

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.