



TRENCOR LIMITED

(Incorporated in the Republic of South Africa – Registration No 1955/002869/06)

## OVERVIEW OF 2017 INTEGRATED ANNUAL REPORT

To meet the many requirements of regulatory authorities, integrated annual reports have become lengthy, complex and very technical. To provide a convenient overview of the integrated annual report of Trencor, containing the audited annual financial statements for the year ended 31 December 2017, this insert contains extracts from that report, prepared by management under the supervision of the financial director, Ric Sieni CA(SA). It is not in substitution of the report, nor does it form part thereof. For a detailed appreciation of the company's activities and results, you are advised to obtain the integrated annual report from the registered office of the company.

# Group Chart

at 31 December 2017

<b>Trencor</b>		Investment holding company listed on the JSE
47,78% <sup>1</sup>	Textainer <sup>2</sup>	Listed on the New York Stock Exchange, the Textainer group owns, leases, manages and trades marine cargo containers worldwide
100%	TAC <sup>2</sup>	Owning of marine cargo containers
100%	Trencor Services	Corporate administration

<sup>1</sup> Reduced to 47,74% subsequent to the year-end following the issue by Textainer of restricted share units and share options exercised.

<sup>2</sup> Beneficiary interests through Halco Holdings Inc under the Halco Trust at 31 December 2017. Further to the simplification of Trencor's beneficiary interests during 2018, Trencor now owns the shares in Textainer and TAC at the date of this report.

## Commentary

### Group

- Trading profit increased from a R468 million loss in 2016 to a profit of R2 224 million. This mainly reflects a stronger performance by Textainer Group Holdings Limited ("Textainer") (NYSE: TGH) and TAC Limited ("TAC") due to improved business performance in stronger trading conditions.
- Headline earnings per share were 149 cents (2016: headline loss per share 435 cents).
- The year-end SA rand to US dollar exchange rate was R12,37 (2016: R13,58). The average SA rand to US dollar exchange rate for the year was R13,29 (2016: R14,72).
- Based on the relevant spot exchange rates and the listed share prices of Textainer, the net asset value ("NAV") of Trencor at the dates were as follows:

	31 December 2017		31 December 2016	
Textainer share price	US\$21,50		US\$7,45	
Spot exchange rate US\$1 equals	R12,37		R13,58	
	R million	R per share	R million	R per share
Beneficiary interest in Textainer	7 255	40,97	2 760	15,58
Beneficiary interest in TAC (US GAAP NAV)	1 004	5,67	1 069	6,04
Cash (excluding in Textainer and TAC)	1 095	6,19	1 489	8,40
Other net assets	273	1,54	238	1,35
<b>Total NAV of Trencor</b>	<b>9 627</b>	<b>54,37</b>	<b>5 556</b>	<b>31,37</b>

- Consolidated gearing ratio at 31 December 2017 was 303% (2016: 289%), with all debt in Textainer and TAC.
- Final dividend of 50 cents per share declared, making a total of 100 cents per share for the year (2016: total 130 cents per share).

### Textainer: 47,78% beneficiary interest at 31 December 2017 (2016: 48,04%) – US GAAP results

- Net income attributable to common shareholders for the year was US\$19,4 million (2016: loss US\$52,5 million – an immaterial correction was recorded for US GAAP statutory reporting purposes from the US\$50,7 million loss previously reported).
- Recorded US\$8,1 million container impairment expense (2016: US\$94,6 million). The decrease in 2017 was mainly due to a smaller impairment required to write down containers held for sale to estimated fair value, and a reversal of previously recorded impairments on containers held for sale, both primarily due to rising used container selling prices during 2017.
- Interest expense increased from US\$85,2 million in 2016 to US\$117,5 million in 2017 due to increased borrowing costs.
- Average fleet utilisation for the year was 96,4% (2016: 94,7%).
- Capex orders for investment in new containers of approximately US\$625 million during 2017 (2016: US\$480 million).
- Total fleet under management at 31 December 2017 was 3 279 892 (2016: 3 142 556) 20 foot equivalent units of which Textainer itself owned 78,8% (2016: 81,0%).
- Textainer's results may be viewed on its website [www.textainer.com](http://www.textainer.com).

# Condensed Consolidated Financial Statements

As virtually all of the group's consolidated revenue and assets and much of its expenditure are denominated in US dollars, condensed consolidated statements of profit or loss and condensed consolidated statements of financial position are also presented in US dollars in order to provide a broader appreciation of the group's results and financial position. The rand values have been extracted from the audited financial statements. The US dollar statements have not been audited.

## Condensed Consolidated Statements of Profit or Loss

for the year ended 31 December 2017

	2017 Rm	2016 Rm	2017 US\$m	2016 US\$m
Trading profit/(loss)	2 224	(468)	167	(32)
Foreign exchange losses on translation of long-term receivables	-	(89)	-	(1)
Fair value adjustment on net long-term receivables	-	338	-	22
Other	(1 222)	(2 138)	(99)	(157)
<b>Operating profit/(loss) before net finance expenses</b>	<b>1 002</b>	<b>(2 357)</b>	<b>68</b>	<b>(168)</b>
Net finance expenses	(1 586)	(1 394)	(119)	(95)
Share of profit/(loss) of equity accounted investee (net of tax)	4	(6)	-	(1)
Loss before tax	(580)	(3 757)	(51)	(264)
Loss after tax	(610)	(3 746)	(53)	(264)
<b>Loss for the year attributable to equity holders of the company</b>	<b>(321)</b>	<b>(1 743)</b>	<b>(28)</b>	<b>(122)</b>
Basic loss per share (cents)	(181,5)	(984,4)	(15,5)	(68,9)
Headline earnings/(loss) per share (cents)	149,4	(435,1)	11,2	(28,5)
Year-end rate of exchange: SA rand to US dollar	12,37	13,58	12,37	13,58
Average rate of exchange for the year: SA rand to US dollar	13,29	14,72	13,29	14,72

## Condensed Consolidated Statements of Financial Position

at 31 December 2017

	2017 Rm	2016 Rm	2017 US\$m	2016 US\$m
<b>Assets</b>				
Property, plant and equipment	44 793	49 060	3 621	3 613
Other non-current assets	2 116	2 289	171	168
Current assets	5 404	5 773	437	425
Total assets	52 313	57 122	4 229	4 206
<b>Equity and liabilities</b>				
Total equity	12 435	14 417	1 005	1 061
Interest-bearing borrowings	35 008	4 913	2 830	362
Other non-current liabilities	53	113	4	8
Current liabilities	4 817	37 679	390	2 775
Total equity and liabilities	52 313	57 122	4 229	4 206
Consolidated net asset value per share (cents)	3 980	4 630	322	341
Ratio of interest-bearing borrowings to total equity	303%	289%	303%	289%

## Loss attributable to equity holders of the company from the various classes of business

for the year ended 31 December 2017

	2017 Rm	2016 Rm
Container operations		
Textainer/TAC	(202)	(1 879)
Container finance	(5)	(7)
Exchange translation losses	-	(64)
Net long-term receivables adjustment	-	243
Interest and other corporate items	(114)	(36)
	(321)	(1 743)

# Corporate Information

## Analysis of Shareholders

at 31 December 2017

	Number of holders	% holding
Corporates	544	67
Retirement funds	220	23
Individuals	2 277	3
Other	318	7
Total	3 359	100

## Share Information

Share code: TRE

ISIN: ZAE000007506

Industry Classification Benchmark (ICB): Industrial/Industrial Goods & Services/Industrial Transportation/Transportation Services

Price (cents)	2017	2016
High	5 332	5 250
Low	2 731	2 500
Close	4 800	2 850

## Annual General Meeting

The annual general meeting will be held on Tuesday, 14 August 2018 at 15:00 at Trenchor Limited, 13th Floor, The Towers South, Heerengracht, Cape Town.

## Directors

Executive: Ric Sieni (Financial) <sup>1 5 7</sup> Hennie van der Merwe (CEO) <sup>1 5 7</sup>

Non-Executive: Jimmy McQueen <sup>5</sup>

Independent Non-Executive: David Nurek (Chairman) <sup>3 4 5 6 7</sup> Eddy Oblowitz <sup>2 5</sup> Roddy Sparks (Lead) <sup>2 3 4 5 6 7</sup> Herman Wessels <sup>2 3 4 5 6 7</sup>

<sup>1</sup> Executive Committee <sup>2</sup> Audit Committee <sup>3</sup> Remuneration Committee <sup>4</sup> Nomination Committee <sup>5</sup> Risk Committee <sup>6</sup> Governance Committee <sup>7</sup> Social and Ethics Committee

## On behalf of the board

David Nurek      Chairman  
Ric Sieni        Financial Director

6 July 2018

[www.trenchor.net](http://www.trenchor.net)