effect from 1 January 2016, the amounts of the incentive bonuses that were paid to executive directors and senior management in respect of the financial year ended 31 December 2015 have been incorporated into their guaranteed remuneration. With effect from 1 January 2016, executive directors and senior management no longer qualify to receive annual incentive bonuses. This change has been effected because the current structure and operations of the group are such that the contributions of executives to the results or profitability of the company are no longer specifically measurable.

- Retention incentives

In order to retain the services of two executive directors and three members of senior management, retention incentives were agreed with such persons whereby amounts will become payable on specified future vesting dates subject to certain terms and

conditions. The committee sought advice from leading external remuneration consultants as to the structure and quantum of each of the retention amounts. In the opinion of these external consultants, the quantum of the retention amounts is fair and reasonable.

- Non-executive directors

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

Shareholders will be asked at the forthcoming annual general meeting to approve the proposed annual remuneration payable to non-executive directors in their capacities as such from 1 July 2017, which represents an increase of approximately 7%. In addition, in view of a new binding ruling by the South African Revenue Service requiring the levying of Value-Added Tax ("VAT") on non-executive directors' fees, shareholders will be asked to approve that the company pays the VAT attributable to fees to its non-executive directors' remuneration (where applicable).

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

Shareholders will also be asked to approve an additional payment of R50 000 to the chairman of the audit committee for efforts and time beyond what is normal, relating to the US GAAP/IFRS conversion addressed elsewhere in this integrated annual report. In the case of Jim Hoelter, the US-based non-executive director who is paid in US dollars, the proposed increase is 2% p.a. for the period from 1 July 2017 until his retirement at the annual general meeting.

Other non-executives may be compensated for efforts and time required beyond what would normally be expected.

Remuneration benchmarking

At the beginning of 2017 the committee commissioned external consultants to conduct a job evaluation and a total remuneration benchmarking exercise for selected executive directors and senior management positions. Overall, the results indicated that current remuneration paid in respect of the selected positions is in line with the market.

Directors' remuneration

The remuneration paid to the directors during the years ended 31 December 2016 and 2015 was as follows:

	Guaranteed remuneration R'000	Contributions to		Incentive bonuses R'000	Share based payments* R'000	Total remuneration R'000
		Medical aid R'000	Retirement funds R'000			
2016						
Non-executive directors						
Jim Hoelter	1 275	-	-	-	345	1 620
David Nurek	1 544	-	-	-	690	2 234
Eddy Oblowitz	382	-	-	-	-	382
Roddy Sparks	379	-	-	-	-	379
Herman Wessels	357	-	-	-	-	357
	3 937	-	-	-	1 035	4 972
Executive directors						
Cecil Jowell	1 299	14	-	-	345	1 658
Neil Jowell	3 018	24	-	-	345	3 387
Jimmy McQueen	4 020	47	319	-	690	5 076
Ric Sieni	2 192	43	221	-	-	2 456
Hennie van der Merwe	965	47	101	-	-	1 113
	11 494	175	641	-	1 380	13 690
Aggregate remuneration 2016	15 431	175	641	-	2 415	18 662
2015						
Non-executive directors						
Jim Hoelter	1 654	-	-	-	659	2 313
David Nurek	1 245	-	-	-	659	1 904
Eddy Oblowitz	356	-	-	-	-	356
Roddy Sparks	354	-	-	-	-	354
Herman Wessels	323	-	-	-	-	323
	3 932	-	-	-	1 318	5 250
Executive directors						
Cecil Jowell	1 542	22	-	840	659	3 063
Neil Jowell	3 202	43	-	2 100	659	6 004
Jimmy McQueen	3 334	43	266	478	659	4 780
Hennie van der Merwe	902	43	95	100	-	1 140
	8 980	151	361	3 518	1 977	14 987
Aggregate remuneration 2015	12 912	151	361	3 518	3 295	20 237

* Award of shares in Textainer for services rendered as directors of Textainer.

The Trencor Share Option Plan

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

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

GOVERNANCE COMMITTEE

The governance committee comprises of three 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 ethics 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 all members.

Restriction on trading in shares

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

Given the nature of the company's activities as an investment holding company, the activities of this committee are limited in scope.

The social and ethics committee comprises three independent non-executive directors and two executive directors. Ric Sieni was appointed to the committee on 5 August 2016 and Roddy Sparks and Herman Wessels were appointed to the committee on 29 November 2016.

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

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

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

Its role also includes the monitoring of any relevant legislation, other legal requirements or prevailing codes of best practice, specifically with regard to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, as well as labour and employment. Refer to the sustainability report on pages 20 to 22.

Code of ethics

The board, management and staff agreed a formal code of ethical conduct in 1998 which seeks to ensure high ethical standards. All directors and employees are expected to strive at all times to adhere to this code, and to enhance the reputation of the company. 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 board. There were no transgressions during the year under review.

RISK COMMITTEE

The risk committee comprises the members of the audit committee and Jim Hoelter, David Nurek and Jimmy McQueen. During the year, two committee meetings were held, which were attended by all members.

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

Responsibility for managing risk lies ultimately with the board of directors. The risk committee and executive committee 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 and the executive committee.

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

- **Exchange rate fluctuations**

The Operations 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 were all denominated in US dollars. The board resolved that these receivables should remain in US dollars and should not be hedged into any other currency, save that the executive committee was authorised to sell limited amounts due to be collected forward, into rand, if it believes that doing so would protect 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 were included in profit and loss and changes in the R/US\$ exchange rate resulted in volatility in earnings when expressed in rand. The long-term receivables were paid in full in the 2016 financial year.

For the years ended 31 December 2016 and 2015, 36% and 27% respectively of Textainer's direct container expenses were paid in eighteen 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.

- **Access to credit**

The past several years have been characterised by weak 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 global recoveries seem to be underway, it is not yet clear whether a sustainable recovery is currently taking place.

Any deceleration or reversal of the relatively slow and modest global economic recoveries could heighten a number of

material risks to Textainer's and TAC's businesses, results of operations, cash flows and financial condition, as well as their future prospects, including the following:

- **Credit availability and access to equity markets:** Continued issues involving liquidity and capital adequacy affecting lenders could affect the ability to fully access credit facilities or obtain additional debt facilities and could affect the ability of lenders to meet their funding commitments. Further, high level of volatility in the equity markets may make it difficult for Textainer to access the equity markets for additional capital at attractive prices, if at all. If the company is unable to obtain credit or access the capital markets, its business could be negatively impacted. Additionally, in recent years the returns provided from lease transactions have been lower due to increased competition in part caused by increased debt financing access for the container leasing industry. Lower returns on containers coupled with the negative impact of the bankruptcy of Hanjin in August 2016 and lower residual values have impacted on Textainer's ability to meet the financial covenants on its lending facilities, requiring covenant amendments which may limit the ability to access funds for investment in additional new containers.
- **Credit availability to customers:** It is believed 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 and TAC.

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

- **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 and/or pressure for lease concessions, and lead to a reduction in the size of customers' container fleets. High utilisation of containers and fleet growth may not be sufficient to provide revenue and income growth if increased competition or other factors keep container lease rates low for prolonged periods.

- **Lessee defaults may harm Textainer's and TAC's businesses, results of operations and financial condition by decreasing revenue and increasing storage, repositioning, collection and recovery expenses**

Textainer's and TAC's containers are leased to numerous container lessees. Lessees are required to pay rent and to indemnify the owners against damage to or loss of containers. Lessees may default in paying rent and performing other obligations under their leases. A delay or diminution in amounts received under the leases (including leases on managed containers), or a default in the performance of maintenance or other lessee obligations under the leases could adversely

affect Textainer's and TAC's businesses, results of operations and financial condition and their ability to make payments on their debt.

When lessees default, Textainer and TAC may fail to recover all of their containers, and the containers that they do recover may be returned to locations where they will not be able to quickly re-lease or sell them on commercially acceptable terms. Historically these companies have recovered a very high percentage of their containers from defaulting lessees. Textainer experienced several lessee defaults in 2016, the main defaulter being Hanjin. Textainer believes that there may be a continuing risk of lessee default in 2017. If a material amount of future recoveries from defaulting lessees deviate from historical recovery experience, Textainer's or TAC's financial performance and cash flow could be adversely affected.

- **Interest rates**

Textainer and TAC have various borrowing facilities, all of which are denominated in US dollars and borrowings made under the facilities may be subject to variable interest rates. Textainer and TAC have firm policies that long-term lease business should be financed with fixed rate debt and master lease (short-term) business should be financed with variable rate debt. Interest on loans raised to purchase containers leased out under long-term leases (usually of five years' duration at fixed rates) is swapped into fixed interest rate contracts of a similar term, while loans raised to purchase containers for master lease are at variable rates. Textainer and TAC have entered into various interest rate swap and cap agreements to mitigate the exposure associated with variable rate debt. The swap agreements involve payments to counterparties at fixed rates in return for receipts based upon variable rates indexed to the London InterBank Offered Rate. There can be no assurance that these interest rate caps and swaps will be available in the future, or if available, will be on satisfactory terms. If Textainer and TAC are unable to obtain such interest rate caps and swaps or if a counterparty under the interest rate swap and cap agreements defaults, the exposure associated with the variable rate debt could increase. Neither Textainer nor TAC applies hedge accounting to the interest rate swaps, notwithstanding that such swaps may be economically effective; they account on the basis that the net result of the marked-to-market valuation of these instruments is flowed through profit or loss. This may result in volatility of earnings.

- **Credit risk concentration**

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

Textainer's five largest customers accounted for approximately 48,1% of its total owned and managed fleet's 2016 lease billings (2015: 40,3%). Lease billings from Textainer's 20 largest container lessees by lease billings represented 78,9% and 77,4% of total owned and managed fleet's container lease billings in 2016 and 2015 respectively.

Textainer's largest lessee accounted for 14,0% of lease rental income during 2016 (2015: 11,1%). The second largest lessee accounted for 12,0% of lease rental income in 2016 (2015: 10,5%). Textainer had no other lessee greater than 10%. These lessees individually accounted for 9,2% and 9,3%, and 9,0% and 9,7%, respectively in 2016 and 2015 of gross accounts receivable.

A default by any of these major customers could have a material adverse impact on Textainer's business, results from operations and financial position.

- **Container ownership**

Ownership of containers entails greater risk than management of containers for container investors. In 2016, Textainer increased the percentage of containers in its fleet that it owns from 80,1% at the beginning of the year to 81,0% 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 Textainer's on-hire fleet, 84,3% (2015: 85,3%) are on long-term lease and finance 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 useful 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. If a downturn in new container prices is sustained, the lease rates of older, off-lease containers would also be expected to decrease as would the prices obtained for containers sold at the end of their useful life. If a reduction in the price of new containers is sustained such that the market lease rate or resale value for all containers is reduced, this trend could harm Textainer's and TAC's businesses, results of operations and financial condition, even if this sustained reduction in price would allow those companies to purchase new containers at a lower cost.

- **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.

- **Reporting standards**

Trencor reports its results in accordance with IFRS while Textainer and TAC report in accordance with US GAAP. This may cause the reporting of Textainer and TAC's results consolidated by Trencor to differ from that which is reported in the financial results of those companies. These differences may result in users of the financial statements being unable to reconcile the results of the companies, market confusion and an inconsistent market reaction when the companies report.

- **Reporting delays**

The process of converting US GAAP results into IFRS is time consuming and expensive, and may result in our financial reports not being produced timeously, which may result in JSE sanctions.

INFORMATION RESOURCES MANAGEMENT

Trencor, like other organisations, is reliant on information technology to effectively and efficiently conduct its business. The 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 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 corporate office has established procedures that when invoked enable a complete recovery of the IT network and business systems within specified time limits. Textainer and TAC have their 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. No such discussions are permitted in a closed period.

Shareholders are informed, by means of announcements on the Stock Exchange News Service, 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. 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 (www.trencor.net) containing financial and other information, including interim, reviewed and annual results.

Sustainability Report

Trencor is an investment holding company listed on the JSE. Its core interests are in the Operations as reflected in the review of operations on pages 9 to 11 of this integrated annual report.

BUSINESS STRATEGIES

The Operations will grow their businesses profitably by pursuing the following strategies:

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

ORIGINS AND HISTORY

Trencor started business as a General Motors dealership. In 1930 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 in South Africa. Since then, the company and the group have undergone a number of changes to adjust to changing circumstances.

In 1955 Trencor 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 the sale of containers on long-term credit. The aggregate sales value of containers so exported from South Africa exceeded US\$1 billion. The last of these export proceeds were collected in the 2016 financial year.

With the advent of globalisation and the freeing up of the South African economy, the focus shifted to the current interests described above. Today, Textainer, operating since 1979 and listed on the New York Stock Exchange since 2007, is one of the world's largest lessors of intermodal containers based on fleet size. Textainer leases containers to approximately 320 shipping lines and other lessees, has provided an average of more than 230 000 TEU of new containers per year for the past five years, and has been one of the largest buyers of new containers over the same period. Sales of containers to more than 1 400 customers have averaged more than 120 000 containers per year for the last five years. Services are provided worldwide via a network of 14 regional and area offices, as well as approximately 530 independent depots.

SUSTAINABILITY STRATEGY OF OPERATIONS

Trencor and the Operations recognise the interest of both internal and external stakeholders in their organisational and operational activities and performance. Comprising socially responsible entities, the group embraces the goal of sustainable development.

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

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

MANAGING SUSTAINABILITY

The Trencor board as a whole assumes responsibility for sustainable and socially responsible management through its own board committees and management and through feedback in respect of those Operations that are independently managed.

SUSTAINABLE RISK AREAS

The main areas focused on to ensure the long-term success and sustainability of the Operations are shareholders, employees, customers, suppliers, regulatory requirements, environment and community.

MEASURING PERFORMANCE

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

Wealth created and distributed during the year ended 31 December 2016 was as follows:

	Rm
Wealth created:	
Total revenue	9 373
Less costs of goods and services	(5 370)
	4 003
	Cents per share
Wealth distributed:	
Employees' compensation	376
Income tax credit	(11)
Dividends	762
Impairment of property, plant and equipment	2 460
Depreciation and amortisation	4 924
Net loss	(4 508)
	4 003

EMPLOYEES

Trencor and the Operations all have succession plans approved by their respective corporate governance and nomination committees, as well as by their boards.

The Operations promote an environment where employees have continuing opportunities for improving their professional skills and enhancing their personal growth through various training and development programmes. The Operations offer their employees assistance in continuing their education.

Details of the employee benefits provided by Trencor and Textainer respectively are provided in the notes to the financial statements included in this integrated annual report.

The Operations aim to maintain open and productive work environments that are responsive to the needs and concerns of the employees. The Operations believe 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 company 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 this integrated annual report.

EMPLOYMENT EQUITY

In South Africa, the workforce at 31 December 2016 comprised the employees of Trencor Services Proprietary Limited at Trencor's corporate office consisting of 17 persons: three white male executive directors, three white males and a white female in senior management, one white disabled and one coloured male and one white female in junior management, two coloured and three white semi-skilled females and one unskilled coloured male and one unskilled African woman.

CUSTOMERS

Through ongoing interaction with their customers the Operations believe they are able to provide an excellent product and service to their customers on a sustainable basis.

The customers of the Operations are mainly international shipping lines, but they also lease containers to freight forwarding companies and the US military.

Textainer leases containers to more than 320 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 a long track record in the industry, operating since 1979, and has developed long-standing relationships with key industry participants. Its top twenty customers, as measured by revenues, have leased containers from it for an average of 29 years.

Global sales and customer service forces are responsible for developing and maintaining relationships with customers' senior management. Senior sales people in the Operations have considerable industry experience and the quality of their customer relationships and level of communication with their customers represents an important advantage.

SUPPLIERS

Trencor acknowledges that to remain competitive and offer a comprehensive product range, goods and services need to be sourced globally by the Operations. This includes establishing business relations with suppliers and manufacturers in developing countries where production cannot always be monitored by the Operations. Textainer and TAC currently purchase almost all their containers in China. The Operations will not tolerate any violation of human rights and basic social standards of which they may become aware. At the same time the Operations respect local laws, norms and culture provided these are not in conflict with fundamental ethical and human rights. Workplace standards of suppliers are monitored by the Operations, 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, listed and/or operate. Both companies are in compliance with these rules and regulations.

PROPRIETARY INFORMATION TECHNOLOGY

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

ENVIRONMENT

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

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

Containers are made essentially of steel and timber and are re-usable for 10 to 20 years per container, depending on the container type. This contrasts with break-bulk where packaging material is typically only used once resulting in much more depletion of natural resources such as timber, for crates and cardboard, and other packaging material. Furthermore, break-bulk results in the damage and deterioration of the environment because of the indiscriminate discarding of waste and packaging material. Huge quantities of world trade are involved and so the benefit to the environment and the preservation of natural resources resulting from the use of containers is immense.

The floors of dry containers are plywood made from timber that may include tropical hardwoods. Due to concerns regarding de-forestation and climate change, many countries have implemented severe restrictions on the cutting and exporting of this wood. Accordingly, container manufacturers have switched a significant portion of production to alternatives such as birch, bamboo and other farm grown wood. Alternative designs are also evaluated to limit the amount of plywood required and the possible use of synthetic material.

The insulation foam used in the walls of certain refrigerated containers requires the use of a blowing agent that requires the use of chlorofluorocarbons. Manufactures are phasing out the use of this blowing agent in manufacturing.

The container industry in China has always used the solvent-based paint. New regulations in China for the container industry require solvent-based paint systems to be phased out, due to restrictions on volatile organic components used in solvent paints. To comply with these new regulations, new water borne paint systems have been developed and will be used by container manufacturers. All factories in China had to be compliant by 1 April 2017.

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. With Textainer being one of the world's largest lessors of shipping containers, we believe that we make a major contribution to the growth in world trade.

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

COMMUNITY

During the year under review, monetary assistance was granted to the Community Chest Western Cape, an organisation which provides assistance to various community and welfare organisations, which the group has supported since 1974. Financial support was also provided to The Red Cross War Memorial Children's Hospital, a highly specialised children's health care facility in the Cape well known for its excellence in child care and treatment on the African continent. Other organisations supported include St. Luke's Hospice, National Sea Rescue Institute, Afrika Tikkun, FoodForward SA, WWF South Africa, Make a Difference Foundation, Business Against Crime, SPCA, BirdLife South Africa, Cape Philharmonic Orchestra, SA Institute for Race Relations, SaniSistas, Smartstart and the Abagold Development Trust. 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.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ('B-BBEE')

Trencor's B-BBEE certification is available on the company's website.

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.

Annual Financial Statements

Trencor Limited and Subsidiaries

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Trencor Limited, which comprise the statements of financial position at 31 December 2016 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, as well as the directors' report.

The directors are also responsible for such internal controls as the directors determine are 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 annual 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 these 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 ANNUAL FINANCIAL STATEMENTS

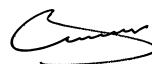
These annual financial statements have been prepared by management under the supervision of the financial director, Ric Sieni CA(SA), and have been audited in accordance with the requirements of the Companies Act of South Africa.

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	24	Directors' report
	26	Audit committee report
	32	Statements of financial position
	33	Statements of profit or loss and other comprehensive income
	34	Statements of changes in equity
	35	Statements of cash flows
	36	Notes to the financial statements

Signed on behalf of the board



David Nurek
Chairman



Eddy Oblowitz
Director and chairman of
the audit committee

Cape Town
28 June 2017

Declaration by the Company Secretary

It is hereby certified that for the year ended 31 December 2016, 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 are true, correct and up to date.



Trencor Services Proprietary Limited
Secretaries

Per Guy Norval
Company Secretary

Cape Town
28 June 2017

Directors' Report

GENERAL REVIEW

The nature of the company's interests is described on page 3. The financial results are reflected in the financial statements on pages 32 to 78.

The loss attributable to equity holders of the company from the various classes of businesses was as follows:

	2016 Rm	2015 Rm
Container operations		
Container finance	(7)	62
Textainer/TAC	(1 879)	(341)
Exchange translation (losses)/ gains	(64)	134
Net long-term receivables adjustment	243	11
Interest and other corporate items	(36)	(12)
	(1 743)	(146)

DIRECTORS AND SECRETARY

With effect from 1 March 2016, Jimmy McQueen (previously financial director) was appointed as chief executive officer and Ric Sieni (previously financial manager) was appointed as financial director in the place of Jimmy McQueen and as a member of the executive committee.

With effect from 5 August 2016:

- Cecil Jowell and Neil Jowell retired as executive directors and members of the executive committee and from all other positions within the Trencor group;
- David Nurek was appointed as independent non-executive chairman of the board in the place of Neil Jowell;
- Jimmy McQueen was appointed chairman of the executive committee in the place of Neil Jowell;
- Roddy Sparks was appointed as chairman of the remuneration committee in the place of David Nurek (who remained a member of the committee); and
- Ric Sieni was appointed as a member of the social and ethics committee in the place of Cecil Jowell.

With effect from 29 November 2016:

- Roddy Sparks and Herman Wessels were appointed to the social and ethics committee, with Roddy Sparks taking over as chairman of the committee in the place of David Nurek (who remained a member of the committee); and
- Herman Wessels was appointed to the remuneration committee.

At the forthcoming annual general meeting and with effect therefrom:

- Jim Hoelter will retire as a non-executive director and member of the risk committee;

- Jimmy McQueen will retire as chief executive officer, executive director and chairman of the executive committee but will remain on the board in a non-executive capacity; and
- Hennie van der Merwe, currently a part-time executive director, will be appointed as chief executive officer and chairman of the executive committee in the place of Jimmy McQueen.

In terms of the memorandum of incorporation Jimmy McQueen, Hennie van der Merwe and Herman Wessels retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election. The board recommends the re-election of these directors. The above changes in respect of Jimmy McQueen and Hennie van der Merwe are subject to them being re-elected as directors.

Brief résumés of the directors are presented on page 80.

DIRECTORS' INTERESTS

The aggregate of the direct and indirect beneficial interests of the directors in the issued shares of the company at 31 December 2016 was 0,1% (2015: 6,4%, of which Cecil Jowell and Neil Jowell accounted for 6,3%).

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
2015					
Interim	100	11/09/15	14/09/15	80	142
Final	101	27/05/16	30/05/16	220	389
2016					
Interim	102	11/11/16	14/11/16	80	142
Final	103	19/05/17	22/05/17	50	89

REPORTING RESULTS OF TEXTAINER AND TAC UNDER IFRS

The results of Textainer and TAC, reporting under US GAAP, are converted to IFRS for inclusion in the results of Trencor, which is required to report under IFRS. In years prior to 2015, limited insignificant adjustments were necessary in so converting from US GAAP to IFRS. However, in the year to 31 December 2015 and continuing for the year ended 31 December 2016 differences in accounting treatment between US GAAP and IFRS, in the areas of impairment testing and a revision of the residual values of the container fleets, caused significant differences in financial results reported under the respective accounting conventions. The complex and time-consuming calculations required to make the necessary IFRS adjustments, at each reporting period, for the large owned container fleets resulted in a delay in the issuance of these results and may continue to do so in the future. Steps are in process to significantly reduce or even eliminate the impact of this problem.

INTEREST IN SIGNIFICANT SUBSIDIARIES

	Currency	Share capital and premium	Effective interest		Shares at cost		Amount owing to company	
			2016 %	2015 %	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Indirect beneficiary:								
Textainer Group Holdings Limited ¹ (Incorporated in Bermuda) Owning, leasing, managing and trading of marine cargo containers	US\$m	360	48,0 ²	48,3	-	-	-	-
TAC Limited ¹ (Incorporated in Bermuda) Owning of marine cargo containers	US\$m	56	100	100	-	-	-	-
Halco Holdings Inc ¹ (Incorporated in the British Virgin Islands) Shareholder in Textainer and TAC	US\$	500	100	100	-	-	-	-
Indirect:								
Leasecon International Inc (Incorporated in the British Virgin Islands) Container financing	US\$	500	100	100	-	-	-	-
Direct:								
Trencor Container Holdings Proprietary Limited (Incorporated in the Republic of South Africa) Collection of long-term receivables	Rm	4	100	100	51	51	-	-
Trencor Services Proprietary Limited (Incorporated in the Republic of South Africa) Corporate administration and financing	Rm	1 012	100	100	1 017	1 017	(916)	(842)
Aggregate of all other subsidiaries					1 068	1 068	(916)	(842)
					353	353	-	-
					1 421	1 421	(916)	(842)
Less impairment loss					(351)	(351)	-	-
					1 070	1 070	(916)	(842)

¹ 48,04% of the issued shares of Textainer and 100% of the shares in TAC at 31 December 2016 were owned by Halco Holdings Inc ('Halco'). Halco is wholly-owned by the Halco Trust, a trust resident in Liechtenstein. Trencor and certain of its wholly-owned South African subsidiaries are the nominated sole beneficiaries of the Halco Trust. The protectors of the Halco Trust are Jimmy McQueen, David Nurek and Eddy Oblowitz.

² Further reduced to 48,01% subsequent to the year-end following the vesting of restricted share units and 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:

	2016 Rm	2015 Rm
Profits	225	230
Losses	(1 888)	(369)
	(1 663)	(139)

SPECIAL RESOLUTIONS

At the annual general meeting held on 5 August 2016, shareholders passed special resolutions to approve the following:

- the provision of financial assistance, as contemplated in section 45 of the Companies Act, by the company to related or inter-related companies and others;
- the non-executive directors' remuneration, in their capacities as directors of the company, from 1 July 2016 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 31 December 2016 is presented on page 79.

Audit Committee Report

Membership

The audit committee, comprising three independent non-executive directors, was appointed by shareholders at the previous annual general meeting and the board of directors appointed Eddy Oblowitz as chairman of the committee for the 2016 financial year.

Shareholders will be requested to vote on and approve the appointment of the members of the audit committee for the 2017 financial year at the forthcoming annual general meeting.

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

The committee met with the external auditors on two occasions. In addition, the chairman of the committee met from time to time with the auditors, with and without management being present.

Purpose

The primary purpose of the committee is:

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

Execution of functions

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

During the year under review:

- In respect of the external auditor and the external audit, the committee amongst other matters:
 - nominated KPMG Inc to the shareholders for appointment as external auditor for the financial year ended 31 December 2016, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor. The committee confirms that the auditor and the designated auditor are accredited by the JSE;
 - approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditor;
 - reviewed the audit, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures;

- obtained an annual written statement from the auditor confirming that its independence was not impaired; and
- determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services undertaken.
- In respect of the financial statements, the committee amongst other matters:
 - confirmed the going concern status as the basis of preparation of the interim and annual financial statements;
 - examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to the public, prior to submission and approval by the board;
 - ensured that the interim and 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 were determined to be going concerns;
 - 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;
 - considered the JSE report on pro-active monitoring of financial statements; and
 - met separately with management and the external auditor.
- In respect of internal control, the committee amongst other matters:
 - received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof; and
 - based on the above, formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and maintaining effective material control systems.

Independence of external auditor

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

Annual financial statements

Having achieved its objectives, the committee recommended the audited annual financial statements for the year ended 31 December 2016 for approval by the board. The board subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

Independent Auditor's Report

to the shareholders of Trencor Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Trencor Limited (the group and the company) set out on pages 32 to 78, which comprise the statements of financial position at 31 December 2016, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Trencor Limited at 31 December 2016, 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 ('IFRS') and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial*

Statements section of our report. We are independent of the group and the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* ('IRBA Code'), and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters below relate to our audit of the consolidated financial statements. No key audit matters were identified in respect of our audit of the separate financial statements.

1. Impairment of property, plant and equipment, specifically the container fleets

Container leasing equipment – R49 024 million

Impairment of container leasing equipment – R2 107 million

Refer to significant accounting policy 3.4 and notes 4 and 34 to the financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>Given the further decline in market conditions impairment indicators were identified for Textainer Group Holdings Limited ('Textainer') and TAC Limited ('TAC') that required the directors to perform an impairment assessment in respect of property, plant and equipment, specifically related to the container fleets, in accordance with IAS 36 <i>Impairment of Assets</i>.</p> <p>This assessment was performed using discounted cash flow models to determine the value in use for each cash generating unit ('CGU'), which has been identified by container type.</p> <p>There are a number of key judgements made in determining the inputs into these discounted cash flow models, which include:</p> <ul style="list-style-type: none"> The identification of CGUs, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. 	<p>The audit team who performed the procedures on the impairment of the container fleets included our own finance and valuation specialists who understand the group's business, industry and the economic environment in which it operates.</p> <p>For the CGUs identified, we tested the integrity of the cash flow projections and discount rates, tested the mathematical accuracy of the discounted cash flow models, as well as challenged the appropriateness of the assumptions used in the preparation thereof. We evaluated this with reference to our knowledge of the industry and assessed the potential risk of management bias.</p> <p>Specifically, for the key judgements made, we:</p> <ul style="list-style-type: none"> assessed the appropriateness of the identification of CGUs by container type, based on our understanding of the nature of Textainer and TAC's business and economic environment in which the segments operate.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<ul style="list-style-type: none"> Projected future cash flows, which are based on estimated future lease rates, projected utilisation, remaining useful lives, remaining on-hire periods for expired fixed term leases, direct container expenses and estimated disposal prices of containers. Discount rates used to calculate the net present value of the future estimated cash flows of the CGUs. <p>The impairment of the container fleets is a significant area of judgement due to the inherent uncertainty in forecasting and discounting future cash flows, which form the basis of determining the recoverable amount for each of the CGUs used in the impairment analysis.</p> <p>Due to the above mentioned factors, impairment of the container fleets is considered a key audit matter in our audit of the consolidated financial statements.</p>	<ul style="list-style-type: none"> assessed the reasonableness of the projected future cash flows by comparing the estimated future lease rates to contractually stipulated per diem rates and the reasonableness of other assumptions to internal and external market data. assessed the appropriateness of the discount rates used to calculate the net present value of the future estimated cash flows of the CGUs with reference to acceptable discount rates we derived from comparable market data. <p>We considered the adequacy of the group's disclosures in respect of property, plant and equipment carrying values and impairment assessment, including those disclosures related to significant accounting judgements and estimates used to determine the recoverable amount for each CGU.</p>

2. Reassessment of residual values and useful lives of the container fleets

Container leasing equipment – R49 024 million

Depreciation – R4 861 million, of which R663 million is attributable to the reassessment of residual values and the useful lives of the container fleets

Refer to significant accounting policy 3.4 and notes 4 and 34 to the financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>IAS 16 <i>Property, Plant and Equipment</i> ('IAS 16') requires the reassessment of the residual values and useful lives of the container fleets at each reporting period, which are then used to determine the amount by which the container fleets are depreciated.</p> <p>In accordance with IAS 16, residual values are determined using current market conditions and are therefore likely to fluctuate over time as market prices fluctuate.</p> <p>Recent average sales prices for containers were considered by major container type and the residual values were accordingly adjusted at 30 June 2016 and again on 31 December 2016. This represented a change in accounting estimate in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p> <p>Due to the fact that the resale prices of containers at the end of their useful life represent a significant proportion of the original cost (resale prices have shown to be 50-60% of original cost based on a 10 year historical average) and vary significantly depending on, among other factors, location, time of sale, the condition of the container and customer demand, the prospective depreciation charge is highly sensitive to movements in residual values that are reassessed at each reporting period.</p> <p>Useful lives are also reassessed at each reporting period with reference to the average age at disposal date according to historical internal sales data, by container type.</p> <p>The reassessment of residual values and useful lives of the container fleets were therefore considered a key audit matter in our audit of the consolidated financial statements.</p>	<p>We assessed the appropriateness of the directors' policy for determining and reassessing residual values and useful lives.</p> <p>We assessed the appropriateness of the residual values determined by comparing these to internal and external sales data of containers disposed of at the end of their useful life by container type.</p> <p>We assessed the appropriateness of the useful lives of the container fleet by container type by comparing the useful lives to the average age of the containers as per historical internal sales data.</p> <p>We considered the adequacy of the group's disclosures in respect of the change in accounting estimate resulting from the reassessment of the residual values and useful lives during the year and at year-end.</p>

3. Classification of interest-bearing borrowings

Interest-bearing borrowings – non-current – R4 913 million

Interest-bearing borrowings – current – R36 755 million

Refer to the significant accounting policy 3.3 and notes 19 and 36 to the financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>At 31 December 2016, Textainer did not have the unconditional right to defer settlement of R33 767 million of interest-bearing borrowings beyond 31 December 2017, which resulted in these borrowings being recorded by the group as current liabilities in accordance with IAS 1 <i>Presentation of Financial Statements</i> ('IAS 1').</p> <p>Subsequent to year-end, on 27 February 2017, Textainer entered into amendments of these facilities with its lenders, which resulted in various changes to the related covenants and an increase in the interest margin for the secured debt facilities with effect from that date. As a result of these amendments, R32 241 million of interest-bearing borrowings, which are reflected as current liabilities at 31 December 2016, will only become due after 31 December 2017.</p> <p>The amendments to the debt covenants and facilities made subsequent to year-end have had a significant impact on the classification of the group's interest-bearing borrowings on the statement of the financial position. The classification of the interest-bearing borrowings is therefore considered a key audit matter in our audit of the consolidated financial statements.</p>	<p>Our audit procedures included testing compliance with all debt covenants at year-end with reference to the interest-bearing borrowing agreements. In addition, we reviewed the amendments made to the debt covenants and facilities subsequent to year-end and assessed the impact these amendments had on the classification of interest-bearing borrowings at year-end. Our assessment was performed with reference to the requirements of IAS 1.</p> <p>We considered the adequacy of the group's disclosures in respect of interest-bearing borrowings and related terms and conditions and the adequacy of disclosures in accordance with IAS 10 <i>Events after the Reporting Period</i>.</p>

4. Accounting treatment of Hanjin Shipping Co ('Hanjin') customer bankruptcy

Impairment of estimated unrecoverable containers – R50 million

Impairment of finance lease receivables – R325 million

Impairment of accounts receivable – R220 million

Insurance receivables – R559 million

Refer to the significant accounting policy 3.8 and note 22.2 to the financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>On 31 August 2016, Hanjin, one of Textainer's major customers, filed for bankruptcy protection in South Korea.</p> <p>Substantial losses from the Hanjin bankruptcy have been incurred, arising from the loss of unreturned containers, unpaid finance lease and other accounts receivables, the loss of rental income and container recovery, repair, repositioning and re-leasing expenses.</p> <p>Insurance cover is maintained to cover certain costs and losses from defaulting customers, which has resulted in the recognition of related insurance receivables at year-end.</p> <p>Due to the significant impact of this customer default, the accounting treatment of this bankruptcy and related disclosure is considered a key audit matter.</p>	<p>Our audit procedures included verifying the costs incurred relating to the default by Hanjin and assessing the appropriateness of the expense and loss estimates made by management.</p> <p>We also assessed the insurance cover in place relating to these expenses and losses and the appropriateness of recognising related insurance receivables at year-end. We obtained and reviewed all of the insurance policies and related addendums pertaining to Textainer's insurance coverage to ensure that the terms and disclosures in the policies were consistent with our understanding and were being appropriately considered in the recognition and presentation of the loss and the recovery proceeds.</p> <p>We further obtained signed confirmations from each of the insurers confirming that they would be paying their respective claims based on the total loss claimed, and that the losses related to Hanjin were covered by the existing insurance policies.</p> <p>We evaluated the creditworthiness of all of the insurers to determine whether the claims would be honoured.</p> <p>We considered the adequacy of the group's disclosures in this regard.</p>

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee Report, the Declaration by the Company Secretary as required by the Companies Act of South Africa, the Directors' Responsibility Statement as well as the Integrated Annual Report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc has been the auditor of Trencor Limited for 16 years.

KPMG Inc
Registered Auditor



Per GM Pickering
Chartered Accountant (SA)
Registered Auditor
Director
28 June 2017

MSC House
1 Mediterranean Street
Foreshore
Cape Town 8001

Statements of Financial Position

at 31 December 2016

	Notes	Group		Company	
		2016 Rm	2015 Rm	2016 Rm	2015 Rm
ASSETS					
Property, plant and equipment	4	49 060	59 636	-	-
Intangible assets and goodwill	5	367	486	-	-
Investment in equity accounted investee	6	121	145	-	-
Other investments	7	-	45	-	-
Investment in subsidiaries	8	-	-	1 070	1 070
Long-term receivables	9	-	506	-	-
Net investment in finance leases	10	983	1 465	-	-
Derivative financial instruments	11	63	10	-	-
Deferred tax assets	12	18	19	-	-
Restricted cash	13	737	450	-	-
Total non-current assets		51 349	62 762	1 070	1 070
Inventories	14	434	766	-	-
Trade and other receivables	15	2 017	1 930	-	1
Current portion of long-term receivables	9	-	134	-	-
Current portion of net investment in finance leases	10	467	758	-	-
Current tax asset	16	18	-	-	-
Cash and cash equivalents	17	2 837	4 241	-	-
Total current assets		5 773	7 829	-	1
Total assets		57 122	70 591	1 070	1 071
EQUITY					
Issued capital	18	1	1	1	1
Share premium		43	43	43	43
Reserves	18	8 155	11 736	91	178
Equity attributable to equity holders of the company		8 199	11 780	135	222
Non-controlling interests	8.5	6 218	9 479	-	-
Total equity		14 417	21 259	135	222
LIABILITIES					
Interest-bearing borrowings	19	4 913	46 006	-	-
Amounts attributable to third parties in respect of long-term receivables	9	-	71	-	-
Amount due to subsidiary	8	-	-	916	842
Derivative financial instruments	11	17	40	-	-
Deferred revenue	21	30	40	-	-
Deferred tax liabilities	12	66	271	-	-
Total non-current liabilities		5 026	46 428	916	842
Trade and other payables	20	719	1 170	19	7
Current tax liabilities	16	136	144	-	-
Current portion of interest-bearing borrowings	19	36 755	1 571	-	-
Current portion of amounts attributable to third parties in respect of long-term receivables	9	65	14	-	-
Current portion deferred revenue	21	4	5	-	-
Total current liabilities		37 679	2 904	19	7
Total liabilities		42 705	49 332	935	849
Total equity and liabilities		57 122	70 591	1 070	1 071

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016

	Notes	Group		Company	
		2016 Rm	2015 Rm	2016 Rm	2015 Rm
Revenue	22, 30	9 373	9 277	525	419
Other operating income		345	179	12	12
Changes in inventories		(2 772)	(2 309)	-	-
Direct leasing expenses		(966)	(679)	-	-
Employee benefits expense		(376)	(358)	-	-
Depreciation		(4 861)	(2 601)	-	-
Impairment of property, plant and equipment		(2 460)	(1 912)	-	-
Other operating expenses		(970)	(349)	(89)	(16)
Net long-term receivables fair value adjustment		330	(77)	-	-
Operating (loss)/profit before net finance expenses	22	(2 357)	1 171	448	415
Net finance expenses	23	(1 394)	(1 176)	-	-
Finance expenses					
Interest expense		(1 406)	(1 025)	-	-
Realised and unrealised losses on derivative financial instruments		(45)	(174)	-	-
Finance income					
Interest income		57	23	-	-
Share of (loss)/profit of equity accounted investee (net of tax)		(6)	9	-	-
(Loss)/Profit before tax		(3 757)	4	448	415
Income tax credit/(expense)	24	11	(61)	(4)	(3)
(Loss)/Profit for the year		(3 746)	(57)	444	412
Other comprehensive (loss)/income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		(2 370)	5 695	-	-
Change in fair value of available-for-sale financial asset		(9)	(21)	-	-
Available-for-sale financial asset – reclassification to profit or loss		(33)	-	-	-
Related income tax		7	4	-	-
Total comprehensive (loss)/income for the year		(6 151)	5 621	444	412
Total comprehensive (loss)/income for the year attributable to:					
Equity holders of the company		(3 055)	2 832	444	412
Non-controlling interests		(3 096)	2 789	-	-
		(6 151)	5 621	444	412
(Loss)/Profit for the year attributable to:					
Equity holders of the company		(1 743)	(146)	444	412
Non-controlling interests		(2 003)	89	-	-
		(3 746)	(57)	444	412
Basic loss per share (cents)	25	(984,4)	(82,7)		
Diluted loss per share (cents)	25	(984,4)	(82,7)		

Statements of Changes in Equity

for the year ended 31 December 2016

	Attributable to equity holders of the company									
	Share capital Rm	Share premium Rm	Fair value reserve Rm	Foreign currency translation reserve Rm	Share-based payment reserve Rm	Gain/(Loss) on changes in ownership interests in subsidiaries Rm	Retained income Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
Group										
Balance at 1 January 2015	1	43	52	2 765	334	342	5 667	9 204	7 712	16 916
Total comprehensive (loss)/income for the year										
(Loss)/Profit for the year	-	-	-	-	-	-	(146)	(146)	89	(57)
Other comprehensive (loss)/income for the year	-	-	-	2 995	-	-	-	2 995	2 700	5 695
Foreign currency translation differences	-	-	(17)	2 995	-	-	-	(17)	-	(17)
Available-for-sale financial asset – change in fair value net of tax	-	-	(17)	2 995	-	-	-	2 978	2 700	5 678
Total other comprehensive (loss)/income for the year	-	-	(17)	2 995	-	-	(146)	2 832	2 789	5 621
Total comprehensive (loss)/income for the year										
Transactions with owners, recorded directly in equity										
Contributions by/(Distributions to) owners	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	40	-	-	40	43	83
Share options exercised	-	-	-	-	-	-	-	-	4	4
Shares bought back by subsidiary	-	-	-	-	-	-	-	-	(131)	(131)
Dividends paid	-	-	-	-	-	-	(487)	(487)	(665)	(1 152)
Total contributions by/(distributions to) owners	-	-	-	-	40	-	(487)	(447)	(749)	(1 196)
Changes in ownership interests	-	-	-	-	-	204	-	204	(286)	(82)
Acquisition of non-controlling interest without a change in control	-	-	-	-	-	(13)	-	(13)	13	-
Other changes in ownership interests in subsidiaries	-	-	-	-	-	191	-	191	(273)	(82)
Total changes in ownership interests	-	-	-	-	-	191	-	191	(273)	(82)
Total transactions with owners	-	-	-	-	40	191	(487)	(256)	(1 022)	(1 278)
Balance at 31 December 2015	1	43	35	5 760	374	533	5 034	11 760	9 479	21 259
Total comprehensive loss for the year										
Loss for the year	-	-	-	-	-	-	(1 743)	(1 743)	(2 003)	(3 746)
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	(1 277)	-	-	-	(1 277)	(1 093)	(2 370)
Available-for-sale financial asset – change in fair value net of tax	-	-	(7)	-	-	-	-	(7)	-	(7)
Available-for-sale financial asset – reclassification to profit or loss	-	-	(28)	-	-	-	-	(28)	-	(28)
Total other comprehensive loss for the year	-	-	(35)	(1 277)	-	-	-	(1 312)	(1 093)	(2 405)
Total comprehensive loss for the year	-	-	(35)	(1 277)	-	-	(1 743)	(3 055)	(3 096)	(6 151)
Transactions with owners, recorded directly in equity										
Contributions by/(Distributions to) owners	-	-	-	-	34	-	-	34	37	71
Share-based payments	-	-	-	-	-	-	-	-	(231)	(762)
Dividends paid	-	-	-	-	-	-	(531)	(531)	(194)	(691)
Total contributions by/(distributions to) owners	-	-	-	-	34	-	(531)	(497)	(29)	(28)
Changes in ownership interests in subsidiaries	-	-	-	-	-	(29)	-	(29)	29	-
Total transactions with owners	-	-	-	-	34	(29)	(531)	(526)	(165)	(691)
Balance at 31 December 2016	1	43	-	4 483	408	504	2 760	8 199	6 218	14 417

	Company				
	Share capital Rm	Share premium Rm	Share-based payment reserve Rm	Retained income Rm	Total Rm
Balance at 31 December 2015	1	43	2	251	297
Total comprehensive income for the year					
Profit for the year	-	-	-	412	412
Transactions with owners, recorded directly in equity					
Distributions to owners	-	-	-	(487)	(487)
Dividends paid to equity holders	-	-	-	(487)	(487)
Total distributions to owners	-	-	-	(487)	(487)
Balance at 31 December 2016	1	43	2	176	222
Total comprehensive income for the year					
Profit for the year	-	-	-	444	444
Transactions with owners, recorded directly in equity					
Distributions to owners	-	-	-	(531)	(531)
Dividends paid to equity holders	-	-	-	(531)	(531)
Total distributions to owners	-	-	-	(531)	(531)
Balance at 31 December 2016	1	43	2	89	135

Statements of Cash Flows

for the year ended 31 December 2016

	Notes	Group		Company	
		2016 Rm	2015 Rm	2016 Rm	2015 Rm
Cash flows from operating activities					
Cash generated from operations	26	7 479	7 561	461	416
Increase in container leasing equipment		(7 635)	(6 277)	-	-
Finance income received		57	23	-	-
Finance lease income		167	184	-	-
Finance expenses paid		(1 236)	(1 037)	-	-
Decrease in finance leases		795	823	-	-
Receipts from long-term receivables		928	257	-	-
Payments to third parties in respect of long-term receivables		(49)	(39)	-	-
Dividends paid to shareholders of the company		(531)	(487)	(531)	(487)
Dividends paid to non-controlling interest		(231)	(665)	-	-
Income taxes paid	16	(205)	(57)	(4)	(3)
Net cash (outflow)/inflow from operating activities		(461)	286	(74)	(74)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(22)	(15)	-	-
Increase in equity accounted investee		-	(8)	-	-
Proceeds on disposal of available-for-sale financial asset		36	-	-	-
(Decrease)/Increase in restricted cash		(372)	344	-	-
Net cash (outflow)/inflow from investing activities		(358)	321	-	-
Cash flows from financing activities					
Interest-bearing borrowings repaid		(1 052)	(6 824)	-	-
Interest-bearing borrowings raised		945	6 566	-	-
Acquisition of non-controlling interest without a change in control		-	(82)	-	-
Shares bought back by subsidiary		-	(131)	-	-
Debt issuance costs incurred	19.2	(88)	(89)	-	-
Proceeds on issue of shares by subsidiary		-	4	-	-
Amounts advanced by subsidiary		-	-	74	74
Net cash (outflow)/inflow from financing activities		(195)	(556)	74	74
Net (decrease)/increase in cash and cash equivalents before exchange rate fluctuations					
		(1 014)	51	-	-
Cash and cash equivalents at the beginning of the year		4 241	3 160	-	-
Effect of exchange rate fluctuations on cash and cash equivalents		(390)	1 030	-	-
Cash and cash equivalents at the end of the year	17	2 837	4 241	-	-

Notes to the Financial Statements

for the year ended 31 December 2016

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 13th Floor, The Towers South, Heerengracht, Cape Town, 8001. The consolidated financial statements of the company as at and for the year ended 31 December 2016 comprise the company and its subsidiaries, as defined by IFRS 10 *Consolidated Financial Statements* ('IFRS 10'), together referred to as the 'group' and individually as 'group entity/ies', and the group's interest in associates. The group interests are primarily 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 or otherwise referred to as 'group' and 'company' financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The financial statements were authorised for issue by the board of directors on 28 June 2017.

2.2 Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

- 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 has been rounded to the nearest million, unless otherwise indicated.

2.4 Use of estimates and judgements

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

are recognised in the period in which the estimate is revised and any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 34.

2.5 Adoption of new accounting standards

The adoption of the amendments to IAS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation* has changed the method of amortisation of intangible assets for the group to the straight-line method prospectively from 1 January 2016. The adoption of the amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* and IAS 1: Disclosure Initiative have had no impact on current or comparative financial results.

3. Significant accounting policies

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

3.1 Basis of consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date in accordance with IFRS 3 *Business Combinations*. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date that control ceases.

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

3.1.3 Changes in control

Changes in the group entity's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. 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 recognised in equity (refer to note 18). When the relative interests of the parent and non-controlling

interest change, the equity reserves are reallocated between the parent and the non-controlling interest to reflect the new ownership interests. When there is a loss of control by the group over a subsidiary, the assets and liabilities and any related non-controlling interest and other components of equity of the subsidiary are derecognised. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.4 *Non-controlling interests*

Non-controlling interests are measured at fair value at date of acquisition.

3.1.5 *Interests in equity-accounted investees*

The group's interests in equity-accounted investees comprise an interest in an associate.

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method and are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements include the group's share of profit or loss, other comprehensive income and equity movements of equity accounted investees, until the date on which significant influence ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments that form part thereof is reduced to nil and recognition of further losses is discontinued except to the extent that the group entity has an obligation or made payments on behalf of the investee. Gains or losses arising on the dilution of investments in associates while maintaining equity accounting, are recognised in profit or loss and the net gain or loss attributable to the group is transferred to the appropriate reserve in equity (refer to note 18).

3.1.6 *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. 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 into the respective functional currencies of group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting 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 when the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

3.2.2 *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into SA rand at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into SA rand at the rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of, partially or in its entirety, such that control or significant influence is lost, the related cumulative amount in the foreign currency translation reserve is reclassified to profit or loss as part of the gain or loss on disposal. If only part of an interest is disposed in a subsidiary while retaining control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When only part of an associate is disposed while retaining significant influence, the related proportion of the cumulative amount is reclassified to profit or loss.

3.3 *Financial instruments*

3.3.1 *Non-derivative financial instruments*

Non-derivative financial assets are classified into the following categories: available-for-sale financial assets, loans and receivables and financial assets at fair value through profit or loss. Non-derivative financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

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. 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 a group entity becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

3. Significant accounting policies (continued)

Financial assets are derecognised if a group entity's contractual rights to the cash flows from the financial assets expire or if a group entity transfers the right to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the asset transferred. Any interest in the transferred financial assets that is created or retained by a group entity is recognised as a separate asset or liability. A group entity derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Available-for-sale financial assets

Investments in equity securities are classified as available-for-sale financial assets, unless they meet the requirements of another IAS 39 financial instrument classification. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 3.8), are recognised in other comprehensive income and presented within equity in the fair value reserve. 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 a group entity manages such instruments and makes purchase and sale decisions based on their fair value in accordance with the group entity's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein, including any interest or dividend income, are recognised in profit or loss.

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.

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 cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are carried at amortised cost.

Non-derivative financial liabilities

Debt securities issued are initially recognised 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 a group entity 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.

Financial liabilities and other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest 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.

3.3.2 *Derivative financial instruments*

Derivative financial instruments are held to hedge foreign exchange and interest rate risk exposures.

Derivative financial instruments are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition derivatives are measured at fair value, and changes therein are generally recognised in profit and loss.

3.3.3 Offsetting

Financial assets and liabilities are off-set and the net amount presented in the statement of financial position when a group entity has a legally enforceable right to set off the amounts and intends either to settle them 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.

3.3.4 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.

3.4 Property, plant and equipment**3.4.1 Recognition and measurement**

Items of property, plant and equipment, which include 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. Purchased software that is integral to the functionality of equipment is capitalised as part of that 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 a group entity 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 property,

plant and equipment. 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:

	2016	2015
Container leasing equipment		
Non-refrigerated containers other than open top and flat rack containers	13 – 14	13
Refrigerated containers	12	12
Tanks	20	20
Open top and flat rack containers	14 – 16	14
Plant and machinery	9	9
Motor vehicles	4 – 5	4 – 5
Other equipment	3 – 10	3 – 10

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

3.5 Intangible assets and goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. 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).

3.5.1 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

3.5.2 Amortisation

Intangible assets with finite useful lives are amortised over their useful lives. Container management contracts are amortised on a straight-line basis over their useful life. Goodwill is not amortised.

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

	Years
Container management contracts	11 – 13

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

3.6 Net investment in finance leases

Amounts due from lessees under finance leases are recorded as finance lease receivables at the amount of the group entities' net investment, which comprises the present value of the minimum lease payments and any unguaranteed residual value accruing to the lessor.

The present value is calculated by discounting the minimum lease payments due and any unguaranteed residual value, at the interest rate implicit in the lease. Initial direct costs are included in the calculation of the finance lease receivable, because the interest rate implicit in the lease, used for discounting the minimum lease payments, takes initial direct costs incurred into

3. Significant accounting policies (continued)

consideration. Contingent rentals are excluded from the minimum lease payments and are recognised as they are incurred.

3.7 Inventories

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

3.8 Impairment

3.8.1 Financial assets

At each reporting date it is assessed 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 a group entity on terms that a group entity would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and the disappearance of an active market for a security or observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets. 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.

Evidence of impairment for receivables is considered at both an individual asset and collective level. All individually significant receivables are assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, consideration is given to 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 lesser 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 group entity considers that there are no realistic

prospects of recovery of the receivable, the relevant amounts are written off. When a subsequent event causes the amount of impairment loss to decrease, and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised 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 reclassifying 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 the fair value of an impaired available-for-sale equity security subsequently increases and the increase can be related objectively to an event occurring after the impairment was recognised, then the impairment loss is reversed through other comprehensive income.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3.8.2 Non-financial assets

At each reporting date, the carrying amounts of non-financial assets (other than inventories and deferred tax assets) are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 entities 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 a group entity 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 entity, 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 3.9.1). 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 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. A Damage Protection Plan ('DPP') is offered to certain lessees. In terms of the DPP, an amount is charged, 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. These revenues are recognised as earned on a daily basis over the related term of the lease.

Revenue and related expense has not been recognised 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 entities 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 Realised and unrealised exchange gains

Revenue includes realised and unrealised exchange gains arising from the translation of long-term receivables, as these are considered to be part of the operating activities of the container finance segment.

3.9.5 Dividend income and distributions from trust

In the case of the company, revenue comprises dividend income and distributions from trust 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, other than that arising in respect of finance lease receivables (refer note 3.9.2), 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. Significant accounting policies (continued)**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 group entities have 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 group entities contribute to defined contribution retirement funds. A defined contribution fund is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to these funds are recognised in profit or loss in the period during which services are rendered by employees.

3.11.3 Share-based payments transactions

The company and certain group entities grant share options to certain employees under share option plans which are all classified as equity-settled. The grant date fair value of share-based awards granted is recognised as an expense with a corresponding increase in equity over the vesting period of the awards. The fair value is measured at grant date using the Black-Scholes-Merton ('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-based awards that vest.

3.12 Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable 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. 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

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.

3.14 Accounting standards and interpretations in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. The standards and interpretations which may be relevant to the company and group entities are set out below, although early adoption is not anticipated. These will be adopted in the period that they become mandatory unless otherwise indicated.

Effective for the financial year commencing 1 January 2017*Disclosure Initiative (Amendments to IAS 7)*

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The group will provide a reconciliation between the opening and closing balances for liabilities arising from financing activities in the financial statements from the year ending 31 December 2017.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017.

Effective for the financial year commencing 1 January 2018

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 18 *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will have limited impact on the group due to the nature of the revenue earned by group entities. The impact is currently being assessed and more information will be provided in financial statements for the year ending 31 December 2017.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will result in changes in the measurement bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an 'incurred loss' model from IAS 39 to an 'expected credit loss' model, which could increase the provision for bad debts recognised in the group.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The impact of the standard is currently being assessed.

Effective for the financial year commencing 1 January 2019

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The impact of the standard is currently being assessed.

Group				
Leasehold improvements Rm	Container leasing equipment Rm	Plant and machinery Rm	Other equipment and motor vehicles Rm	Total Rm

4. Property, plant and equipment

Cost

2015

Balance at the beginning of the year	21	52 599	20	105	52 745
Additions	–	6 080	–	15	6 095
Effect of movements in exchange rates	8	18 782	7	37	18 834
Transfer to container inventory and finance leases	–	(3 338)	–	–	(3 338)
Disposals	–	–	(2)	–	(2)
Balance at the end of the year	29	74 123	25	157	74 334

2016

Additions	8	7 188	–	14	7 210
Effect of movements in exchange rates	(6)	(9 523)	(2)	(21)	(9 552)
Transfer to container inventory and finance leases	–	(4 377)	–	–	(4 377)
Disposals	(3)	–	(8)	(4)	(15)
Balance at the end of the year	28	67 411	15	146	67 600

Accumulated depreciation and impairment losses

2015

Balance at the beginning of the year	18	7 709	16	91	7 834
Depreciation for the year	1	2 590	–	10	2 601
Effect of movements in exchange rates	7	3 090	5	31	3 133
Impairment loss for the year	–	1 912	–	–	1 912
Transfer to container inventory and finance leases	–	(780)	–	–	(780)
Disposals	–	–	(2)	–	(2)
Balance at the end of the year	26	14 521	19	132	14 698

2016

Depreciation for the year	1	4 848	–	12	4 861
Effect of movements in exchange rates	(4)	(2 127)	(2)	(18)	(2 151)
Impairment loss for the year	–	2 460	–	–	2 460
Transfer to container inventory and finance leases	–	(1 315)	–	–	(1 315)
Disposals	(3)	–	(6)	(4)	(13)
Balance at the end of the year	20	18 387	11	122	18 540

Carrying amounts:

At 1 January 2015	3	44 890	4	14	44 911
At 31 December 2015	3	59 602	6	25	59 636
At 31 December 2016	8	49 024	4	24	49 060

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

At 31 December 2015	–	59 602	–	–	59 602
At 31 December 2016	–	49 024	–	–	49 024

4.1 Container fleet impairment

Impairment losses of R2 460 million (2015: R1 912 million) have been recognised in respect of the container fleets of Textainer and TAC. These entities are included in the container owning, leasing, management and trading segment (refer to note 30).

4.1.1 R2 107 million (2015: R1 770 million) of the impairment loss was incurred at 31 December 2016 as a result of testing the container fleets for impairment in accordance with the accounting policy (refer to note 3.8.2). Observable evidence that indicated an impairment existed was a further decline in market conditions in 2016. New container prices and lease rates reached historic lows over the course of the year. Used container prices also declined due to lower new container prices and demand.

4.1.2 A further impairment loss of R353 million (2015: R142 million) was incurred in respect of containers on operating leases not recovered from defaulting customers, the most significant being Hanjin (refer to note 22.2).

For the purposes of calculating the impairment loss, the container fleets were grouped by ownership entity and then by CGUs. CGUs were defined as containers grouped by container type, as cash flows for the same type of containers are independent of cash flows of different container types, and are interchangeable with any other container of the same type within the container fleet.

The recoverable amounts and impairment amounts of the CGUs which were impaired are as follows:

Container type	2016		2015	
	Recoverable amount Rm	Impairment Rm	Recoverable amount Rm	Impairment Rm
Non-refrigerated containers other than open top and flatrack containers				
20' Dry freight	15 462	503	19 332	102
40' Hi cube	18 974	1 363	23 139	1 507
40' Dry freight	2 563	(9)	3 242	111
45' Hi cube	12	3	–	–
Refrigerated containers				
20' Refrigerated	261	2	242	9
40' Refrigerated	11 166	234	10 778	40
Open top and flatrack containers				
20' Flatrack containers	205	11	10	1
	48 643	2 107	56 743	1 770

The recoverable amount of the CGUs have been calculated based on their respective value in use. The pre-tax discount rates used to discount the future estimated cash flows were 4,3% (2015: 4,8%) and 5,1% (2015: 5,7%) for Textainer and TAC, respectively. Projected future cash flows were estimated using the assumptions that are part of the long-term planning forecasts of the entities concerned. Some of the significant estimates and assumptions used to determine future expected cash flows were: expected future lease rates, expected utilisation, remaining useful lives, remaining on-hire periods for expired fixed term leases, expected future lease rates, direct container expenses and expected disposal prices of containers. In performing the impairment analysis, assumptions used reflected the contractually stipulated *per diem* rates, with renewal based on current market rates.

4.2 Residual values and change in estimate

Residual values of the container fleets were reassessed at 30 June 2016 and at 31 December 2016. The useful lives of certain container types have also been extended with effect from 30 June 2016 (refer to note 34). The consequence of the reassessment of residual values and the useful lives at 30 June 2016 was a net increase of R663 million in the depreciation charge for the year. The reassessment of residual values at 31 December 2016 will result in an estimated reduction in depreciation in 2017 of R355 million for the year. This estimate presumes no material changes to the composition of the container fleets and no significant changes for the next year to market factors prevailing at 31 December 2016. Changes in these factors will influence the depreciation that may be charged in future periods.

4.3 For commitments in respect of property, plant and equipment refer to note 28.

	Group		Total Rm
	Goodwill Rm	Container management contracts Rm	

5. Intangible assets and goodwill

Cost

2015

Balance at the beginning of the year	128	622	750
Effect of movements in exchange rates	44	214	258
Balance at the end of the year	172	836	1 008

2016

Effect of movements in exchange rates	(22)	(105)	(127)
Balance at the end of the year	150	731	881

Accumulated amortisation

2015

Balance at the beginning of the year	–	334	334
Amortisation for the year	–	60	60
Effect of movements in exchange rates	–	128	128
Balance at the end of the year	–	522	522

2016

Amortisation for the year	–	63	63
Effect of movements in exchange rates	–	(71)	(71)
Balance at the end of the year	–	514	514

Carrying amounts:

At 1 January 2015	128	288	416
At 31 December 2015	172	314	486
At 31 December 2016	150	217	367

- 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 goodwill arose on the step-up to control for TAC as at 1 July 2013 and, for the purposes of impairment testing, has been allocated to the container owning, leasing, management and trading segment in line with synergies expected to be obtained from this business combination. Goodwill was tested for impairment by comparing the carrying values of the CGUs within this segment to the respective recoverable amounts (i.e. value-in-use), using the future cash flow and discount rate assumptions described in note 4. There was no indication that the goodwill was impaired based on the analyses performed at 31 December 2016 and 2015.
- 5.3 The change in amortisation method (refer to note 2.5) applied to intangible assets adopted during the current period resulted in a reduction of amortisation of R11 million for the year.

Group	
2016 Rm	2015 Rm

6. Investment in equity accounted investees

The carrying amount and share of (loss)/profit of the associate at 31 December are as follows:

Carrying value of associate	121	145
Share of (loss)/profit	(6)	9
Extract from associate's statement of cash flow		
Cash inflow/(outflow) from operating activities	382	(241)
Cash (outflow)/inflow from financing activities	(474)	301

Textainer has a 25% investment in TW Container Leasing Limited, which is not listed, and leases containers under finance leases.

Company	
2016 Rm	2015 Rm

7. Other investments

Equity instruments available-for-sale

Unlisted shares – 45

On 17 June 2016, Trencor disposed of the 15% interest held in the companies that own and operate Grand Central Airport in Midrand, Gauteng, which resulted in a net profit after tax of R28 million.

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	(351)	(351)
Investment in subsidiaries	1 070	1 070
Amount due to subsidiary – long-term	(916)	(842)
	154	228

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:

Capital distribution from trust (refer to note 22) 525 419

8.3 The impairment loss arose on impairment of the company's investment in certain subsidiaries to their respective net asset values.

8.4 List of material subsidiaries

	2016 %	2015 %	Place of registration
Indirect beneficiary interests (under the Halco Trust):			
Halco Holdings Inc ('Halco')	100	100	British Virgin Islands
Textainer Group Holdings Limited	48,0	48,3	Bermuda
TAC Limited	100	100	Bermuda
Indirect interests:			
Leasecon International Inc	100	100	British Virgin Islands
Trencor Containers Proprietary Limited	100	100	Republic of South Africa
Direct interests:			
Trencor Services Proprietary Limited	100	100	Republic of South Africa

Textainer

Although Halco holds less than 50% of the issued shares in Textainer, for purposes of IFRS it is treated as controlling Textainer on a de facto basis because the remaining voting rights are widely dispersed and there is no indication that all other shareholders exercise their votes collectively.

Ownership interests held by non-controlling interests (%)	
2016	2015

8. Interest in subsidiaries (continued)

8.1 Non-controlling interest

Non-controlling interest in Textainer	52,0	51,7
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The following is summarised financial information for Textainer, prepared in accordance with IFRS, modified for differences in the accounting policies reflected in note 3. The information is before inter-company eliminations with other group entities.

	Textainer	
	2016 Rm	2015 Rm
Revenue	8 843	8 379
(Loss)/Profit	(3 766)	71
<i>(Loss)/Profit attributable to non-controlling interest*</i>	(2 003)	43
Other comprehensive (loss)/income	(1 986)	4 773
Total comprehensive (loss)/income	(5 752)	4 844
<i>Total comprehensive (loss)/income attributable to non-controlling interest*</i>	(3 097)	2 674
Non-current assets	48 184	58 522
Current assets	3 907	4 957
Non-current liabilities	(4 976)	(43 046)
Current liabilities	(35 495)	(2 619)
Indirect non-controlling interest	(383)	(540)
Net assets	11 237	17 274
<i>Net assets attributable to non-controlling interest</i>	5 834	8 939
Cash outflow from operating activities	(836)	(154)
Cash (outflow)/inflow from investing activities	(390)	322
Cash inflow/(outflow) from financing activities	857	(116)
Net (decrease)/increase in cash and cash equivalents	(369)	52
Dividends paid to non-controlling interest during the year included in cash flow from operating activities	231	626

* Including indirect non-controlling interest.

9. Net investment in long-term receivables

Net investment in long-term receivables comprises:

	Group	
	2016 Rm	2015 Rm
Long-term receivables	–	506
Amounts attributable to third parties in respect of long-term receivables	–	(71)
	–	435
Represented by:		
Total receivables	–	1 022
Less deferred income	–	1
Net present value of long-term receivables	–	1 021
Less amounts attributable to third parties in respect of long-term receivables	65	121
Total amount	66	126
Less deferred expenditure	1	5
Net present value of net investment in long-term receivables	(65)	900
Less fair value adjustment to net investment relating to:	–	345
Long-term receivables	–	381
Amounts attributable to third parties in respect of long-term receivables	–	(36)
	(65)	555
Less current portion of net investment included in:	(65)	120
Current assets	–	134
Current liabilities	(65)	(14)
	–	435

9.1 Total gross receivables in base currency amounted to nil (2015: US\$66 million), as during the year the group received amounts which settled the long-term receivables outstanding in respect of past exports on long-term credit of marine cargo containers.

9.2 Long-term receivables were valued by discounting future cash flows. The discount rate applied to the receivables (denominated in US\$) was 8,5% p.a. (2015: 8,5% p.a.).

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. (2015: 10% p.a.). These will be settled within the next 12 months.

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

Total amounts attributable to third parties	66	126
Less deferred expenditure	1	5
Net present value of amounts attributable to third parties	65	121
Fair value adjustment	–	(36)
Fair value of amounts attributable to third parties	65	85
Current portion	(65)	(14)
	–	71

Group					
Minimum lease payments	Unearned finance income	Present value of minimum lease payments	Minimum lease payments	Unearned finance income	Present value of minimum lease payments
2016			2015		
Rm	Rm	Rm	Rm	Rm	Rm

10. Net investment in finance leases

Amounts receivable under finance leases:

Within one year	561	94	467	931	173	758
Between one and five years	968	89	879	1 605	162	1 443
After five years	109	5	104	23	1	22
	1 638	188	1 450	2 559	336	2 223

Group	
2016	2015
Rm	Rm

Present value of minimum lease payments analysed as:

Non-current finance lease receivables	983	1 465
Current finance lease receivables included in current assets	467	758
	1 450	2 223

- 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 6,72% p.a. (2015: 8,57% p.a.).
- 10.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R69 million (2015: R33 million).
- 10.4 The net investment in finance leases has been pledged as security for a loan (refer to note 19).
- 10.5 The fair value of the net investment in finance leases is R1 451 million (2015: R2 203 million) (refer to note 31).
- 10.6 An impairment loss of R390 million (2015: R37 million) was incurred in respect of containers on finance leases with defaulting customers, the most significant being Hanjin (refer to note 22.2).

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

11. Derivative financial instruments

Derivative financial instruments at 31 December comprise:

2016

Type of contract

Interest rate cap contracts	December 2017	Interest rates	7 347	-	-
Interest rate swap contracts	July 2023	Interest rates	18 931	63	17
				63	17

2015

Type of contract

Interest rate cap contracts	December 2016	Interest rates	6 864	-	-
Interest rate swap contracts	July 2023	Interest rates	21 336	10	40
				10	40

- 11.1 The interest rate cap and swap contracts have been recorded at fair value and the related fair value adjustments recorded in profit or loss. The fair value of the interest rate cap contracts is nil due to settlement at each month-end.
- 11.2 The variable interest rate debt principal outstanding amounted to R35 972 million (2015: R39 346 million) of which R26 278 million (2015: R28 200 million) in notional value was covered by interest rate cap and swap contracts.
- 11.3 Textainer uses FINCAD Analytics Suite, a third party valuation software, to perform the fair valuation of its interest rate swap transactions. The fair valuation of interest rate swaps is derived from the discounting of future net cash flows utilising the US dollar swap curve (US\$ LIBOR) and incorporates an appropriate credit risk adjustment.

Group					
Assets		Liabilities		Net	
2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Property, plant and equipment	-	-	354	448	354	448
Net investment in long-term receivables	-	-	47	121	47	121
Investments	-	-	-	8	-	8
Inventories	-	-	5	11	5	11
Trade and other receivables	-	-	5	3	5	3
Trade and other payables	(12)	(13)	-	-	(12)	(13)
Share-based payments	(18)	(29)	-	-	(18)	(29)
Tax loss carry-forwards	(333)	(303)	-	-	(333)	(303)
Deferred income	-	-	-	6	-	6
Tax (assets)/liabilities	(363)	(345)	411	597	48	252
Set-off of tax	345	326	(345)	326	-	-
Net tax (assets)/liabilities	(18)	(19)	66	271	48	252

Movement in temporary differences during the year:

	Group					
	Balance at the beginning of the year Rm	Recognised in profit or loss Rm	Recognised in equity Rm	Exchange adjustment in equity Rm	Long-term receivables Rm	Balance at the end of the year Rm
2016						
Property, plant and equipment	448	(41)	-	(53)	-	354
Net investment in long-term receivables	121	(84)	-	-	10	47
Investments	8	-	(8)	-	-	-
Inventories	11	(5)	-	(1)	-	5
Trade and other receivables	3	3	-	(1)	-	5
Trade and other payables	(13)	1	-	-	-	(12)
Share-based payments	(29)	8	-	3	-	(18)
Tax loss carry-forwards	(303)	(74)	-	44	-	(333)
Deferred income	6	(5)	-	(1)	-	-
	252	(197)	(8)	(9)	10	48
2015						
Property, plant and equipment	259	77	-	112	-	448
Net investment in long-term receivables	100	20	-	-	1	121
Investments	12	-	(4)	-	-	8
Export partnerships	1	(1)	-	-	-	-
Inventories	5	4	-	2	-	11
Trade and other receivables	14	(13)	-	2	-	3
Trade and other payables	(22)	12	-	(3)	-	(13)
Share-based payments	(45)	9	17	(10)	-	(29)
Tax loss carry-forwards	(180)	(50)	-	(73)	-	(303)
Deferred income	67	(65)	-	4	-	6
	211	(7)	13	34	1	252

- 12.1 Deferred tax assets of R333 million relate to tax loss carry-forwards (2015: R303 million) which will expire between 2018 and 2036 if not utilised.
- 12.2 A deferred tax asset of R135 million (2015: R153 million) has not been provided in respect of losses, because it is not probable that future taxable income will be available against which benefits can be derived therefrom.
- 12.3 In certain of the countries in which group entities 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 2016 cumulative earnings of approximately R484 million (2015: R537 million) would be subject to income taxes of approximately R145 million (2015: R161 million) if such earnings of foreign entities were transferred out of such jurisdictions in the form of dividends.
- 12.4 In the case of the company, there were no temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised (2015: nil).

Group	
2016 Rm	2015 Rm

13. Restricted cash

The restricted cash is held by lenders as additional collateral for Textainer's secured debt facilities and bonds payable (refer to note 19)

737 450

The terms of the bonds payable and the secured debt facility require that a minimum of nine (2015: nine) months' interest be held as restricted cash. The net operating income of the borrowing company is also required to be placed in a trust account and cannot be withdrawn until the monthly principal and interest payments are made.

14. Inventories

Container equipment held for resale

375 691

Trading containers

59 75

434 766

Group		Company	
2016 Rm	2015 Rm	2016 Rm	2015 Rm

15. Trade and other receivables

Trade receivables*

1 062 1 456 - -

Prepayments

194 137 - 1

Insurance receivables*

559 200 - -

Other

202 137 - -

* Refer to note 22.2.

2 017 1 930 - 1

16. Current tax

Amounts payable at the beginning of the year

144 92 - -

Effect of movements in exchange rates

(18) 36 - -

Recognised in profit or loss

South African normal

162 40 **4** 3

Foreign normal

27 30 - -

Reduced tax benefit on equity-settled share-based payments

8 3 - -

Amounts receivable at the end of the year

18 - - -

Amounts payable at the end of the year

(136) (144) - -

Amounts paid during the year

205 57 **4** 3

Group	
2016 Rm	2015 Rm

17. Cash and cash equivalents

Bank balances

1 330 1 811

Call and term deposits

1 507 2 430

2 837 4 241

Group		Company	
2016 Rm	2015 Rm	2016 Rm	2015 Rm

18. Capital and reserves

Share capital

Authorised

Ordinary shares of 0,5 cent each

200 000 000 (2015: 200 000 000)

1 1 **1** 1

Issued

Ordinary shares of 0,5 cent each

177 068 011 (2015: 177 068 011)

1 1 **1** 1

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

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

18.3 Dividends

Dividends declared and paid during the year are as follows:

Final dividend in respect of the financial year 2015 –
220 cents per share (2014: 195 cents per share)

389 345 **389** 345

Interim dividend in respect of the financial year 2016 –
80 cents per share (2015: 80 cents per share)

142 142 **142** 142

531 487 **531** 487

A final dividend of R89 million (50 cents per share) in respect of the financial year ended 31 December 2016 (2015: R389 million – 220 cents per share) was declared by the board on 28 April 2017. Dividend withholding tax at the rate of 20% is applicable to shareholders who are not exempt from this tax, which results in a net dividend of 40 cents per share to these shareholders.

18.4 Reserves

Fair value reserve

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

Foreign currency translation reserve

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

Share-based payment reserve

The share-based payment 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.

	Group								
	Interest rate as at 31 Dec 2016 % p.a.	Interest rate post-amendments resulting from events after the reporting period % p.a.	Interest fixed or indexed to	Foreign amount		2016 Rm	2015 Rm	Repayment terms	Covenants
				2016 US\$m	2015 US\$m				

19. Interest-bearing borrowings

Secured
(refer to note 19.1)

Bonds:

2013 – 1 Bonds	3.90	3.90	Fixed	202	232	2 748	3 607	Repayable in monthly instalments over a 10-year term with a final payment in September 2023	The bonds contain restrictive covenants on Textainer's leverage and debt service coverage, Textainer's container management subsidiary's net income, debt levels and overall asset base minimum, certain earnings ratios and the average age of container fleets. Covenants also extend to the borrower's ability to incur other obligations and distribute earnings. The total outstanding principal may not exceed an amount which is calculated by a formula based on the borrowers' book value of equipment and the restricted cash and finance leases as specified in the bond indenture. The bonds are secured by a pledge of the borrower's assets. Textainer and its respective subsidiaries were in compliance with these covenants at 31 December 2016.
2014 – 1 Bonds	3.27	3.27	Fixed	236	266	3 205	4 133	Repayable in monthly instalments over a 10-year term with a final payment in September 2024	On 20 April 2017, the bonds were prepaid at par plus accrued interest and the repayment was funded with the proceeds from a new debt facility arranged with several financial institutions (refer to note 36).

Term loan:

Textainer Term Loan	1.93	3.00	US Prime or LIBOR	396	436	5 382	6 773	Repayable in 19 quarterly instalments over a five-year term with a final payment in April 2019	The term loan contains restrictive covenants on Textainer's consolidated net worth, leverage, debt service coverage, debt levels and overall asset base minimum. The total outstanding principal may not exceed the lesser of the commitment amount and an amount which is calculated by a formula based on the borrower's net book value of containers and finance leases designated to the term loan. Textainer acts as an unconditional guarantor of the term loan. The term loan is secured by segregated pools of the borrower's containers. Textainer and the borrower were in compliance with these covenants at 31 December 2016. (refer to note 19.3 for more detail)
									On 27 February 2017, an amendment was entered into in respect of the term loan, implementing a minimum fixed charge coverage ratio for Textainer as the guarantor and a new schedule of periodical minimum interest coverage ratios for the borrower. The interest margin was increased, which varies based on Textainer's leverage. The advance rate will be gradually lowered beginning in July 2017. The borrower is required to maintain a minimum liquidity level and has restricted ability to fund or invest in its subsidiaries (refer to note 36).

Debt facilities:

Textainer debt facility	2.13	3.02	LIBOR	955	892	12 970	13 854	Repayment commencing September 2017 over a four-year term with a final repayment in September 2021.	The secured debt facilities contain restrictive covenants on Textainer's leverage, debt service coverage, Textainer's container management subsidiary's net income, debt levels and overall asset base minimum, certain earnings ratios, the average age of container fleets and in respect of certain containers and covenants on the sales proceeds ratio. Covenants also extend to the borrower's ability to incur other obligations and distribute earnings. The total outstanding principal may not exceed the lesser of the commitment amount and an amount which is calculated by a formula based on the borrowers' book value of equipment, restricted cash and finance leases as specified in the secured debt facility indentures. The total obligations under the debt facilities are secured by a pledge of the borrowers' assets. Textainer and its respective subsidiaries were in compliance with these covenants at 31 December 2016. (refer to note 19.3 for more detail)
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		Group					
Interest rate as at 31 Dec 2016 % p.a.	Interest rate post-amendments resulting from events after the reporting period % p.a.	Interest fixed or indexed to	Foreign amount		2016 Rm	Repayment terms	Covenants
			2016 US\$m	2015 US\$m			
Debt facilities (continued)							
Textainer debt facility							
2,38	3,28	LIBOR	141	177	2 755	Repayment commencing February 2018 over a two-year term with a final repayment in February 2020.	On 27 February 2017, an amendment was entered into which replaced the interest coverage ratio with a debt service coverage ratio. If the debt service coverage ratio is less than 1.20 times, a sweep event is triggered which effectively restricts the borrowers' ability to request new advances and requires it to make principal payments to the extent of all available funds. If the debt service coverage ratio is less than 1.05 times, it triggers an early amortisation event in which the subsidiary is required to make principal payments to the extent of all available funds. The amendment also increased the interest margin. Additional warehouse fees during the sweep event is also required to be paid (refer to note 36).
Revolving credit facilities:							
Textainer revolving credit facility							
1,68	2,78	US Prime or LIBOR	676	574	8 914	Repayable in full in June 2020.	The revolving credit facilities contain restrictive financial covenants on Textainer's consolidated net worth and leverage coverage. The total outstanding principal may not exceed the lesser of the commitment amount and an amount, which is calculated by a formula based on the borrowers' net book value of containers and finance leases designated. Textainer acts as an unconditional guarantor of the revolving credit facility. There are no outstanding letters of credit under the revolving credit facility as of 31 December 2016. The revolving credit facilities are secured by segregated pools of the borrower's containers. Textainer and the borrowers were in compliance with these covenants at 31 December 2016. (refer to note 19.3 for more detail).
Textainer revolving credit facility							
1,73	2,44	LIBOR	175	160	2 485	Repayable in full in July 2020.	On 27 February 2017, an amendment was entered into which implemented a minimum fixed charge coverage ratio for Textainer as the guarantor and a new schedule of periodical minimum interest coverage ratios for the borrower. The interest margin and commitment fee was increased, which varies based on Textainer's leverage. The advance rate will be gradually lowered beginning in July 2017. The borrower is required to maintain a minimum liquidity level and has restricted ability to fund or invest in its subsidiaries (refer to note 36).
Textainer revolving credit facility							
2,18	3,02	LIBOR	150	130	2 011	Repayable in full in December 2018.	The revolving credit facilities contain restrictive covenants on Textainer's consolidated net worth, leverage, debt service coverage, Textainer's container management subsidiary's net income, debt levels and overall asset base minimum, certain earnings ratios, the average age of container fleets and in respect of certain containers and covenants on the sales proceeds ratio. The total outstanding principal may not exceed the lesser of the commitment amount and an amount which is calculated by a formula based on the borrowers' net book value of containers and finance leases. The revolving credit facility is secured by a pledge of the borrower's assets. Textainer and its respective subsidiaries were in compliance with these covenants at 31 December 2016. On 27 February 2017, an amendment was entered into which replaced the interest coverage ratio with a debt service coverage ratio. An early amortisation event, in which the borrower is required to make principal payment to the extent of all available funds, will be triggered if the debt service coverage ratio is less than 1.10 for calendar quarters ending on or before 31 March 2018, or 1.2 times for calendar quarters ending on or after 30 June 2018 (refer to note 36).

		Group								
Interest rate as at 31 Dec 2016 % p.a.	Interest rate post-amendments resulting from events after the reporting period % p.a.	Interest fixed or indexed to	Foreign amount		2015 Rm	2016 Rm	2015 Rm	2016 Rm	Repayment terms	Covenants
			2016 US\$m	2015 US\$m						

19. Interest-bearing borrowings (continued)

TAC revolving credit facility	2,85	2,85	LIBOR	155	165	2 110	2 554	No repayment within revolving period with final repayment estimated in November 2023.	Under the terms of the facility, payment of dividends and the redemption of shares subject to mandatory redemption can only be made from surplus cash flows after any payments due under the facility. The facility also contains covenants regarding senior funded indebtedness, interest coverage and tangible net worth. On 28 March 2017, an amendment was entered into, which amended the definition of an early amortisation event, which will be triggered if the borrower's earnings before interest and taxes ratio for the calendar quarters ended December 2016 and March 2017 is equal to or less than 1 to 1. In addition, the amounts distributable from the collection account during the period 28 March 2017 to and including 20 November 2017 shall be utilised to (i) make distributions to TAC and pay overhead expenses of the borrower and (ii) to purchase additional containers and to repay amounts owing under the credit agreement. Principal payments on amounts outstanding are required to be made commencing in November 2017 (refer to note 36).
Unsecured TAC obligation under instalment sale agreements					19	-	287	Repaid in October 2016.	
TAC obligation under instalment sale agreements					36	-	562	Repaid in October 2016.	
Total						41 926	47 935		
Less unamortised debt issuance costs						(258)	(358)		
						41 668	47 577		
Less current portion included in current liabilities						(36 755)	(1 571)		
						4 913	46 006		

- 19.1 The secured loans are secured by way of a pledge against certain of the group entities' property, plant and equipment and investments in finance leases as well as requirements by lenders that the group entities hold restricted cash as additional collateral for borrowings (refer to notes 4, 10 and 13 respectively).
- 19.2 Debt issuance costs of R88 million (2015: R89 million) were capitalised during the year.
- 19.3 On 21 December 2016, Textainer entered into amendments for certain of its secured debt, credit and term loan facilities, whereby the testing of certain covenants was delayed until 28 February 2017. At 31 December 2016, Textainer did not have the unconditional right to defer settlement of R33 767 million of interest-bearing borrowings beyond 31 December 2017, which resulted in these borrowings being recorded as current liabilities in accordance with IFRS. Under US GAAP these amounts due after 31 December 2017 under the facilities are not recorded as current liabilities, as is the case under IFRS.
- 19.4 In terms of the memorandum of incorporation, the company's borrowing powers are unlimited. The company's borrowings are disclosed in note 8.
- 19.5 Details of borrowing facilities are as follows:

	Group	
	2016 Rm	2015 Rm
Total borrowing facilities	42 975	57 452
Actual borrowings at the end of the year	41 926	47 935
Unutilised facilities	1 049	9 517

Group		Company	
2016 Rm	2015 Rm	2016 Rm	2015 Rm

20. Trade and other payables

Trade payables	163	173	-	-
Accrued expenses	210	180	13	4
Amounts due to container owners	176	154	-	-
Amounts due in respect of container acquisitions	163	660	-	-
Other	7	3	6	3
	719	1 170	19	7

21. Deferred revenue

Deferred revenue represents the fair value of the reduced management fee recognised in a business combination in 2012. The deferred revenue is amortised to management fees from date of acquisition to 1 January 2019 which is the beginning of the period in which an option is held to acquire the remaining shares in the entity subject to the business combination.

	Group	
	2016 Rm	2015 Rm
Balance at the beginning of the year	45	37
Recognised in profit or loss	(4)	(4)
Effect of movements in exchange rates	(7)	12
Balance at the end of the year	34	45
Analysed as:		
Non-current deferred revenue	30	40
Current deferred revenue	4	5
	34	45

Group		Company	
2016 Rm	2015 Rm	2016 Rm	2015 Rm

22. Operating (loss)/profit before net finance expenses

22.1 Operating (loss)/profit before net finance expenses is arrived at after taking into account:

Income

Capital distribution from trust	-	-	525	419
Compensation receivable from third parties in respect of impairment of property, plant and equipment	289	98	-	-
Realised exchange gains not included in revenue	12	12	11	12

Expenses

Amortisation of intangible assets	63	60	-	-
Auditors' remuneration	42	37	16	4
Audit fee – current year	26	25	9	4
– under provision prior year	16	12	7	-
Directors' remuneration and benefits	19	20	3	2
Executive directors				
Short-term employee benefits	12	13	-	-
Share-based payments – equity-settled	2	2	-	-
Non-executive directors				
Remuneration	4	4	3	2
Share-based payments – equity-settled	1	1	-	-
Impairment losses incurred/(reversals) – financial assets	628	60	-	-
Finance leases – defaulting customers	390	37	-	-
Trade and other receivables – loss incurred	282	64	-	-
Trade and other receivables – loss reversed	(44)	(41)	-	-
Write-down of inventories	527	430	-	-
Operating leases – premises	21	23	-	-
Share-based payments included in employee benefits expense – equity-settled	65	91	-	-
Share-based payments to suppliers – equity-settled	11	9	-	-
Retirement benefit contributions included in employee benefits expense	8	8	-	-

22.2 Hanjin bankruptcy and impairment

On 31 August 2016, one of the Textainer's customers, Hanjin Shipping Company Ltd ('Hanjin'), filed for bankruptcy. The book value of containers on operating and finance leases was R2 443 million and R985 million, respectively. Finance leases were terminated and, accordingly, the net investment in finance leases was reclassified to container leasing equipment in property, plant and equipment and written down to the lower of estimated fair market value or net book value.

Based on the current recovery of these containers it has been estimated that the recovery will be 90% of the containers on lease to Hanjin. Accordingly, an impairment has been recorded on the estimated unrecoverable containers of 10%. Insurance is maintained that covers a portion of the exposure related to the value of containers that are unlikely to be recovered from Hanjin, the cost to recover containers, up to 183 days of lost lease rental income and defaulted accounts receivable.

The financial impact of the Hanjin bankruptcy recorded in net loss from operations for the year ended 31 December 2016 is as follows:

	Group		
	Gross loss incurred Rm	Insurance recovery Rm	Net loss incurred Rm
Impairment of net investment in finance leases	325	-	325
Impairment of 10% containers unlikely to be recovered	339	(289)	50
Costs incurred in respect of recovery of containers	282	(282)	-
Impairment of trade receivables	258	(38)	220
Loss/(Recovery)	1 204	(609)	595
Foreign exchange fluctuation included in foreign currency translation reserve	-	50	-
	1 204	(559)	595

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
23. Net finance expenses				
Finance expenses – incurred by Textainer and TAC	1 451	1 199	-	-
Interest expense	1 406	1 025	-	-
Realised and unrealised losses on derivative financial instruments	45	174	-	-
Finance income				
Interest income received on cash and cash equivalents	(57)	(23)	-	-
	1 394	1 176	-	-
24. Income tax (credit)/expense				
South African normal				
Current	162	40	4	3
Foreign normal	28	30	-	-
Current	49	30	-	-
Adjustment for prior years	(21)	-	-	-
Associated tax credit	(4)	(2)	-	-
Current year	(3)	(2)	-	-
Prior year	(1)	-	-	-
South African deferred				
Origination and reversal of temporary differences	(74)	15	-	-
Foreign deferred	(123)	(22)	-	-
Origination and reversal of temporary differences	(132)	28	-	-
Adjustment for prior years	9	(49)	-	-
Reduction in tax rate	-	(1)	-	-
	(11)	61	4	3
The tax expense is reconciled as follows:				
(Loss)/Profit before tax	(3 757)	4	448	415
Tax (credit)/expense at applicable rate of 28% (2015: 28%)	(1 052)	1	126	116
Operating losses not recognised	32	90	-	-
Over-provided in prior years	(14)	(49)	-	-
Foreign loss/(profit) inclusion differential	958	(16)	-	-
Foreign tax rate differential	6	3	-	-
Provision for tax exposures	36	32	-	-
Non-taxable income – capital distribution from trust	-	-	(147)	(117)
Non-deductible expenses in relation to capital distribution from trust	25	4	25	4
Capital gain	(4)	-	-	-
Loss/(Profit) from equity accounted investee	2	(3)	-	-
Effect of reduction in tax rate on recognised temporary differences	-	(1)	-	-
Tax (credit)/expense	(11)	61	4	3

- 24.1 Certain group entities are not subject to tax in their countries of incorporation. However, these entities are subject to tax in certain other jurisdictions due to the nature of their operations. These entities estimate the tax liability based upon their interpretation of the tax laws of the various jurisdictions in which they operate and include a provision for uncertain tax exposures. Deferred income taxes reflect temporary differences attributable to various jurisdictions at the appropriate statutory tax rates.
- 24.2 Certain group entities participated in export partnerships. As these entities 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 entities for the tax arising as the underlying receivables are collected. The amount thereof is disclosed as an associated tax credit.
- 24.3 Foreign loss/(profit) inclusion differential: A portion of Textainer's profit/loss is treated as effectively connected with its conduct of a trade or business within the United States of America ('U.S.'), and is accordingly subject to U.S. federal income tax. Since only a portion of the profit/loss is taxed at the U.S. federal income tax rate, the portion not included is either not taxable or not deductible.

Group	
2016	2015
Rm	Rm

25. Loss per share

Basic loss per share

Loss for the year attributable to equity holders of the company (R million)	(1 743)	(146)
Weighted average number of shares in issue (million)	177,1	177,1
Basic loss per share (cents)	(984,4)	(82,7)

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

Group			
Gross	Net	Gross	Net
2016		2015	
Rm	Rm	Rm	Rm

Headline (loss)/earnings per share

Loss for the year attributable to equity holders of the company		(1 743)		(146)
Impairment of property, plant and equipment	2 460	1 142	1 912	1 100
Compensation receivable from third party in respect of impairment of property, plant and equipment	(289)	(142)	(98)	(46)
Available-for-sale financial asset – reclassified from other comprehensive income	(33)	(28)	–	–
Headline (loss)/earnings attributable to equity holders of the company		(771)		908
Weighted average number of shares in issue (million)		177,1		177,1
Headline (loss)/earnings per share (cents)		(435,1)		512,6

Diluted headline (loss)/earnings per share is equal to headline (loss)/earnings per share.

Adjusted headline (loss)/earnings per share

Adjusted headline (loss)/earnings per share is the more appropriate measure of Trencor's financial performance in that it excludes net unrealised foreign exchange gains and losses on the translation of long-term receivables, and it may also include such other adjustments that, in the opinion of the board, are necessary to properly represent financial performance.

Headline (loss)/earnings attributable to equity holders of the company		(771)		908
Net unrealised foreign exchange gains on translation of long-term receivables	–	–	(171)	(123)
Adjusted headline (loss)/earnings attributable to equity holders of the company		(771)		785
Adjusted headline (loss)/earnings per share (cents)		(435,1)		443,3

Diluted adjusted headline (loss)/earnings per share is equal to adjusted headline (loss)/earnings per share.

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
26. Cash generated from operations				
Reconciliation of (loss)/profit for the year to cash generated from operations:				
(Loss)/Profit for the year	(3 746)	(57)	444	412
Adjusted for:				
Finance expenses	1 451	1 199	-	-
Finance income	(57)	(23)	-	-
Realised and unrealised foreign exchange losses/(gains)	94	(276)	-	-
Net decrease in adjustment to the net investment in long-term receivables	(345)	71	-	-
Other non-cash flow adjustments to the net investment in long-term receivables	6	(2)	-	-
Depreciation	4 861	2 601	-	-
Carrying value of container leasing equipment disposed	2 137	1 694	-	-
Write-down of container leasing equipment held for sale	527	430	-	-
Net impairment losses incurred	3 088	1 972	-	-
Share-based payments	79	103	-	-
Amortisation of intangible assets	63	60	-	-
Finance lease income	(167)	(184)	-	-
Deferred revenue recognised in profit or loss	(4)	(4)	-	-
Gain on disposal of available-for-sale financial asset	(33)	-	-	-
Share of loss/(profit) from equity accounted investee	6	(9)	-	-
Income tax (credit)/expense	(11)	61	4	3
Operating profit before working capital changes	7 949	7 636	448	415
Working capital changes	(470)	(75)	13	1
Decrease in inventories	10	22	-	-
Increase in trade and other receivables	(591)	(106)	1	(1)
Increase in trade and other payables	111	9	12	2
Cash generated from operations	7 479	7 561	461	416
			Group	
			2016 Rm	2015 Rm

27. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

Within one year	13	26
Between one and five years	120	122
After five years	152	203
	285	351

A number of office premises are leased under operating leases. Leases typically run for periods of five to ten years, with an option to renew the leases upon expiration. None of the leases include contingent rent.

28. Capital commitments

For container leasing equipment

Contracted	-	166
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29. Employee benefits

29.1 Share-based payments

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

Trencor

All options granted in terms of The Trencor Share Plan were exercised in prior periods and consequently there are no share options outstanding. In terms of the Plan, options were previously granted to certain executive directors and employees amounting in aggregate to 6 740 000 shares (2015: 6 740 000 shares) in the unissued share capital of the company. The maximum number of shares available for utilisation under the Plan is 8 884 209 (2015: 8 884 209).

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

Textainer

Textainer has one share option and restricted share unit plan, the 2015 Plan. The 2015 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 2015 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% p.a. 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 2010 and thereafter, each employee's restricted share units vest in increments of 25% p.a. Restricted share units granted to directors fully vest one year after their grant date.

	Number of shares
Shares available for utilisation under the plans at 31 December 2014	339 953
Additional shares authorised during 2015	2 000 000
Share options and restricted share units granted in 2015, net of forfeitures	(474 011)
Shares available for utilisation under the plans at 31 December 2015	1 865 942
Share options and restricted share units granted in 2016, net of forfeitures	(655 053)
Shares available for utilisation under the plans at 31 December 2016	1 210 889

The following is a summary of activity in the 2015 Plan:

Share options

	Number of options			Weighted average	
	Unvested	Vested	Total	Exercise price US\$	Expiration year
Outstanding at 31 December 2014	577 996	383 035	961 031	29,63	2022
Granted	257 428	–	257 428	14,20	2025
Vested	(211 196)	211 196	–	28,51	2021
Exercised	–	(32 495)	(32 495)	11,90	2018
Expired	(6 532)	–	(6 532)	30,99	2021
Forfeited	(20 086)	–	(20 086)	33,70	2023
Outstanding at 31 December 2015	597 610	561 736	1 159 346	26,62	2022
Granted	341 532	–	341 532	9,77	2026
Vested	(195 801)	195 801	–	27,72	2023
Expired	(38 317)	–	(38 317)	31,33	2024
Forfeited	(30 748)	–	(30 748)	29,97	2022
Outstanding at 31 December 2016	674 276	757 537	1 431 813	22,41	2023

	Restricted share units	Weighted average fair value at grant date US\$
29.1 Share-based payments (continued)		
Restricted share units		
Outstanding at 31 December 2014	633 218	27,99
Granted	277 336	13,01
Vested	(272 945)	26,00
Forfeited	(20 086)	30,31
Outstanding at 31 December 2015	617 523	21,70
Granted	361 152	9,81
Vested	(254 024)	24,26
Forfeited	(30 748)	25,93
Outstanding at 31 December 2016	693 903	14,72

The options outstanding at 31 December 2016 had an exercise price ranging from US\$7,10 to US\$38,36 (2015: US\$7,10 to US\$38,36) and a weighted average contractual life of 7,2 years (2015: 7,1 years).

No share options were exercised during the year. The weighted average share price at the date of exercise for share options exercised in 2015 was US\$21,91.

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				
	30 November 2016	12 November 2015	19 November 2014	14 November 2013	14 November 2012 and 20 January 2012
Number of options granted under the 2015 Plan	341 532	257 428	225 865	213 907	201 658
Fair value at measurement date (US\$)	4,01	3,16	10,67	13,19	9,42
Share price at grant date (US\$)	9,70	14,20	34,14	38,36	28,21
Expected life option time (years)	5,2	5,2	5,0	5,0	5,2 – 5,7
Volatility %	43,7	44,5	54,7	58,2	62,5 – 67,1
Dividend yield %	–	6,8	5,5	4,9	4,5 – 6,3
Risk free % rate (based on US Treasury bonds)	1,9	1,8	1,6	1,3	0,7 – 1,1

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

For determining the estimated fair value for employee restricted share units, Textainer uses the fair market value of its common shares on the grant date, discounted for estimated dividends that will not be received by the employees during the vesting period.

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

	Group	
	2016 Rm	2015 Rm
Equity-settled	79	103

29.3 Retirement benefit funds

Membership of the Alexander Forbes Retirement Fund, an umbrella fund arrangement which provides member investment choice from a range of portfolios, is compulsory for all eligible employees in South Africa.

Up until 1 June 2014, eligible employees were members of the Trencor Pension Fund. This fund has no liability in respect of pensioners and currently holds unclaimed benefits in respect of untraced former members.

Certain non-South African group entities 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 There are two operating segments (strategic business units) managed separately as they offer entirely different services. The reportable segments are: 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 the segments relative to other entities that operate within these industries. There is no inter-segment activity.

	Group					
	Container finance		Container owning, leasing, management and trading		Consolidated	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Revenue	(86)	288	9 459	8 989	9 373	9 277
Goods sold	–	–	2 202	1 930	2 202	1 930
Leasing income	2	2	7 099	6 903	7 101	6 905
Management fees	–	–	158	156	158	156
Finance income	1	8	–	–	1	8
Realised and unrealised exchange (losses)/gains	(89)	278	–	–	(89)	278
Reportable segment profit/(loss) before net finance expenses and income tax	240	200	(2 523)	1 004	(2 283)	1 204
Finance income	–	–	12	7	12	7
Finance expenses	–	–	(1 451)	(1 199)	(1 451)	(1 199)
Depreciation and amortisation	–	–	(4 924)	(2 661)	(4 924)	(2 661)
Share of (loss)/profit of equity accounted investee	–	–	(6)	9	(6)	9
Income tax (expense)/credit	(68)	7	92	(67)	24	(60)
Other material non-cash items:						
Net long-term receivables valuation adjustment	345	(71)	–	–	345	(71)
Impairment losses:						
Finance lease – defaulting customers	–	–	(390)	(37)	(390)	(37)
Property, plant and equipment	–	–	(2 460)	(1 912)	(2 460)	(1 912)
Trade receivables – loss incurred	–	–	(282)	(64)	(282)	(64)
Trade receivables – loss reversed	–	–	44	41	44	41
Write down of inventories	–	–	(527)	(430)	(527)	(430)
Carrying value of container leasing equipment identified for sale	–	–	(2 740)	(2 124)	(2 740)	(2 124)
Share-based payments	–	–	(79)	(103)	(79)	(103)
Reportable segment assets	12	652	55 455	67 325	55 467	67 977
Capital expenditure	–	–	7 210	6 095	7 210	6 095
Reportable segment liabilities	65	85	42 411	48 812	42 476	48 897

Group					
Reportable segment total	Unallocated	Consolidated total	Reportable segment total	Unallocated	Consolidated total
2016			2015		
Rm	Rm	Rm	Rm	Rm	Rm

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

(Loss)/Profit before net finance expenses and income tax*	(2 283)	(74)	(2 357)	1 204	(33)	1 171
Finance income	12	45	57	7	16	23
Income tax credit/(expense)	24	(13)	11	(60)	(1)	(61)
Assets	55 467	1 656	57 122	67 977	2 614	70 591
Liabilities	42 476	229	42 705	48 897	435	49 332

* Unallocated amount includes corporate expenses of R120 million (2015: R46 million).

Assets		Liabilities	
2016 Rm	2015 Rm	2016 Rm	2015 Rm

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

Investment in equity accounted investee	121	145	-	-
Other investments	-	45	-	-
Deferred tax assets/liabilities	18	19	66	271
Income tax assets/liabilities	18	-	136	144
Trade and other receivables/payables	9	6	27	20
Cash and cash equivalents	1 490	2 399	-	-
	1 656	2 614	229	435

30.4 Major customers

Leasing revenue from two customers in the container owning, leasing, management and trading operating segment amounted to 26% (2015: two customers 22%) of leasing revenue. No other customer individually accounted for more than 10% of revenue.

30.5 Geographic segment information

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

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	

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:

2016

Financial assets

Net investment in finance leases	-	-	-	-	-	1 450	1 450	1 451
Derivative financial instruments	-	63	-	-	-	-	63	63
Restricted cash	-	-	-	737	-	-	737	737
Trade and other receivables	-	-	-	1 731	-	-	1 731	1 731
Cash and cash equivalents	-	-	-	2 837	-	-	2 837	2 837
	-	63	-	5 305	-	1 450	6 818	6 819

Financial liabilities

Interest-bearing borrowings	-	-	-	-	41 926	-	41 926	41 300
Amounts attributable to third parties in respect of long-term receivables	65	-	-	-	-	-	65	65
Derivative financial instruments	-	17	-	-	-	-	17	17
Trade and other payables	-	-	-	-	719	-	719	719
	65	17	-	-	42 645	-	42 727	42 101

2015

Financial assets

Other investments	-	-	45	-	-	-	45	45
Long-term receivables	640	-	-	-	-	-	640	640
Net investment in finance leases	-	-	-	-	-	2 223	2 223	2 203
Derivative financial instruments	-	10	-	-	-	-	10	10
Restricted cash	-	-	-	450	-	-	450	450
Trade and other receivables	-	-	-	1 793	-	-	1 793	1 793
Cash and cash equivalents	-	-	-	4 241	-	-	4 241	4 241
	640	10	45	6 484	-	2 223	9 402	9 382

Financial liabilities

Interest-bearing borrowings	-	-	-	-	47 935	-	47 935	47 711
Amounts attributable to third parties in respect of long-term receivables	85	-	-	-	-	-	85	85
Derivative financial instruments	-	40	-	-	-	-	40	40
Trade and other payables	-	-	-	-	1 170	-	1 170	1 170
	85	40	-	-	49 105	-	49 230	49 006

	Company		
	Liabilities at amortised cost Rm	Total carrying amount Rm	Fair value Rm
2016			
Financial liabilities			
Amounts due to subsidiary	916	916	916
Trade and other payables	19	19	19
	935	935	935
2015			
Financial liabilities			
Amount due to subsidiary	842	842	842
Trade and other payables	7	7	7
	849	849	849

31.2 Overview

The risks arising from the use of financial instruments include:

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

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

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

The directors have overall responsibility for the establishment and oversight of the 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 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 in order to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk policies and systems are reviewed regularly.

The audit and risk committees oversee how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework. Regular *ad hoc* reviews of risk management controls and procedures are undertaken, the results of which are reported to the audit and risk committees.

31.3 Credit risk

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

31. Financial instruments and risk management (continued)

31.3 Credit risk (continued)

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 as follows:

	Group	
	2016	2015
	Rm	Rm
Financial assets designated at fair value through profit or loss		
Long-term receivables	-	640
Financial assets held for trading		
Derivative financial instruments	63	10
Other financial instruments		
Net investment in finance leases	1 450	2 223
Loans and receivables excluding cash and cash equivalents		
Trade receivables	1 062	1 456
Restricted cash	737	450
Insurance receivables	559	200
Other	202	137
Cash and cash equivalents	2 837	4 241
	6 910	9 357

Credit risk arises principally from derivative financial instruments, net investment in finance leases, trade receivables, insurance receivables and cash and cash equivalents and restricted cash.

Derivative financial instruments

Derivative financial instruments are entered into with reputable financial institutions. There is no credit risk relating to interest rate cap contracts due to the settlement at each month-end. The fair valuation of interest rate swap contracts are derived from the discounting of future net cash flows utilising the US dollar swap curve and incorporating an appropriate credit risk adjustment.

Net investment in finance leases

The credit policy relating to the net investment in finance leases sets different maximum exposure limits for container lessees. Various credit criteria are used to set maximum exposure limits rather than a standardised internal credit rating. Credit criteria to set maximum exposure limits may include, but is not limited to, container lessee trade route, country, social and political climate, assessments of net worth, asset ownership, bank and trade credit references, credit bureau reports, (i.e. from common credit reporting agencies used in the maritime sector), operational history and financial strength. The container lessees' performance and the group's exposures to the lessee are monitored on an ongoing basis, and the credit management processes are aided by the long payment experienced with most of the container lessees and the broad network of long-standing relationships in the shipping industry that provide current information about container lessees. At 31 December 2016, two customers accounted for 50% (2015: 48,8%) of the net minimum lease payments of the net investment in finance leases.

Trade receivables

Credit risk with respect to trade and other receivables is mitigated by the diverse customer base. The risk arising on short-term trade receivables is also managed through a policy on the granting of credit limits and continual review and monitoring of these limits as described above in respect of net investment in finance leases. At 31 December 2016, two customers accounted for 16% of trade receivables (2015: two customers 19%).

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

	Group	
	2016	2015
	Rm	Rm
Container leasing customers	1 061	1 455
Other	1	1
	1 062	1 456

Insurance receivables

Credit risk with respect to insurance receivables is mitigated by insurance policies being placed with insurers with acceptable credit ratings.

Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash are placed with financial institutions which have acceptable credit ratings.

31.3.2 Impairment losses

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

Group							
Gross ¹	Gross ²	Total impairment	Net trade receivables	Gross ¹	Gross ²	Total impairment	Net trade receivables
2016				2015			
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm

The ageing of trade receivables at the reporting date was:

Not past due	1	-	-	1	1	-	-	1
Past due 0 – 30 days	672	-	(8)	664	830	-	(11)	819
Past due 31 – 120 days	388	-	(7)	381	633	-	(11)	622
Past due 121 – 180 days	12	56	(58)	10	16	10	(13)	13
More than 180 days	19	323	(336)	6	1	185	(185)	1
	1 092	379	(409)	1 062	1 481	195	(220)	1 456

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	
	2016 Rm	2015 Rm
Balance at the beginning of the year	220	142
Impairment loss recognised	282	64
Impairment loss reversed	(44)	(41)
Effect of movements in exchange rates	(49)	55
Balance at the end of the year	(409)	220

The allowance accounts in respect of trade receivables are used to record impairment losses unless the group entities are 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. Financial instruments and risk management (continued)

31.4 Liquidity risk

Liquidity risk is the risk that group entities will not be able to meet their financial obligations as they fall due. The 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 reputational damage.

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.

Textainer entered into amendments for certain of its non-derivative financial liabilities whereby the testing of certain covenants was delayed until 28 February 2017. At 31 December 2016, Textainer did not have the unconditional right to defer settlement of the non-derivative financial liabilities beyond 31 December 2017, which resulted in these non-derivative financial liabilities being recorded as current liabilities. As at 31 December 2016, the contractual maturities of debt facilities, revolving debt facilities and the term loan, including estimated interest payments and excluding the impact of netting agreements, were due or payable in one year or less.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, taking the amendments of the non-derivative financial liabilities identified in events after the reporting period (refer to note 36) into consideration:

	Group					Total Rm
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm	
2016						
Non-derivative financial liabilities						
Bonds payable	5 953	6 748	1 018	3 775	1 955	6 748
Debt facilities	14 890	17 208	1 738	15 470	–	17 208
Revolving debt facilities	15 701	17 034	450	15 918	666	17 034
Term loan	5 382	5 642	549	5 093	–	5 642
Trade and other payables	719	719	719	–	–	719
Derivative financial liabilities						
Derivative financial instruments*	17	150	69	81	–	150
	42 662	47 501	4 543	40 337	2 621	47 501
2015						
Non-derivative financial liabilities						
Bonds payable	7 740	8 914	1 198	4 452	3 264	8 914
Debt facility	16 609	18 234	366	8 373	9 495	18 234
Revolving debt facility	15 964	17 218	305	15 649	1 264	17 218
Term loan	6 773	7 116	619	6 497	–	7 116
Obligations under instalment sale agreements	849	978	137	189	652	978
Trade and other payables	1 170	1 170	1 170	–	–	1 170
Derivative financial liabilities						
Derivative financial instruments*	40	387	132	255	–	387
	49 145	54 017	3 927	35 415	14 675	54 017

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

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 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.

Group entities buy and sell derivatives, and also incur financial liabilities, in order to manage market risks.

31.5.1 Currency risk

Group entities are exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of those entities, primarily the US dollar and SA rand. The currency in which these transactions are primarily denominated is the US dollar.

Group entities enter 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 their 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 2016 there was no exposure to forward exchange contracts (2015: nil).

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

Denominated in	Group					
	2016			2015		
	SA rand Rm	US\$ Rm	Total Rm	SA rand Rm	US\$ Rm	Total Rm
Assets						
Investments	-	-	-	45	-	45
Long-term receivables	-	-	-	-	640	640
Net investment in finance leases	-	1 450	1 450	-	2 223	2 223
Derivative financial instrument	-	63	63	-	10	10
Restricted cash	-	737	737	-	450	450
Trade and other receivables	5	1 818	1 823	3	1 790	1 793
Cash and cash equivalents	853	1 984	2 837	238	4 003	4 241
	858	6 052	6 910	286	9 116	9 402
Liabilities						
Interest-bearing borrowings	-	41 926	41 926	-	47 935	47 935
Amounts attributable to third parties in respect of long-term receivables	65	-	65	85	-	85
Derivative financial instruments	-	17	17	-	40	40
Trade and other payables	26	693	719	17	1 153	1 170
	91	42 636	42 727	102	49 128	49 230

The following exchange rates applied during the year:

Year-end rate: US\$1=	R13,58	R15,53
Average rate: US\$1=	R14,72	R12,75

The financial instruments denominated in US dollars above, represent the financial assets and liabilities of foreign operations translated into SA rand and consequently no sensitivity analysis is disclosed in respect of these items.

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 entities' 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 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.

Group entities are exposed to interest rate risk as they place 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 interest-bearing financial instruments was:

	Group	
	2016 Rm	2015 Rm
Fixed rate		
Financial liabilities	(5 953)	(8 589)
Variable rate instruments		
Financial assets	3 574	4 691
Financial liabilities	(35 973)	(39 346)
	(32 399)	(34 655)

Based on the derivative and non-derivative financial asset and liability balances as at 31 December 2016, it is estimated that a 100 basis points increase/decrease in interest rates would result in a decrease/increase in the fair value of interest rate swap derivative liabilities of R304 million (2015: R296 million), an increase/decrease in net interest expense on non-derivative financial assets and liabilities of R334 million (2015: R286 million) and a decrease/increase in interest expense on interest rate swap derivative liabilities of R194 million (2015: R170 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31.6 Capital management

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

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

Capital is monitored 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	
	2016 Rm	2015 Rm
Interest-bearing borrowings (net of unamortised debt issuance costs)	41 668	47 577
Total equity	14 417	21 259
Ratio of interest-bearing borrowings to total equity (%)	289,0	223,8

The ratio has been affected by the increase in Textainer's interest-bearing borrowings, and the strengthening of the SA rand against the US dollar from US\$1=R15,53 to US\$1=R13,58 as at December 2015 and 2016 respectively.

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

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

31.7 Fair values

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

31.7.1 Fair value hierarchy

Fair values are measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted in an active market for an identical instrument) that can be assessed at the measurement date.

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

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

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

	Group			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2016				
Assets				
Interest rate swap contracts	–	63	–	63
	–	63	–	63
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	65	65
Interest rate swap contracts	–	17	–	17
	–	17	65	82
2015				
Assets				
Long-term receivables	–	–	640	640
Other investments	–	45	–	45
Interest rate swap contracts	–	10	–	10
	–	55	640	695
Liabilities				
Amounts attributable to third parties in respect of long-term receivables	–	–	85	85
Interest rate swap contracts	–	40	–	40
	–	40	85	125

Valuation techniques for interest rate swap contracts are referred to in note 11.

31. Financial instruments and risk management (continued)

31.7 Fair values (continued)

31.7.1 Fair value hierarchy (continued)

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

	Group		
	Long-term receivables Rm	Amounts attributable to third parties in respect of long-term receivables Rm	Total Rm
2015			
Balance at the beginning of the year	679	(115)	564
Total gains/(losses) in profit or loss	218	(9)	209
Settlements	(257)	39	(218)
Balance at the end of the year	640	(85)	555
2016			
Total gains/(losses) in profit or loss	288	(29)	259
Settlements	(928)	49	(879)
Balance at the end of the year	-	(65)	(65)

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

2016

Total gains/(losses) gains or losses included in profit or loss for the year

Operating profit	288	(42)	246
Associate tax credit	-	13	13

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

Operating profit	-	(22)	(22)
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2015

Total gains/(losses) included in profit or loss for the year

Operating profit	218	(11)	207
Associate tax credit	-	2	2

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

Operating profit	150	(2)	148
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32. Related parties**32.1 Identity of related parties**

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

32.2 Intra-group transactions and balances

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

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

Capital distribution from trust (refer to notes 8 and 22).

Administration fee paid to subsidiary R6 million (2015: R6 million).

32.3 Transactions with key management personnel

Eddy Oblowitz and Roddy Sparks are non-executive directors of certain South African listed companies, some of whose subsidiaries are partners in export partnerships with the group entities. 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 entities. The relevant directors do not believe they have the capacity to control or significantly influence the financial or operating policies of those companies. All material related party transactions are noted in these financial statements.

The number of shares held by the directors and their associates in the issued share capital of the company at 31 December 2016 and 2015 was as follows:

2016	Direct	Indirect	Total
Jimmy McQueen	49 649	102 133	151 782
David Nurek	–	10 000	10 000
Eddy Oblowitz	10 000	–	10 000
Roddy Sparks	–	4 000	4 000
Herman Wessels	–	27 859	27 859
	59 649	143 992	203 641

Cecil Jowell and Neil Jowell retired on 5 August 2016. At that date, the total number of shares they held was 5 422 760 and 5 713 050 respectively.

2015

Cecil Jowell	159 831	5 262 929	5 422 760
Neil Jowell	47 832	5 665 218	5 713 050
Jimmy McQueen	49 649	102 133	151 782
David Nurek	–	10 000	10 000
Eddy Oblowitz	10 000	–	10 000
Roddy Sparks	–	4 000	4 000
Herman Wessels	–	27 859	27 859
	267 312	11 072 139	11 339 451

There have been no changes in the above director's interests between the financial year-end and the date of this report.

The key management personnel compensation included in employee benefits expense is as follows:

	Group		Company	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Short-term employee benefits	36	43	3	2
Share-based payments	29	34	–	–
	65	77	3	2
Paid to:				
Directors	19	20	3	2
Executive officers (Textainer)	46	57	–	–
	65	77	3	2

The number of executive officers for 2016 was 2 (2015: 2).

32. Related parties (continued)

The remuneration paid to the directors during the years ended 31 December 2016 and 2015 was as follows:

	Guaranteed remuneration R'000	Contributions to		Incentive bonuses R'000	Share-based payments* R'000	Total remuneration R'000
		Medical aid R'000	Retirement funds R'000			
2016						
Non-executive directors						
Jim Hoelter	1 275	-	-	-	345	1 620
David Nurek	1 544	-	-	-	690	2 234
Eddy Oblowitz	382	-	-	-	-	382
Roddy Sparks	379	-	-	-	-	379
Herman Wessels	357	-	-	-	-	357
	3 937	-	-	-	1 035	4 972
Executive directors						
Cecil Jowell	1 299	14	-	-	345	1 658
Neil Jowell	3 018	24	-	-	345	3 387
Jimmy McQueen	4 020	47	319	-	690	5 076
Ric Sieni	2 192	43	221	-	-	2 456
Hennie van der Merwe	965	47	101	-	-	1 113
	11 494	175	641	-	1 380	13 690
Aggregate remuneration 2016	15 431	175	641	-	2 415	18 662
2015						
Non-executive directors						
Jim Hoelter	1 654	-	-	-	659	2 313
David Nurek	1 245	-	-	-	659	1 904
Eddy Oblowitz	356	-	-	-	-	356
Roddy Sparks	354	-	-	-	-	354
Herman Wessels	323	-	-	-	-	323
	3 932	-	-	-	1 318	5 250
Executive directors						
Cecil Jowell	1 542	22	-	840	659	3 063
Neil Jowell	3 202	43	-	2 100	659	6 004
Jimmy McQueen	3 334	43	266	478	659	4 780
Hennie van der Merwe	902	43	95	100	-	1 140
	8 980	151	361	3 518	1 977	14 987
Aggregate remuneration 2015	12 912	151	361	3 518	3 295	20 237

* Award of shares by Textainer for services rendered as directors of 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 2016, 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 R66 million (2015: R126 million) (refer to note 9.4).

34. Accounting estimates and judgements

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

34.1 Marine cargo containers

34.1.1 *Residual values and useful lives of containers*

IFRS requires the reassessment of the residual values and useful lives of containers at each reporting period, which are then used to determine the amount by which containers are depreciated. In accordance with IFRS, residual values are determined using current market conditions and are therefore likely to fluctuate over time as market prices fluctuate (i.e. will reflect market volatility). IFRS defines the residual value of a container as the estimated amount that would currently be obtained from the disposal of a container, after deducting the estimated costs of disposal, as if the container were already of the age and in the condition expected at the end of its useful life. The resale values of containers can vary significantly depending on, among other factors, location at time of sale, the condition of the container, customer demand and overall market conditions. Recent average sales prices for containers were considered by major asset type and the residual values were adjusted accordingly at 30 June 2016 and again at 31 December 2016.

Due to the fact that the resale prices of containers at end of useful life (i.e. residual value) represent a significant proportion of original cost (resale prices have shown to be 50-60% of original cost based on a 10 year historical average), the prospective depreciation charge is therefore highly sensitive to movements in residual values.

Useful lives are also reassessed at each reporting period with reference to the average age at disposal date according to historical internal sales data, by container type. At 30 June 2016 the useful lives of 40' dry freight containers, 20' folding flat rack containers, 20' open top containers and 40' flat rack containers were reassessed, as a result of leases with longer terms being entered into on these equipment types. Based on this extended period of useful lives and the expectation that new equipment lives on these equipment types would remain near those levels, the useful lives of these container types were extended with effect from 1 July 2016.

34.1.2 *Impairment*

Impairment exists when the estimated future discounted cash flows to be generated by a CGU are less than the net book value of that CGU. At each reporting date management of the relevant operating entities 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 CGU management uses assumptions that are part of the long-term planning forecasts of the entities concerned. Some of the significant estimates and assumptions used to determine future expected cash flows were: expected future lease rates, expected utilisation, remaining useful lives, remaining on-hire periods for expired fixed term leases, direct container expenses and expected disposal prices of containers. In performing the impairment analysis assumptions used reflected the contractually stipulated per diem rates, with renewal based on current market rates.

The assessment may indicate that the containers held in use which have previously been impaired, are further impaired or whether a reversal of impairment is required. An impairment loss is reversed only if there is a change in the estimates that were used in the discounted cash flow models to determine the recoverable amount of the CGU. This would be influenced by an improvement in the estimates and assumptions mentioned above.

34.2 Hanjin bankruptcy and impairment

On 31 August 2016, Hanjin filed for bankruptcy protection in South Korea. In the following months its services ceased operation. At the time of its insolvency Hanjin was the 7th largest shipping line in the world and its bankruptcy has substantially impacted Textainer.

Containers leased to Hanjin with ownership interests attributable to Textainer represented approximately 4.8% of the Textainer owned and managed fleet expressed in 20 foot equivalent units. Substantial losses from the Hanjin bankruptcy have been incurred, arising from container recovery expenses, unpaid current and future rental income from Hanjin, container repair expenses, container repositioning expenses, re-leasing expenses and the loss of unreturned containers (refer to note 22.2).

On 16 February 2017 Textainer disclosed that 80% of the containers formerly leased to Hanjin had been either turned in to Textainer or approved for return. It was also disclosed that a further 13% of the containers are under active recovery discussions. It may be uneconomic or impossible to recover certain containers under recovery discussions and Textainer may not recover a meaningful number of the containers not currently accounted for. The financial effects related to the Hanjin default will continue in 2017. It is estimated that 10% of the containers will not be recovered.

35. Going concern

The directors consider the company and its subsidiaries to have adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the group and company financial statements. At 31 December 2016 current liabilities exceeded current assets, however, subsequent to the year end, amendments to the secured debt, credit and term loan facilities resulted in R32 241 million being classified as non current (refer to note 36).

36. Events after the reporting period

Subsequent to 31 December 2016, on 27 February 2017, Textainer entered into amendments to the terms of certain of its interest-bearing borrowings, which resulted in various changes to the related covenants and an increase in the interest with effect from that date (refer to note 19 for details). As a result these amendments, R32 241 million of interest-bearing borrowings, which are reflected as current liabilities at 31 December 2016, will become due after 31 December 2017.

On 20 April 2017 Textainer prepaid certain debt facilities with a total aggregate principal balance of more than R5 758 million and funded the repayment with proceeds from a new debt facility arranged with several financial institutions.

On 22 May 2017, one of Textainer's subsidiaries, issued R5 552 million of secured bonds. The bonds comprise of R4 627 million in Class A and R925 million in Class B bonds. The bonds will be repayable over a weighted average life of 4,65 years. The proceeds from the issuance of the bonds were used to pay down certain short-term borrowings. The bonds are secured by a pledge of the subsidiary's intermodal shipping container assets.

The financial impact of these transactions is still to be assessed.

Analysis of Shareholders

at 31 December 2016

	Number of holders	% of holders	Number of shares	% interest
Size of shareholding				
1 – 1 000 shares	2 042	58,3	423 546	0,2
1 001 – 10 000 shares	836	23,9	3 149 008	1,8
10 001 – 100 000 shares	428	12,2	15 135 068	8,6
100 001 – 1 000 000 shares	162	4,6	46 213 711	26,1
1 000 001 shares and over	33	1,0	112 146 678	63,3
Total	3 501	100,0	177 068 011	100,0
Distribution of shareholders				
Mutual funds	233	6,7	81 399 857	46,0
Banks and insurance companies	78	2,2	28 174 196	15,9
Retirement funds	229	6,5	41 365 959	23,4
Other corporate bodies	264	7,5	7 114 505	4,0
Individuals	2 327	66,5	5 185 384	2,9
Nominee companies and trusts	368	10,5	13 827 889	7,8
Investment companies	2	0,1	221	0,0
Total	3 501	100,0	177 068 011	100,0
Shareholder spread				
Public shareholders	3 493	99,8	153 812 563	86,9
Non-public shareholders	8	0,2	23 255 448	13,1
Directors and associates	7	0,2	203 641	0,1
Strategic holdings (more than 10%)	1	0,0	23 051 807	13,0
Total	3 501	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 31 December 2016 were as follows:

	Number of shares	% interest
Government Employees Pension Fund	23 051 807	13,0
Corolife Special Opportunities Portfolio Fund	11 389 836	6,4
Jowell family	11 135 810	6,3
Old Mutual Life Assurance Company (South Africa) Limited	10 329 973	5,8
Corolife Balanced Plus Fund	9 765 867	5,5
	65 673 293	37,0

Directorate: Brief Résumés

Ages at 31 December 2016

EXECUTIVE

JAMES (JIMMY) ERNEST MCQUEEN (72)

B Com (UCT) CA (SA). Appointed as chief executive officer on 1 March 2016. He was previously in charge of finance and is chairman of the executive committee and a member of the risk and social and ethics committees. He was appointed as an alternate director on 18 April 1984 and as a full director on 15 May 1996. Prior to joining Trencor on 10 June 1976, he was an accountant in public practice. He is a non-executive director of Textainer Group Holdings Limited. He retires as an executive director of Trencor at the 2017 annual general meeting.

RICARDO (RIC) ANTONIO SIENI (62)

B Com (UCT) CA (SA). Appointed as financial director and member of the executive committee on 1 March 2016. He serves on the social and ethics committee. He completed his articles at Deloitte before joining Trencor on 1 October 1982 where he served as group accountant and later as financial manager.

HENDRIK (HENNIE) ROUX VAN DER MERWE (69)

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 and he remains a member of the executive committee. He initially practised as an attorney at law followed by various senior executive positions in the banking sector and was deputy chairman of Waco International Limited before transferring to Trencor. He serves on the boards of various listed and unlisted companies in a non-executive capacity.

NON-EXECUTIVE

JAMES (JIM) EDWARD HOELTER (77)

B Bus Admin (Wisconsin) MBA (Harvard) was appointed as a non-executive director on 2 December 2002. He joined Textainer Group Holdings Limited in 1987 and was President and CEO of Textainer in the USA until his retirement in December 1998. He served as a non-executive director on its board until his retirement on 19 May 2016. He serves on the boards and committees of various unlisted companies in the USA. He is a member of Trencor's risk committee. He retires as a director at the 2017 annual general meeting.

INDEPENDENT NON-EXECUTIVE

DAVID MORRIS NUREK (66)

Dip Law (UCT) Grad Dip Company Law (UCT) is an executive of Investec Bank Limited. He was appointed as an alternate director of Trencor on 30 November 1992 and as a full director on 24 July 1995. On 5 August 2016 he was appointed as chairman of the board. Prior to joining Investec in June 2000, he practised as an attorney at law with Sonnenberg Hoffmann Galombik for 32 years. He is chairman of the nomination committee and a member of the social and ethics, risk, remuneration and governance committees and serves on the boards of a number of listed and unlisted companies in a non-executive capacity. He is a non-executive director of Textainer Group Holdings Limited.

EDWIN (EDDY) OBLowitz (59)

B Com (UCT) CA (SA) CPA (Isr) was appointed as a non-executive director on 3 March 2004 and is chairman of the audit and risk committees. He was previously an international partner of Andersens in South Africa and now serves as the Executive Chairman of the Stonehage Fleming 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 (57)

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

HERMAN WESSELS (72)

B Com CTA CA (SA) was appointed as a non-executive director on 1 April 2011. He serves on the audit, risk, nomination, remuneration, social and ethics and governance 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

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

Notice is hereby given that the sixty first annual general meeting of shareholders of the company will be held at Trencor Limited, 13th Floor, The Towers South, Heerengracht, Cape Town on Thursday, 10 August 2017 at 15:00.

RECORD DATES

In terms of section 59 of the Companies Act, No 71 of 2008, as amended (‘Companies Act’) the record date for shareholders to be recorded in the register of members of the company in order to receive this notice of the annual general meeting is Friday, 23 June 2017. The record date for shareholders to be recorded in the register of members of the company in order to be able to attend, participate and vote at the annual general meeting is Friday, 28 July 2017, and the last day to trade in the company’s shares in order to be recorded in the register of members of the company in order to be able to attend, participate and vote at the annual general meeting is Tuesday, 25 July 2017.

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 teleconference call. Should you wish to participate in the annual general meeting by such means, you, or your proxy, will be required to contact info@trencor.net at least 48 hours (excluding Saturdays, Sundays and public holidays) before the annual general meeting. Voting will not be possible via such facility and shareholders wishing to exercise their voting rights are required to be represented at the meeting in person, by proxy or by letter of representation.

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

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

1. To present and consider the audited annual financial statements, the directors’ report and the audit committee report of the company and the Trencor group for the year ended 31 December 2016.

In terms of the Companies Act, the audited financial statements will be presented to the shareholders together with the directors’ report and the 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 25 to 78 of the integrated annual report of which this notice of annual general meeting forms part.

2. In terms of the company’s memorandum of incorporation Jimmy McQueen, Hennie van der Merwe and Herman Wessels retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

Brief résumés of the directors of the company are presented on page 80 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

“Resolved that Jimmy McQueen is hereby elected as a director of the company.”

Ordinary resolution number 1.2

“Resolved that Hennie van der Merwe is hereby elected as a director of the company.”

Ordinary resolution number 1.3

“Resolved that Herman Wessels is hereby elected as a director of the company.”

Explanatory note:

The board has recommended the election of Jimmy McQueen, Hennie van der Merwe and Herman Wessels as directors of the company. The election of each director who retires by rotation is required at the company’s annual general meeting. The election will be conducted by a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act.

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

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

Advisory vote:

“Resolved that the remuneration policy of the company, as set out on pages 14 and 15 of the integrated annual report of which this notice of annual general meeting forms part, 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, to signify endorsement, the minimum percentage of votes required in favour of the remuneration policy is 50% plus one of the votes cast on the resolution.

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

Ordinary resolution number 2:

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

Explanatory note:

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

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

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

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

Ordinary resolution number 3.1:

“Resolved that Eddy Oblovitz is hereby elected as a member of the audit committee of the company.”

Ordinary resolution number 3.2:

“Resolved that Roddy Sparks is hereby elected as a member of the audit committee of the company.”

Ordinary resolution number 3.3:

“Resolved that Herman Wessels is hereby elected as a member of the audit committee of the company, subject to his re-election as a director of the company in terms of ordinary resolution number 1.3.”

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 80 of the integrated annual report.

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

6. To provide financial assistance to related and/or inter-related companies.

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 of, as a general approval, the company providing (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, any direct or indirect financial assistance contemplated in the Companies Act to any one or more related and/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 for 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 and/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 required by section 45(3)(b)(ii) of the Companies Act.

The minimum percentage of votes required for this resolution to be adopted is 75% of the votes cast on the resolution.

7. To resolve as a special resolution that the non-executive directors’ annual remuneration, in their capacity only as directors of the company, from 1 July 2017 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 2017 be paid in accordance with the following, plus such amount of Value-Added Tax (‘VAT’) as may be attributable thereto:

For services as:

Chairman of the board	R922 000
Basic remuneration as director	R255 000
Chairman of the audit/risk committee	R166 000
Chairman of the audit committee – additional amount in 2017	R50 000
Member of the audit/risk committee	R91 000
Member of the governance committee	R24 000
Member of the remuneration committee	R24 000
Member of the nomination committee	R24 000
Member of the social and ethics committee	R24 000
In the case of Mr Jim Hoelter	US\$54 000

and the VAT as may be attributable to directors’ fees for services rendered for the month of June 2017.”

Explanatory note:

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

It is noted that the remuneration payable to non-executive directors in their capacities as such and for their services as directors, as set out in the above special resolution, reflects an increase of approximately 7%. In the case of the chairman of the audit committee, additional compensation of R50 000 is proposed in respect of time and effort expended beyond what would normally be expected, specifically in respect of the US GAAP/IFRS conversion explained in the integrated annual report of which this notice of meeting forms part. In the case of Jim Hoelter the proposed increase is approximately 2% p.a. for the period from 1 July 2017 until his retirement at the annual general meeting.

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

The minimum percentage of votes required for this resolution to be adopted is 75% of the votes cast on the resolution.

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

Special resolution number 3:

“Resolved that the company hereby approves, as a general approval contemplated in section 48 of the Companies Act, the acquisition by the company or any of its subsidiaries from time to time of the issued shares of the company, upon such terms and conditions and in such amounts as the

directors of the company may from time to time determine, but subject to the memorandum of incorporation of the company, the provisions of the Companies Act and the Listings Requirements of the JSE Limited (‘JSE Listings Requirements’) as presently constituted and which may be amended from time to time, and provided that:

- 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 (reported trades are prohibited);
- any such repurchase of shares is authorised by the company’s memorandum of incorporation;
- at any point in time, the company may only appoint one agent to effect any repurchase(s) on its behalf;
- 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;
- the board of directors pass a resolution authorising the repurchase, confirming that the company and its subsidiaries 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 company and its subsidiaries;
- 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;
- 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 as at the beginning of the financial year;
- 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;
- the company or its subsidiaries are not acquiring shares during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of shares to

be traded during the relevant period are fixed (not subject to any variation) has been submitted to the JSE in writing prior to the commencement of the prohibited period. The company shall instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and

- (j) any acquisitions are made subject to any Exchange Control approval required 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 votes required for this resolution to be adopted is 75% of the votes 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 and/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 12 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 for the next twelve months after the date of the general repurchase; and
- the working capital available to the company and the group will be sufficient for ordinary business purposes for the next 12 months after the date of the general repurchase.

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 major shareholders of the company on page 79; and
- the share capital of the company in note 18 on page 53, 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 79.

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).

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

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

GENERAL INSTRUCTIONS AND INFORMATION

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

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

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy (who need not also be a shareholder of the company) to represent you at the annual general meeting by completing the attached form of proxy and, for administrative purposes, you are requested to return 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. Any form of proxy not so lodged beforehand 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 registered as a 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 then 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, for administrative purposes, 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). Any form of proxy not so lodged beforehand may be delivered to the company at any time before the annual general meeting commences.

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 valid identity documents, driver's licences or passports) before they may attend or participate at such meeting.

By order of the board



Trencor Services Proprietary Limited

Secretaries
Per Guy Norval

Cape Town
28 June 2017

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 Trencor Limited, 13th Floor, The Towers South, Heerengracht, Cape Town on Thursday, 10 August 2017 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.

I/we (full names)

of (address)

Telephone: Work

Home

Mobile

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

hereby appoint (refer note 1):

or failing him/her

or failing him/her

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

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

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

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

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

- may only delegate his/her authority to act on my/our behalf at the annual general meeting to a director of the company;
- must provide written notification to the transfer secretaries of the company, namely Computershare Investor Services Proprietary 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 Tuesday, 8 August 2017, being 24 hours (excluding Saturdays, Sundays and public holidays) before the annual general meeting to be held at 15:00 on Thursday, 10 August 2017; 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.

This form of proxy to be lodged with:

The Transfer Secretaries of Trencor Limited, namely
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
PO Box 61051 Marshalltown 2107

as soon as possible to be received, for administrative purposes, not later than 24 hours before the meeting. Any form of proxy not so lodged beforehand may be delivered to the company at any time before the annual general meeting commences at 15:00 on Thursday, 10 August 2017.

	For	Against	Abstain
Election of directors:			
Ordinary resolution number 1.1: Election of Jimmy McQueen as director.			
Ordinary resolution number 1.2: Election of Hennie van der Merwe as director.			
Ordinary resolution number 1.3: Election of Herman Wessels as director.			
Non-binding advisory vote: Endorsement of the remuneration policy of the company.			
Ordinary resolution number 2: Reappointment of KPMG Inc as independent auditor.			
To appoint an audit committee with the following members:			
Ordinary resolution number 3.1: Election of Eddy Oblowitz as audit committee member.			
Ordinary resolution number 3.2: Election of Roddy Sparks as audit committee member.			
Ordinary resolution number 3.3: Election of Herman Wessels as audit committee member.			
Special resolution number 1: To approve and authorise the provision of financial assistance, as contemplated in section 45 of the Companies Act, by the company to related or inter-related companies.			
Special resolution number 2: To approve the non-executive directors' remuneration, in their capacities as directors only.			
Special resolution number 3: To approve the granting of a general authority to the company or its subsidiaries to acquire the issued shares of the company upon such terms and conditions and in such amounts as the directors may from time to time determine.			

Signed at	on this	day of	2017
Signature	Assisted by (where applicable) signature		
Name of signatory	Name of assistant		
Capacity	Capacity		

(Authority of signatory to be attached if applicable – refer to 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 transfer secretaries of the company, namely Computershare Investor Services Proprietary Limited, alternatively to the company before the commencement of the meeting, 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 Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or posted to Computershare Investor Services Proprietary Limited, PO Box 61051, Marshalltown, 2107. Forms of proxy are requested to be lodged, for administrative purposes, by no later than 24 hours (excluding Saturdays, Sundays and public holidays) before the annual general meeting (i.e. 15:00 on Tuesday, 8 August 2017). Any form of proxy not so lodged beforehand may be delivered to the company at any time before the annual general meeting commences at 15:00 on Thursday, 10 August 2017.
 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 the chairperson may nevertheless elect not to accept the alteration or correction.
 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 purposes, not less than 24 hours (excluding Saturdays, Sundays and public holidays) prior to the time appointed for the holding of the meeting. Any form of proxy not so lodged beforehand may be delivered to the company at any time before the annual general meeting commences at 15:00 on Thursday, 10 August 2017.

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

13th Floor The Towers South
Heerengracht
Cape Town 8001
Tel: 021 421 7310
Fax: 021 419 3692
International: +27 21

Secretary

Trencor Services Proprietary Limited

Website

www.trencor.net

E-mail

info@trencor.net

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
(PO Box 61051 Marshalltown 2107)
Tel: 011 370 5000
Fax: 011 688 5200
Call Centre: 0861 100950 (within RSA)
or +27 11 370 5000 (outside RSA)
www.computershare.com

Auditor

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

Designated auditor

GM Pickering

Attorneys

Edward Nathan Sonnenbergs Inc

Sponsors

Rand Merchant Bank (A division of FirstRand Bank Limited)

Industry Classification Benchmark

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

Market name: Trencor

JSE share code: TRE

ISIN: ZAE000007506

