



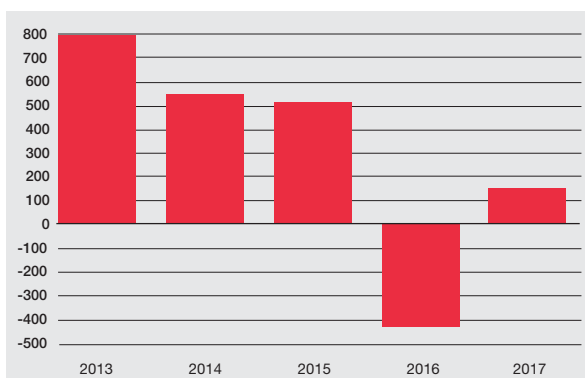
Contents

1 Financial Summary	11 Corporate Governance
2 Directors and Committees	20 Sustainability Report
3 Group Profile	24 Annual Financial Statements
3 Group Chart	83 Analysis of Shareholders
4 Five-year Review	84 Directorate: Brief Résumés
5 Joint Report by Chairman and CEO	85 Notice to Shareholders
7 Textainer Letter to its Shareholders	91 Form of Proxy
9 Review of Operations	94 Corporate Information

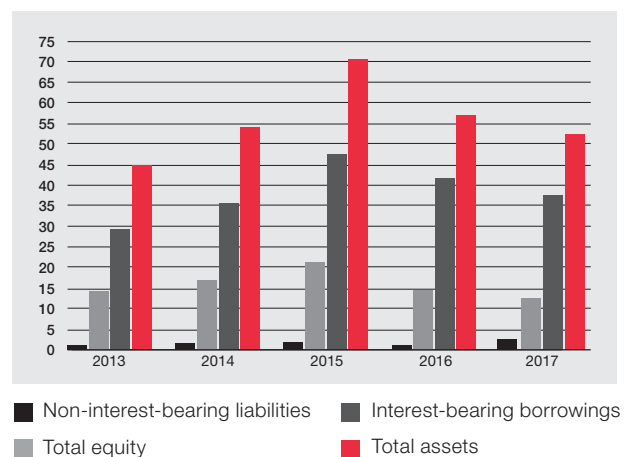
Financial Summary

		2017	2016
Operating profit/(loss) before net finance expenses	Rm	1 002	(2 357)
	US\$m	68	(168)
Loss before tax	Rm	(580)	(3 757)
	US\$m	(51)	(264)
Headline earnings/(loss)	Rm	265	(771)
	US\$m	20	(50)
Headline earnings/(loss) per share	SA cents	149	(435)
	US cents	11	(28)
Dividends per share	SA cents	100	130
Consolidated net asset value per share	SA cents	3 980	4 630
	US cents	322	341
Ratio of interest-bearing borrowings to total equity	%	303	289

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



Funding of Total Assets
(R billion)



Directors and Committees

Directors

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

* Executive

Executive committee

Hennie van der Merwe	Chairman
Ric Sieni	

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
Jimmy McQueen	
David Nurek	
Ric Sieni	
Roddy Sparks	
Hennie van der Merwe	
Herman Wessels	

Governance committee

Roddy Sparks	Chairman
David Nurek	
Herman Wessels	

Social and ethics committee

Roddy Sparks	Chairman
David Nurek	
Ric Sieni	
Hennie van der Merwe	
Herman Wessels	

Brief résumés of the directors are presented on page 84.

Textainer Group Holdings Limited

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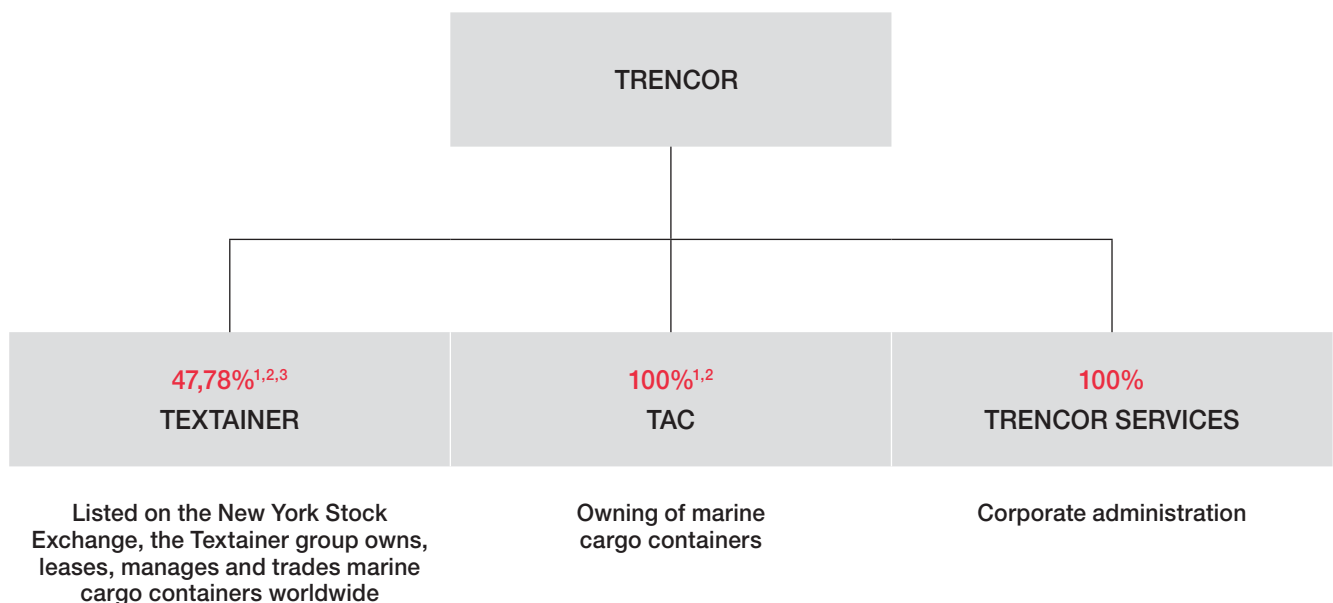
Group Profile

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. 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 2017



¹ Subsequent changes are reported in note 34.

² Indirect beneficiary interest through Halco Holdings Inc under the Halco Trust.

³ Reduced to 47,74% subsequent to the year-end following the issue by Textainer of restricted share units and share options exercised.

Five-year Review

	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
Operating results					
Revenue	8 344	9 373	9 277	8 055	6 590
(Loss)/Profit before tax	(580)	(3 757)	4	2 049	2 423
Headline earnings/(loss) attributable to shareholders	265	(771)	908	970	1 401
Statement of financial position summary					
Shareholders' equity	7 048	8 199	11 780	9 204	7 852
Non-controlling interests	5 387	6 218	9 479	7 712	6 426
Total equity	12 435	14 417	21 259	16 916	14 278
Interest-bearing borrowings	37 619	41 668	47 577	35 537	29 276
Funding of total net assets	50 054	56 085	68 836	52 453	43 554
Property, plant and equipment	44 793	49 060	59 636	44 911	36 505
Other non-current assets	2 116	2 289	3 126	3 418	3 143
Current assets	5 404	5 773	7 829	5 728	5 096
Total assets	52 313	57 122	70 591	54 057	44 744
Less: Non-interest-bearing liabilities	2 259	1 037	1 755	1 604	1 190
Total net assets	50 054	56 085	68 836	52 453	43 554
Statistics					
Number of issued shares (million)	177	177	177	177	177
Consolidated net asset value per share (cents)	3 980	4 630	6 653	5 198	4 435
Headline earnings/(loss) per share (cents)	149	(435)	513	548	791
Dividends per share (cents)	100	130	300	267	230
Dividend cover based on headline earnings/(loss) per share (times) ¹	1,5	(3,3)	1,5	1,9	2,7
Liquidity					
Ratio to total equity:					
Total liabilities %	321	296	232	220	213
Interest-bearing borrowings %	303	289	224	210	205
Current ratio (times)	1,1	0,2	2,7	1,3	1,9
Profitability (%)					
Taxed (loss)/profit to average total equity ²	(5)	(21)	–	13	19
Taxed profit/(loss) before interest to average total assets ³	2	(3)	2	6	8
Headline earnings/(loss) attributable to shareholders to average shareholders' equity	4	(8)	9	11	20
Number of employees	184	186	186	187	183

¹ From 2013 to 2016 dividend cover based on adjusted headline earnings per share.² (Loss)/Profit after tax divided by average total shareholders equity.³ Profit/(Loss) after tax plus interest after tax divided by average total assets.

Joint Report by the Chairman and Chief Executive Officer

We are pleased to share Trencor's 2017 integrated annual report with our stakeholders and potential investors.

This year we decided on a combined chairman and chief executive officer's report, in which we address core aspects of most interest to our shareholders, with more detailed information on our operations provided in the rest of the reports included in this integrated annual report.

During the year under review our primary objectives included significantly reducing the time and costs associated with the preparation of our IFRS financial statements, and progressing the simplification of Trencor's beneficiary interests in Halco Holdings, Textainer and TAC. We are pleased to report significant progress on both these objectives.

REPORTING UNDER IFRS

In earlier reports we explained the onerous, time-consuming and costly efforts involved in converting the results of Textainer and TAC, reporting under US GAAP, into IFRS for inclusion in the results of Trencor, required to report under IFRS. Differences in accounting treatment under US GAAP and IFRS in the areas of impairment testing and a revision of the residual values of the container fleets, cause significant differences in the financial results reported under the respective accounting conventions.

In our 2016 integrated annual report and at our annual general meeting in August 2017 we reported progress at Textainer in the customisation and implementation of a software system for recording fixed assets under both accounting conventions, aimed *inter alia* at significantly reducing the cost of preparing the information required for the IFRS financial statements, as well as reducing the time required to produce the information. In respect of the year under review, the implementation of the system did indeed hugely reduce the cost of this exercise. However, due to the time required to fully implement the system, substantial manual testing was still necessary which made it extremely difficult to significantly reduce the time delays in finalising the 2017 results.

In our SENS announcement on 2 January 2018, shareholders were advised that Halco Holdings and Textainer had entered into a voting limitation deed ("VLD"), in terms of which Halco Holdings had agreed to limit or restrict its shareholder voting rights in Textainer, solely in respect of the appointment and/or removal of directors and then only to the extent necessary to ensure that Trencor will be regarded for purposes of IFRS as being neither in control of nor having significant influence over Textainer. Going forward, with effect from our financial year ending 31 December 2018, Trencor will account for Textainer at fair value through profit or loss. This will significantly simplify the accounting process and allow us to report timeously and at significantly lower cost.

SIMPLIFICATION OF TRENCOR'S BENEFICIARY INTERESTS IN HALCO HOLDINGS, TEXTAINER AND TAC

Investigating the potential simplification of Trencor's beneficiary interests in Halco Holdings, Textainer and TAC revealed that a number of intricate steps would be required, with each of Halco Holdings, Halco Trust, Trencor and other relevant entities having to independently seek professional advice in exploring its own position, applicable local regulatory and legal considerations, as well as the best interests of its stakeholders in the various jurisdictions concerned. We are pleased that the outcome to date is that Trencor now owns the shares in Textainer and TAC. Further simplification of the corporate structure is envisaged.

TRENCOR FINANCIAL RESULTS

As in previous years, Trencor's financial results for the year ended 31 December 2017 consolidate and largely reflect the performances of Textainer and TAC. Textainer, the global container leasing business, operates worldwide and is listed on the New York Stock Exchange. TAC owns a fleet of marine containers, the bulk of which is managed on its behalf by Textainer. It follows that trading conditions experienced by, and the prospects of, Textainer may readily be seen as indicative of Trencor's own. More details regarding the activities of Textainer and TAC are provided in the review of operations on pages 9 and 10 of this integrated annual report.

Following a very challenging 2016 for the global container industry, trading conditions improved markedly during 2017. Specific positive developments and a view regarding prospects in the container leasing industry, are well summarised in the annual letter from the Chairman and the President/CEO of Textainer to the shareholders of Textainer included in Textainer's 2017 annual report. For ease of reference, we reproduce this letter on pages 7 and 8.

Trencor's operating profit before net finance expenses improved from a loss of R2 357 million in 2016 to a profit of R1 002 million. Operating profit before net finance expenses is arrived at after taking into account an impairment to the container fleets of R1 209 million (2016: R2 107 million). This profit reflects an improved business performance by Textainer in stronger trading conditions. Headline earnings per share was 149,4 cents (2016: headline loss per share 435,1 cents). Basic loss per share was 181,5 cents (2016: loss per share 984,4 cents).

Based on the spot exchange rate of US\$1=R12,37 and the listed share price of Textainer on the NYSE at 31 December 2017 (US\$21,50), the net asset value ("NAV") of Trencor at that date was as follows:

	R million	R per share
Beneficiary interest in Textainer	7 255	40,97
Beneficiary interest in TAC (US GAAP NAV)	1 004	5,67
Cash (excluding in Textainer and TAC)	1 095	6,19
Other net assets	273	1,54
Total NAV of Trencor	9 627	54,37

CORPORATE GOVERNANCE AND SUSTAINABILITY

Trencor's approach to responsible corporate governance and important aspects of sustainability are detailed in our corporate governance and sustainability reports on pages 11 and 20 respectively of this integrated annual report. Here we would merely emphasise the major beneficial impact of containerisation of global trade on various environmental aspects, something in which Textainer and TAC play a significant role and of which we are justly proud (refer to page 22 of the sustainability report).


CASH FLOW AND DIVIDEND

Pending final steps in the process towards simplifying Trencor's interests, referred to above, the board is of the view that it would be prudent to preserve Trencor's cash resources. It is also possible that the opportunity may arise for Trencor to invest in Textainer and/or TAC to assist with funding growth opportunities for these entities.

Taking into account *inter alia* the above considerations, the board declared a final dividend of 50 cents per share, resulting in a total dividend of 100 cents per share for the year (2016: total 130 cents per share).

APPRECIATION

We thank the directors of Trencor and our employees for their unstinting efforts and their contribution to the affairs of the company, especially considering the demands of the past year, which required exceptional efforts.



David Nurek
Chairman



Hennie van der Merwe
Chief Executive Officer

6 July 2018

Textainer Letter to its Shareholders

TO OUR SHAREHOLDERS:

As we noted in this letter last year, container leasing is a cyclical business. Textainer has been leasing containers since 1979 to shipping lines throughout the world. Over that time, we have successfully navigated both strong and weak markets. During the last year, we have seen a strengthening of the positive market conditions that emerged in the fourth quarter of 2016. Each quarter of 2017 our performance improved. We returned to profitability and purchased over 300,000 TEU which have already been leased out on excellent terms.

We entered 2017 with new and used container prices, lease-out demand, and new and depot container lease rates at levels that were significantly higher than those that prevailed prior to Hanjin Shipping Co.'s bankruptcy in August 2016 (Hanjin). And these rates further improved during the year. Additionally, last year we saw solid growth in container trade, a trend that has continued into 2018. Building on these positive trends and our focus on operational discipline and prudent investment policy, we expect continued improvement in our financial performance during 2018.

YEAR IN REVIEW

Container leasing market conditions at the start of 2017 were very favorable. New container prices had increased almost \$1,000 over the lowest prices of 2016. Disposal container prices also improved greatly from 2016's lows and climbed a further 70% by year-end. These higher new and used container prices, coupled with limited depot container inventories, caused lease rates to reach levels that were more than double those prevailing in 2016. Although these rates moderated towards the end of the year, they remain at attractive levels which support new investment. Of equal importance, recent lease agreements require a high percentage of containers to be returned in China and other locations in Asia where we anticipate there will be demand.

The strong market conditions last year resulted in higher utilization, increased lease-outs of depot containers, reduced downward pressure on the repricing of maturing term leases and increased gains on sales of used containers. Lease rental income increased each quarter of the year. We were not profitable during the first half of the year because of the ongoing costs of recovering, repairing and repositioning containers from Hanjin, the loss of revenue from these units, the costs of restructuring and refinancing debt facilities to address covenant issues, and ongoing but declining container impairments. We returned to profitability in the second half of 2017 due to continued lease revenue growth, further increases in utilization, reduced costs related to Hanjin, gains from disposal container sales and the elimination of material container impairments. We also invested heavily in new containers during the second half of the year, ending 2017 as the second largest investor among container lessors.

Container trade grew approximately 5.5% in 2017, 1.7 times the rate of growth in global GDP. During 2016, container trade growth lagged global GDP growth, making the increase during 2017 even more impressive. In addition to benefiting container lessors, the growth in container trade resulted in most shipping lines experiencing dramatic improvements in their performance. They also benefited from continued consolidation, increased operating efficiencies, lower fuel prices and higher freight rates. Notwithstanding their improved financial results, shipping lines generally preferred to lease instead of buy containers. More than 60% of new container production in 2017 was purchased by lessors.

New container rental rates peaked in the first half of the year as a limited number of lessors purchased containers. While rates have declined somewhat since then, they remain among the highest levels we have experienced since 2012, supported by strong demand, low depot container inventories, moderate interest rate increases and stable new container prices. Depot container rental rates also rose significantly last year and are currently double the lowest levels for new containers in 2016.

New container prices were very stable during 2017, generally \$2,200 +/- \$50 per CEU, a significant change from the preceding years when wide price fluctuations occurred. The container manufacturers, in the face of increases in iron ore and steel prices and increased costs resulting from the use of waterborne paint, became more disciplined in their approach to production and pricing. Approximately 3.5 million TEU were built in 2017, a significant increase from the 2 million produced in 2016 and only the third time since 2009 that more than three million TEU were produced. With strong trade growth and minimal depot inventories, new production was the primary source of containers to satisfy demand.

Prices for used containers increased in tandem with the increases in new container prices. The used container price increase was due not just to higher new container prices but also to the limited inventory of sales containers as a result of high utilization and reduced returns of on-lease containers. Higher used container prices reversed the significant container impairments of 2016 and resulted in over \$26 million in gains on sale last year. These gains arose even though we sold fewer containers in 2017, than in the previous year.

Increased used container prices led us to change our residual values at the start of the third quarter of 2017. We increased the residual value for 20' standard, 40' standard, and 40' high cube containers from \$950, \$1,150, and \$1,300 to \$1,000, \$1,200, and \$1,350, respectively. These changes resulted in an ongoing decrease in quarterly depreciation expense of \$3.6 million.

We invested \$625 million to purchase more than 300,000 TEU of new and used containers in 2017, the second most of any container lessor. 94% of our investments were for our own fleet. We also assumed the management of 182,000 TEU of dry freight and refrigerated containers from Magellan Maritime Services GmbH. At year-end, our fleet totaled 3.3 million TEU. We own 79% of our fleet.

Utilization increased during the year from 94.2% at the beginning of the year to 97.7% at year-end. Utilization has subsequently increased and is currently 97.9%.

Our adjusted net income for the year was \$23.2 million, or \$0.41 per diluted common share, a substantial turnaround from the \$58.0 million adjusted loss in 2016.

We continue to maintain a strong balance sheet. During 2017, we completed \$2.7 billion in debt financings, including raising new funds and refinancing existing facilities. In several facilities we were able to improve pricing and increase our advance rate. We finished the year with approximately \$900 million of available liquidity. Our debt-to-equity ratio at 2.4:1 remains the lowest among our publicly listed peers.

OUTLOOK

Global GDP is expected to grow 3.9% in 2018. Global trade grew 1.7 times the growth of global GDP during 2017. Even if the multiplier declines from this level, the projections for container trade growth of 5-6% in 2018 appear realistic. We continue to see strong demand for new and depot containers from our shipping line customers. Additionally, due to high utilization and low depot inventory, shipping lines have reduced returns of on-lease containers.

We expect container production in 2018 to be similar to the 3.5 million TEU produced last year. Due to the similar conditions that led to higher prices in 2017 – increases in component costs, a strengthening Renminbi and increased discipline among manufacturers – we expect new container prices to remain in the range of \$2,150-2,250. The rate of increase in used container prices has moderated recently. Given the level of new container prices, high utilization and limited depot supply we expect used container prices to remain around their current levels. Factory inventory currently is around 700,000 TEU, of which approximately 66% TEU belongs to lessors, much of which is already committed to lease. With all lessors enjoying high utilization and low depot inventories, there is no surplus of containers and the market can support another year of strong container production.

Rental rates remain at levels that provide attractive returns and are two or more times the lows of 2016. Perhaps more importantly, new container rental rates are above both our fleetwide average rate and the average rate of term leases maturing this year. This provides the opportunity to increase revenue from containers subject to maturing term leases. Since the average rental rate on our maturing leases declines each year going forward to a low of \$0.37 in 2021, we expect to benefit from upwards repricing for several years. Furthermore, the full impact of higher new container rental rates will grow over time as containers reprice and new containers are put on lease.

Most major shipping lines saw improved financial performance in 2017 as industry profitability exceeded \$7 billion. This improved performance should continue into 2018 as shipping lines continue to consolidate and the three major alliances improve their operating efficiency. The critical question, as in every year, is what will happen to freight rates? Deliveries of new ships combined with limited scrapping are expected to result in containership capacity growth exceeding demand growth both this year and next. Freight rates weakened during the fourth quarter of 2017 and the start of 2018 while vessel utilization declined and fuel costs remained elevated. Several lines have plans to increase freight rates but excess vessel capacity may undermine these efforts.

We expect the positive trends benefitting container lessors to continue this year. The outlook for container trade is positive and container prices seem likely to remain at their current level or increase. While current rental rates provide attractive returns on equity, higher interest rates, competition among lessors and the increased supply of capital to our industry will impact lease rates and could negatively affect the performance of all container lessors. Serious trade disputes, were they to arise, could have a similar impact. Nonetheless, we expect our financial results to improve as we move through 2018.

As noted at the beginning of this letter, our industry is and always has been cyclical. We have been in business for almost 40 years and have successfully managed through many business cycles. We are extremely gratified by our performance in 2017 after a very challenging 2016 and look forward to continued growth and improved results this year.

To our shareholders, customers, suppliers and employees, thank you for your trust in and support of Textainer. You are the reason we are here.

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.

TEXTAINER

(The amounts presented in this Textainer review are in accordance with US GAAP.)

Textainer Group Holdings Limited 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 2017, Trencor had a 47,78% (2016: 48,04%) beneficiary interest in the company through Halco Holdings Inc ("Halco"), wholly-owned by the Halco Trust. Net profit attributable to Textainer's shareholders in 2017 was US\$19,4 million (2016: net loss US\$52,5 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 shareholders in 2017 was US\$43,1 million (2016: net loss US\$260,6 million).

Effective 1 July 2017, the estimated future residual values and useful lives of certain container types were revised to more closely align to the industry norm. This had the effect of a reduction in the depreciation expense of US\$7,1 million for the 6 months ended 31 December 2017.

The year under review and the outlook for the future are covered extensively in the Textainer letter to its shareholders on pages 7 and 8.

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

Salient information

	2017	2016 Adjusted
Financial (US\$ million)		
Total revenue	490,9	496,2
Income/(Loss) before income tax and non-controlling interest	22,4	(61,3)
Net income/(loss) attributable to common shareholders	19,4	(52,5)
Net income/(loss) attributable to Halco*	9,3	(24,4)
Ratio of interest bearing borrowings to total equity %	247	256
Operational		
Average fleet utilisation %	96,4	94,7
Fleet under management (TEU'000s)	3 280	3 143
Owned	2 584	2 546
Managed	696	597
Analysis of fleet under management (TEU'000s)	3 280	3 143
Standard dry freight containers	3 058	2 913
Refrigerated containers	158	161
Other specialised containers	64	69
Term leases %	78,4	76,9
Master leases %	13,2	13,0
Finance leases %	5,7	7,4
Spot leases %	2,7	2,7

* Halco's year-end effective interest in Textainer decreased from 48,04% in 2016 to 47,78% in 2017. Reduced further to 47,74% subsequent to the year-end following the vesting of restricted share units and exercise of share options.

TAC

(The amounts presented in this TAC review are in accordance with US GAAP.)

TAC Limited, 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 2017 owned 173 150 TEU (2016: 179 417 TEU) of dry freight containers of various types and 883 (2016: 1 193) 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. 81% of the fleet measured on a TEU basis is on long-term lease (2016: 83%).

During the year, the company committed to the purchase of 5 190 TEU of containers of varying types at a total cost of US\$10 million (2016: 19 562 TEU and US\$23 million). 9 710 TEU of TAC's older containers were disposed of during the year (2016: 11 766 TEU).

Utilisation remained high at 97,4% at the end of 2017 (2016: 94,8%).

LAPCO refinanced its bank facility in November 2017 and has funding in place for capital expenditure in 2018 and 2019.

TAC recorded income attributable to Halco of US\$2,5 million in 2017 (2016: loss of US\$1,9 million); the change from 2016 included higher revenue (US\$1,7 million), lower depreciation (US\$0,2 million), lower container impairment (US\$1,1 million) and gains on the sale of older containers (US\$1,4 million).

TAC expects the leasing market to be stronger in 2018 with higher new container prices leading to improved lease rates and higher used container resale prices. TAC should remain profitable if these stronger market conditions continue for the remainder of 2018.

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.

Salient information

	2017	2016
Financial (US\$ million)		
Total revenue	32,0	33,7
Net income/(loss)	2,5	(1,9)
Operational		
Average fleet utilisation %	94,4	91,5
Analysis of fleet (TEU'000s)	174	181
Term leases	141	150
Master leases	33	31

Corporate Governance

Trencor endorses the principles underlying the King IV 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 as well as 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 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 84.

Following the various board changes during the year as noted in the directors’ report, the board now comprises seven directors, two of whom are executive (chief executive officer and financial director) 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 and are accountable through the board charter, code of ethics and prevailing legislation.

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/LEAD INDEPENDENT

The chairman of the board is an independent non-executive director and a lead independent non-executive has also been appointed.

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

BOARD DIVERSITY

Trencor recognises the benefits of a diverse board and the board has 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. In the light of possible further simplification of the corporate structure, voluntary targets have not been set.

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. 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 2017, five meetings were held and these were attended by all the then directors in person or by telephone/video link.

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

The board is satisfied that it has fulfilled its responsibilities in accordance with its charter.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service agreement. 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 2017 and 2016 was as follows:

	Beneficial		
	Direct	Indirect	Total
2017			
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
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

* Indirect interest represents holdings by associates.

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 2017 and 2016 was as follows:

	Beneficial		
	Direct	Indirect	Total
2017			
Jimmy McQueen	10 562	–	10 562
David Nurek	10 562	–	10 562
Eddy Oblowitz	–	–	–
Ric Sieni	–	–	–
Roddy Sparks	–	–	–
Hennie van der Merwe	694	–	694
Herman Wessels	–	–	–
	21 818	–	21 818
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

On 18 May 2018, 6 154 restricted share units in Textainer 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. Each committee is satisfied that it has fulfilled its responsibilities in accordance with the committee's terms of reference. 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 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 two executive directors and met formally on a regular basis throughout the year and informally as and when required. During the year, ten formal monthly meetings were held which were attended by all the then members. The minutes of these meetings are distributed to non-executive directors after each meeting.

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

- do not have major policy implications; 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. 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, three committee meetings were held which were attended by all 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 retirement fund contributions.

Remuneration is pro-rated in respect of part-time employment.

- 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

As reported in the previous integrated annual report, 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 was 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 2018, which represents an increase of approximately 6%, plus the VAT attributable to such fees. 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.

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

No fees are paid to executive directors for services as directors of Trencor. The remuneration paid to directors (including by Textainer where applicable) during the years ended 31 December 2017 and 2016 was as follows:

	Guaranteed remuneration R'000	Contributions to		Share based payments* R'000	Total remuneration R'000
		Medical aid R'000	Retirement funds R'000		
2017					
Non-executive directors					
Jim Hoelter	405	–	–	–	405
Jimmy McQueen	476	–	–	283	759
David Nurek	1 831	–	–	675	2 506
Eddy Oblowitz	499	–	–	–	499
Roddy Sparks	466	–	–	–	466
Herman Wessels	468	–	–	–	468
	4 145	–	–	958	5 103
Executive directors					
Jimmy McQueen	2 365	31	177	392	2 965
Ric Sieni	2 791	58	284	–	3 133
Hennie van der Merwe	2 480	53	258	–	2 791
	7 636	142	719	392	8 889
Aggregate remuneration 2017	11 781	142	719	1 350	13 992
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

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

Remuneration implementation report

The workforce in South Africa comprises the employees of Trencor Services Proprietary Limited at Trencor's corporate office currently consisting of only 12 persons, thus not meriting a detailed analysis of implementation against our remuneration policy. The committee continues to ensure that competent staff adequate for the company's current needs are retained, and monitors that all aspects of the remuneration policy are properly implemented. The committee is satisfied that the payroll administrator, under the supervision of the financial director, correctly implemented all remuneration payments.

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 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.

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, ethical conduct, the environment, health and public safety, consumer relationships, as well as labour and employment. Refer to the sustainability report on pages 20 to 23.

Code of ethics

The board, management and staff agreed a formal code of ethical conduct 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 all the non-executive and executive directors. During the year, two committee meetings were held, which were attended by all the then members.

In addition to the committee members, members of senior management 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 for reporting purposes.

For the years ended 31 December 2017 and 2016, 25% and 36% respectively of Textainer's direct container expenses were paid in twenty 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.

- **Global economic conditions**

While domestic and global economic growth resumed and has continued following the global financial crisis in 2008 and 2009, the continued sustainability of the US and international growth is uncertain. Any slowdown or reversal of the US and global economic recoveries and trade growth could heighten a number of material risks to our business, results of operations, cash flows and financial condition, as well as our future prospects.

- **Containerised cargo volume growth**

A contraction or slowdown in containerised cargo volume growth or negative containerised cargo volume growth would likely create a surplus of containers, lower utilisation, higher direct costs, weaker shipping lines going out of business, pressure for 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.

- **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 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 container returns 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.

- **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 for 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 or TAC's businesses, results of operations and financial condition and their ability to make payments on their debt.

When lessees default, Textainer or 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 believes that there is a continued risk of lessee default in 2018. If a material amount of future recoveries from defaulting lessees continue to deviate from historical recovery experience, Textainer's or TAC's financial performance and cash flow could be severely 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 term lease (i.e. long-term) business should be financed with fixed rate debt and master lease (i.e. short-term) business should be financed with variable rate debt. Interest on loans raised to purchase containers for 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 leases 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 49,5% of its total owned and managed fleet's 2017 lease billings (2016: 48,1%). Lease billings from Textainer's 20 largest container lessees by lease billings represented 80,0% of total owned and managed fleet's container lease billings in 2017 (2016: 78,9%).

Textainer's largest lessee accounted for 14,4% of lease rental income during 2017 (2016: 12,0%). The second largest lessee accounted for 13,6% of lease rental income in 2017 (2016: 14,0%). Textainer had no other lessee greater than 10%. These lessees individually accounted for 13,1% and 12,9% of gross accounts receivable in 2017 (2016: 9,0% and 9,1%).

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 2017, Textainer decreased the percentage of containers in its fleet that it owns from 81,0% at the beginning of the year to 78,8% at the end of the year. The 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.

• 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 Textainer, together with most leasing companies, has grown the percentage of containers on long-term leases over the past 10 years, while the percentage on master leases has declined. As at 31 December 2017, approximately 78% of the Textainer on-hire fleet was on long-term leases, compared to approximately 67% 10 years ago. Textainer has also developed a very active used container trading operation and thus has an effective infrastructure to dispose of containers that have reached the end of their economic lives, on the best available terms. Textainer monitors containers due to come off lease and manages their disposal or re-lease.

- **Container off-hires in low demand locations**

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

- **New container prices**

Changes in the prices of new container equipment have an impact on lease rates. In general, declining new container prices lead to softening in rates, while increasing prices may result in upward pressure on lease rates. 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 by Trencor to differ from that which is reported in the financial results of those companies. These differences may result in an inability to reconcile the results of these companies, market confusion and an inconsistent market reaction when these companies report.

INFORMATION RESOURCES MANAGEMENT

Trencor, like other organisations, is reliant on information and 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 updates 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.

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 interests are in the Operations as defined and reflected in the review of operations on pages 9 and 10 of this integrated annual report.

BUSINESS STRATEGIES

The Operations intend growing their businesses profitably and sustainably by pursuing the following strategies:

- Gain further leverage off Textainer's position as one of the world's largest intermodal container lessors, and consistent container purchaser in the container leasing industry;
- Pursue attractive acquisitions in their chosen industry;
- Offer innovative rental and/or purchase transactions;
- 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 successfully 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 was 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 300 shipping lines and other lessees.

Textainer has provided an average of more than 210 000 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 130 000 containers per year for the last five years. Services are provided worldwide via a network of 14 regional and area offices and more than 500 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 2017 was as follows:

	Rm
Wealth created:	
Total revenue	8 344
Costs of goods and services	(4 318)
	4 026
Wealth distributed:	
Employees	369
Income tax	30
Dividends	211
Impairment of property, plant and equipment	1 133
Depreciation and amortisation	3 104
Net loss	(821)
	4 026
	Cents per share
Shareholder wealth and returns:	
Basic loss	(182)
Dividends	100
Trencor share price at year-end	4 800

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 2017 comprised the employees of Trencor Services Proprietary Limited at Trencor's corporate office consisting of 12 persons: two white male executive directors, three white males in senior management, one white disabled and one coloured male and one white female in junior management, one white and two coloured semi-skilled females and one unskilled African woman.

CUSTOMERS

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

Textainer leases containers to more than 300 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 close on 30 years.

Global sales and customer service forces are responsible for developing and maintaining relationships with senior management staff at the shipping line customers, negotiating lease contracts and maintaining day-to-day coordination with operations staff. This close customer communication often assists in negotiating lease contracts that satisfy both Textainer's financial return requirements and the customers' operating needs. In addition it also allows for an awareness of the customers' potential shortages and makes customers more likely to be aware of Textainer's available container inventories.

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. Currently Textainer has a global sales and customer service group consisting of approximately 81 people, with 17 in North America, 43 in Asia and Australia, 15 in Europe and 6 in Africa.

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

Trencor and other group entities are subject to rules and regulations established and monitored by the regulatory bodies in the jurisdictions in which these entities are registered, listed and/or operate. Such entities are in compliance with these rules and regulations save for non-compliance in respect of timeous financial reporting requirements. Furthermore, refer to the matter in the last paragraph of the events after the reporting period on page 26.

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.

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

The container industry in China has always used 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 for use by container manufacturers. This change was implemented in all factories in Southern China as of July 2016. The remaining container factories in China were required to use water borne paint systems since 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 more environment friendly and sustainable 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 stakeholders 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 Leadership Foundation, Business Against Crime, SPCA, BirdLife South Africa, Carte Blanche Making a Difference Trust, The Darling Trust, Cape Philharmonic Orchestra, SA Institute for Race Relations, Sani Sistas, 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 2017, the statements of profit or loss and other 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

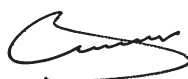
These annual financial statements have been prepared by management under the supervision of the financial director, Ric Sieni CA(SA), and have been audited in accordance with the requirements of the Companies Act of South Africa.

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	25	Directors' report
	28	Audit committee report
	34	Statements of financial position
	35	Statements of profit or loss and other comprehensive income
	36	Statements of changes in equity
	37	Statements of cash flows
	38	Notes to the financial statements

Signed on behalf of the board


David Nurek
Chairman

Eddy Oblowitz
Director and chairman of
the audit committeeCape Town
6 July 2018

Declaration by the Company Secretary

It is hereby certified that for the year ended 31 December 2017, 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
SecretariesPer Guy Norval
Company SecretaryCape Town
6 July 2018

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 34 to 82.

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

	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)

DIRECTORS AND SECRETARY

The names of the directors appear on page 2 and that of the secretary on page 94.

With effect from 10 August 2017:

- Jim Hoelter retired as a non-executive director and member of the risk committee;
- Jimmy McQueen retired as chief executive officer, executive director and chairman of the executive committee but remains on the board in a non-executive capacity; and
- Hennie van der Merwe was appointed as chief executive officer and chairman of the executive committee in the place of Jimmy McQueen.

On 28 November 2017, Hennie van der Merwe was appointed to the social and ethics committee in the place of Jimmy McQueen. Roddy Sparks was appointed as lead independent director on 19 December 2017 and, on 17 May 2018, Ric Sieni and Hennie van der Merwe were appointed to the risk committee.

In terms of the memorandum of incorporation David Nurek, Eddy Oblowitz and Roddy Sparks 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.

Brief résumés of the directors are presented on page 84.

DIRECTORS' INTERESTS

The aggregate of the direct and indirect beneficial interests of the directors in the issued shares of the company at 31 December 2017 was 0,1% (2016: 0,1%).

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
2016					
Interim	102	11/11/16	14/11/16	80	142
Final	103	19/05/17	22/05/17	50	89
2017					
Interim	104	27/10/17	30/10/17	50	89
Final	105	15/06/18	18/06/18	50	89

CONVERTING US GAAP RESULTS OF TEXTAINER AND TAC TO IFRS FOR FINANCIAL REPORTING BY TRENCOR

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. 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, cause significant differences in financial results reported under the respective accounting conventions. US GAAP testing for impairment in the current and prior year did not identify any impairment of the container fleets.

The complex and time consuming calculations required to make the necessary IFRS adjustments for the large owned container fleets resulted in a delay in the issuance of these results. Steps to address some of the problems in the conversion are addressed in the events after the reporting period section below.

Despite improved conditions in the container leasing market, having to discount future cash flows at higher rates has led to further impairments to the container fleets in 2017. The rates used are influenced by beta risk factors and the costs of debt.

Reconciliation of Textainer US GAAP to IFRS:

	2017 US\$ million	2016 US\$ million
Profit/(Loss) attributable to shareholders per US GAAP	19,4	(52,5)
Adjustments:		
Non-cash IFRS impairment loss	(94,4)	(154,8)
IFRS reduced depreciation/ (additional depreciation)	14,5	(78,1)
IFRS tax effect of the above and other	17,4	24,8
Loss attributable to shareholders per IFRS	(43,1)	(260,6)

Reconciliation of TAC US GAAP to IFRS:

	2017 US\$ million	2016 US\$ million
Profit/(Loss) attributable to shareholders per US GAAP	2,5	(1,9)
Adjustments:		
Non-cash IFRS impairment loss	(3,3)	(0,1)
IFRS reduced depreciation/ (additional depreciation)	2,1	(1,8)
IFRS tax effect of the above and other	0,2	(5,0)
Profit/(Loss) attributable to shareholders per IFRS	1,5	(8,8)

EVENTS AFTER THE REPORTING PERIOD

At 31 December 2017, Trencor had a 47,8% beneficiary interest in Textainer through Halco Holdings Inc ("Halco") under the Halco Trust ("Trust"). At Halco's request, Textainer and Halco entered into a Voting Limitation Deed ("VLD"), effective 1 January 2018, whereby Halco agreed to limit or restrict its shareholder voting rights in Textainer, solely in respect of the appointment and/or removal of directors and then only to the extent necessary to ensure that Trencor would be regarded for purposes of IFRS as being neither in control of nor having significant influence over Textainer. All Halco's voting rights, save for the said limitation or restriction, were unaffected by the VLD.

Accordingly, as from 1 January 2018, the financial results of Textainer, reporting under US GAAP, will no longer be required to be converted into IFRS for inclusion in the results of Trencor, thus eliminating significant commercial issues (e.g. the time-consuming and expensive conversion process, delays in Trencor's financial reporting, reputational risks and the like) for Trencor and Textainer and their respective shareholders. As Trencor will be regarded in terms of IFRS as being neither in control of nor having significant influence over Textainer, Textainer will be accounted for by Trencor as an investment measured at fair value through profit or loss, which fair value information will be more meaningful.

The net asset value of Textainer as reported at 31 December 2017 will be deconsolidated and the financial instrument at fair value through profit or loss will be recognised based on the fair value of Textainer's shares at 1 January 2018. The gain of R2 579 million on deconsolidation of Textainer will be excluded from headline earnings and has no tax consequences.

The financial impact of the VLD and of the consequential deconsolidation of Textainer in terms of IFRS is set out in note 34.

On 20 February 2018, Trencor, as a nominated beneficiary of the Trust, received a vesting and distribution from the Trust of the entire issued share capital of Halco. At that date, Halco was the holder of 47,8% of the shares in Textainer and 100% of the shares in TAC. This vesting and distribution will have no financial consequences in future consolidated financial statements.

Before the vesting and distribution were effected, as is customary in the Trust's jurisdiction, Trencor had to provide an indemnity to, *inter alia*, the trustee of the Trust. The indemnity terminates on 31 December 2024. The maximum exposure was initially limited to the value of the assets distributed which in substance left the Trustee in the same position as it enjoyed under the deed of settlement of the Trust. The maximum exposure under such indemnity has since been reduced to a considerably lesser amount of US\$62 million.

On 11 May 2018, Halco declared to its sole shareholder, Trencor, three dividends, namely 47,8% of the shares in Textainer, 100% of the shares in TAC (these dividends constituting the entirety of Halco's shareholdings in Textainer and TAC) and a cash amount of US\$8 million. As a result, Trencor now owns 47,8% of Textainer and 100% of TAC. These dividends will have no financial consequences in future consolidated financial statements.

In light of the progression of the simplification of Trencor's interest in Textainer, on 15 June 2018 the JSE Limited deferred any decision regarding Trencor's compliance with the applicable Listings Requirements (following the JSE Limited's view that the effect of the VLD of 1 January 2018 had rendered Trencor non-compliant) and has requested that Trencor make representations after a period of twelve months on further progress made in respect of the simplification during that period.

INTEREST IN SIGNIFICANT SUBSIDIARIES

			Effective interest		Shares at cost		Amount owing to company	
	Currency	Share capital and premium	2017 %	2016 %	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Indirect beneficiary								
Textainer Group Holdings Limited ¹ (Incorporated in Bermuda) Owning, leasing, managing and trading of marine cargo containers	US\$m	361	47,8 ²	48,0	–	–	–	–
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	–	–	–	–
Direct								
Trencor Services Proprietary Limited (Incorporated in the Republic of South Africa) Corporate administration	Rm	1 012	100	100	1 017	1 017	(824)	(916)
					1 017	1 017	(824)	(916)
Aggregate of all other subsidiaries					404	404	–	–
					1 421	1 421	(824)	(916)
Impairment loss					(351)	(351)	–	–
					1 070	1 070	(824)	(916)

¹ 47,78% of the issued shares of Textainer and 100% of the shares in TAC at 31 December 2017 were owned by Halco Holdings Inc ("Halco"). At that date Halco was 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 David Nurek, Jimmy McQueen and Eddy Oblowitz.

² At the date of this report, this further reduced to 47,74% 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:

	2017 Rm	2016 Rm
Profits	15	225
Losses	(205)	(1 888)
	(190)	(1 663)

SPECIAL RESOLUTIONS

At the annual general meeting held on 10 August 2017, 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 2017.

- 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 15 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 2017 is presented on page 83.

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 Obloowitz as chairman of the committee for the 2017 financial year.

Shareholders will be requested to vote on and approve the appointment of the members of the audit committee for the 2018 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, the JSE Listings Requirements and the King IV 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 2017, 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:
 - considered and satisfied itself that adequate financial reporting procedures were in place to ensure accurate preparation of the financial statements, free from material error and that these procedures were operating as intended;
 - 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 proactive monitoring of financial statements; and
 - met separately with management and the external auditor.
- In respect of other matters:
 - satisfied itself as to the expertise and experience of the financial director and the finance function as a whole;
 - 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.

Suitability of audit firm and designated auditor

The committee obtained and assessed the accreditation documentation provided by the audit firm and determined that the firm and the designated auditor are suitable for appointment.

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 2017 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 company) set out on pages 34 to 82, which comprise the statements of financial position at 31 December 2017, 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 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 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 period. 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 fleet

Property, plant and equipment – R44 793 million

Impairment of property, plant and equipment – R1 209 million

Refer to the Accounting Policies (significant accounting judgements and estimates – carrying value of property, plant and equipment) and notes 4 and 32 to the consolidated financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>Significant impairments were recognised in respect of the container fleet in the prior and current periods. This was in response to the depressed market conditions which showed improvement during 2017. These improved market conditions were, however, offset by an increase in the group's cost of capital which is used to discount future cash flows.</p> <p>The impairment 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. In addition, where appropriate, the fair value less costs of disposal was determined in respect of these CGUs. There are a number of key estimates and assumptions made in determining the inputs into these discounted cash flow models, refer to note 4.</p>	<p>For the CGU's identified, we tested the integrity of the cash flow projections and discount rates, tested the mathematical accuracy of the cash flow model, 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. We involved our own finance and valuation specialists in assessing the appropriateness of the impairment assessments performed by management.</p>

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>The impairment of the container fleet 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 abovementioned factors, impairment of the container fleet is considered a key audit matter in our audit of the consolidated financial statements.</p>	<p>Specifically, for the key estimates and assumptions made, we:</p> <ul style="list-style-type: none"> evaluated 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; evaluated the reasonableness of the projected future cash flows by comparing the estimated future lease rates to contractually stipulated <i>per diem</i> rates and other key assumptions to internal and external market data; and evaluated 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.</p>

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

Property, plant and equipment – R44 793 million

Depreciation – R3 048 million

Refer to the Accounting Policies (significant accounting judgements and estimates) and notes 4 and 32 to the consolidated 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 fleet at each reporting period, which are then used to determine the amount by which the container fleet is 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 2017 and again on 31 December 2017. 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 lives represent a significant proportion of the original cost (resale prices have shown to be approximately 50% 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>We involved experienced members on the audit to perform the procedures in respect of the reassessment of the residual values and useful lives of the container fleets given their understanding of the group's business, industry and the economic environment in which it operates.</p> <p>We evaluated the appropriateness of the director's policy for determining and reassessing residual values and useful lives.</p> <p>We evaluated the appropriateness of the residual values determined by comparing, to internal and external sales data of containers disposed of at the end of their useful life by container type.</p> <p>We evaluated 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>

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
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.	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.
Due to the abovementioned factors, the reassessment of residual values and useful lives was therefore considered a key audit matter in our audit of the consolidated financial statements.	

3. Events after the reporting period: Deconsolidation of Textainer

Refer to the Accounting Policies (significant accounting judgements and estimates) and note 34 to the consolidated financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
At 31 December 2017, Trencor had a 47,8% beneficiary interest in Textainer through Halco Holdings Inc ("Halco") under the Halco Trust ("Trust"). At Halco's request, Textainer and Halco entered into a Voting Limitation Deed ("VLD"), effective 1 January 2018, whereby Halco agreed to limit or restrict its shareholder voting rights in Textainer, solely in respect of the appointment and/or removal of directors and then only to the extent necessary to ensure that Trencor would be regarded for purposes of IFRS as being neither in control of nor having significant influence over Textainer. With effect from 1 January 2018, the group will no longer consolidate Textainer but will account for such interest as an equity investment at fair value through profit or loss.	We involved experienced members on the audit team including our accounting and tax specialists to assess the appropriateness of the accounting and taxation implications of the VLD which will be applied subsequent to year-end and which are disclosed in note 34 to the financial statements.
Significant judgements are involved in the determination of whether Trencor, subsequent to year-end, would control or have significant influence over Textainer as well as the judgements applied in the determination of the difference between the net asset value of Textainer at the date of deconsolidation (subsequent to year-end) and the fair value of Textainer as disclosed in note 34. As a consequence the events after the reporting period were considered a key audit matter in our audit of the consolidated financial statements.	This included an assessment of whether the VLD gave rise to loss of control in accordance with IFRS 10 <i>Consolidated Financial Statements</i> or gave rise to significant influence being exerted in terms of IAS 28 <i>Investments in Associates and Joint Ventures</i> . We also considered the appropriateness of the directors' proposed accounting treatment in future periods.
	We evaluated the appropriateness of the basis upon which the fair value of the Textainer shares were determined and reviewed the group's calculation of the gain on deconsolidation of Textainer.
	We evaluated the adequacy of the group's disclosures in respect of the events after the reporting period.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Declaration by the Company Secretary, the Directors' Report and the Audit Committee Report as required by the Companies Act of South Africa, the Directors' Responsibility Statement as well as all other information included in 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 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 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 period 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 a 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 17 years.

KPMG Inc
Registered Auditor



Per H du Plessis
Chartered Accountant (SA)
Registered Auditor
Director
6 July 2018

MSC House
1 Mediterranean Street
Foreshore
Cape Town 8001

Statements of Financial Position

at 31 December 2017

		Group		Company	
	Notes	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Assets					
Property, plant and equipment	4	44 793	49 060	–	–
Intangible assets and goodwill	5	282	367	–	–
Investment in equity accounted investee	6	114	121	–	–
Investment in subsidiaries	7	–	–	1 070	1 070
Net investment in finance leases	8	496	983	–	–
Derivative financial instruments	9	100	63	–	–
Deferred tax assets	10	19	18	–	–
Restricted cash	11	1 105	737	–	–
Total non-current assets		46 909	51 349	1 070	1 070
Inventories	12	403	434	–	–
Trade and other receivables	13	1 440	2 017	–	–
Current portion of net investment in finance leases	8	427	467	–	–
Current tax asset	14	–	18	–	–
Cash and cash equivalents	15	3 134	2 837	–	–
Total current assets		5 404	5 773	–	–
Total assets		52 313	57 122	1 070	1 070
Equity					
Issued capital	16	1	1	1	1
Share premium		43	43	43	43
Reserves	16	7 004	8 155	183	91
Equity attributable to equity holders of the company		7 048	8 199	227	135
Non-controlling interests		5 387	6 218	–	–
Total equity		12 435	14 417	227	135
Liabilities					
Interest-bearing borrowings	17	35 008	4 913	–	–
Amount due to subsidiary	7	–	–	824	916
Derivative financial instruments	9	–	17	–	–
Deferred revenue	18	25	30	–	–
Deferred tax liabilities	10	28	66	–	–
Total non-current liabilities		35 061	5 026	824	916
Trade and other payables	19	2 080	719	18	19
Current tax liabilities	14	123	136	1	–
Current portion of interest-bearing borrowings	17	2 611	36 755	–	–
Current portion of amounts attributable to third parties in respect of long-term receivables		–	65	–	–
Current portion of deferred revenue	18	3	4	–	–
Total current liabilities		4 817	37 679	19	19
Total liabilities		39 878	42 705	843	935
Total equity and liabilities		52 313	57 122	1 070	1 070

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

	Notes	Group		Company	
		2017 Rm	2016 Rm	2017 Rm	2016 Rm
Revenue	20,28	8 344	9 373	400	525
Other operating income		2	345	–	12
Changes in inventories		(1 489)	(2 772)	–	–
Direct leasing expenses		(794)	(966)	–	–
Employee benefits expense		(369)	(376)	–	–
Depreciation		(3 048)	(4 861)	–	–
Impairment of property, plant and equipment		(1 222)	(2 460)	–	–
Other operating expenses		(407)	(970)	(129)	(89)
Net long-term receivables fair value adjustment		(15)	330	–	–
Operating profit/(loss) before net finance expenses	20	1 002	(2 357)	271	448
Net finance expenses	21	(1 586)	(1 394)	–	–
Finance expenses					
Interest expense		(1 704)	(1 406)	–	–
Realised and unrealised gains/(losses) on derivative financial instruments		50	(45)	–	–
Finance income		68	57	–	–
Interest income					
Share of profit/(loss) of equity accounted investee (net of tax)		4	(6)	–	–
(Loss)/Profit before tax		(580)	(3 757)	271	448
Income tax expense/(credit)	22	30	(11)	2	4
(Loss)/Profit for the year		(610)	(3 746)	269	444
Other comprehensive loss					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		(1 239)	(2 370)	–	–
Change in fair value of available-for-sale financial asset		–	(9)	–	–
Available-for-sale financial asset – reclassification to profit and loss		–	(33)	–	–
Related income tax		–	7	–	–
Total comprehensive (loss)/profit for the year		(1 849)	(6 151)	269	444
Total comprehensive (loss)/profit for the year attributable to:					
Equity holders of the company		(983)	(3 055)	269	444
Non-controlling interests		(866)	(3 096)	–	–
		(1 849)	(6 151)	269	444
(Loss)/Profit for the year attributable to:					
Equity holders of the company		(321)	(1 743)	269	444
Non-controlling interests		(289)	(2 003)	–	–
		(610)	(3 746)	269	444
Basic loss per share (cents)	23	(181,5)	(984,4)		
Diluted loss per share (cents)	23	(181,5)	(984,4)		

for the year ended 31 December 2017

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 2016										
	1	43	35	5 760	374	533	5 034	11 780	9 479	21 259
Total comprehensive 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 and 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	-	-	-	-	-	-	(531)	(531)	(231)	(762)
Dividends paid	-	-	-	-	-	-	(531)	(497)	(194)	(691)
Total contributions by/(distributions to) owners	-	-	-	-	34	-	-	(29)	29	-
Changes in ownership interests in subsidiaries	-	-	-	-	-	(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
Total comprehensive loss for the year	-	-	-	-	-	-	(321)	(321)	(289)	(610)
Loss for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	(662)	-	-	-	(662)	(577)	(1 239)
Total other comprehensive loss for the year	-	-	-	(662)	-	-	-	(662)	(577)	(1 239)
Total comprehensive loss for the year	-	-	-	(662)	-	-	(321)	(983)	(866)	(1 849)
Transactions with owners, recorded directly in equity										
Contributions by/(Distributions to) owners	-	-	-	-	31	-	-	31	34	65
Share-based payments	-	-	-	-	-	-	-	-	13	13
Share options exercised	-	-	-	-	-	-	(177)	(177)	(34)	(211)
Dividends paid	-	-	-	-	31	-	(177)	(146)	13	(133)
Total contributions by/(distributions to) owners	-	-	-	-	31	(22)	-	(22)	22	-
Changes in ownership interests in subsidiaries	-	-	-	-	-	(22)	(177)	(168)	35	(133)
Total transactions with owners	-	-	-	-	31	(22)	(177)	(168)	35	(133)
Balance at 31 December 2017										
	1	43	-	3 821	439	482	2 262	7 048	5 387	12 435

	Share capital Rm	Share premium Rm	Share-based payment reserve Rm	Retained income Rm	Total Rm
Company					
Balance at 1 January 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
Total comprehensive income for the year					
Profit for the year	-	-	-	269	269
Transactions with owners, recorded directly in equity					
Distributions to owners	-	-	-	(177)	(177)
Dividends paid to equity holders	-	-	-	(177)	(177)
Total distributions to owners	-	-	-	(177)	(177)
Balance at 31 December 2017	1	43	2	181	227

Statements of Cash Flows

for the year ended 31 December 2017

	Notes	Group		Company	
		2017 Rm	2016 Restated Rm	2017 Rm	2016 Rm
Cash flows from operating activities					
Cash generated from operations	24	6 920	7 479	270	461
Increase in container leasing equipment		(4 156)	(7 635)	–	–
Finance income received		68	57	–	–
Finance lease income received		94	167	–	–
Finance expenses paid		(1 430)	(1 236)	–	–
Decrease in finance leases		430	795	–	–
Receipts from long-term receivables		–	928	–	–
Payments to third parties in respect of long-term receivables		(36)	(49)	–	–
Dividends paid to shareholders of the company		(177)	(531)	(177)	(531)
Dividends paid to non-controlling interests		(34)	(231)	–	–
Income taxes paid	14	(62)	(205)	(1)	(4)
Net cash inflow/(outflow) from operating activities		1 617	(461)	92	(74)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(14)	(22)	–	–
Proceeds on disposal of available-for-sale financial asset		–	36	–	–
Increase in restricted cash		(466)	(372)	–	–
Net cash outflow from investing activities		(480)	(358)	–	–
Cash flows from financing activities					
Interest-bearing borrowings repaid	17, 35	(23 244)	(8 681)	–	–
Interest-bearing borrowings raised	17, 35	22 988	8 574	–	–
Debt issuance costs incurred	17	(393)	(88)	–	–
Proceeds on issue of shares by subsidiary	17	13	–	–	–
Amounts (repaid to)/advanced by subsidiary		–	–	(92)	74
Net cash (outflow)/inflow from financing activities		(636)	(195)	(92)	74
Net increase/(decrease) in cash and cash equivalents before exchange rate fluctuations		501	(1 014)	–	–
Cash and cash equivalents at the beginning of the year		2 837	4 241	–	–
Effect of exchange rate fluctuations on cash and cash equivalents		(204)	(390)	–	–
Cash and cash equivalents at the end of the year	15	3 134	2 837	–	–

Notes to the Financial Statements

for the year ended 31 December 2017

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 2017 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 owning, leasing, managing and trading marine cargo containers worldwide.

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 6 July 2018.

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; and
- financial instruments at fair value through profit or loss are measured at fair value.

2.3 Functional and presentation currency

These consolidated and separate financial statements are presented in South African rand (“SA 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 32.

2.5

Adoption of new accounting standards

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. A reconciliation between the opening and closing balances for liabilities arising from financing activities has been provided in note 17.5.

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 16). 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 16).

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.

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: 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.

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 or 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 are as follows for the current and comparative periods:

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

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

3.5 Intangible assets 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 lives. 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. Significant accounting policies (continued)

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 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. Such losses 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

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. Leases generally do not include step-rent provisions, nor do they depend on indices or rates. Revenue is recognised on leases that include lease concessions in the form of free-rent periods using the straight-line method over the minimum terms of the leases. 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 (refer to 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. Significant accounting policies (continued)

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 differences*

Revenue includes realised and unrealised exchange differences 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 to 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.

3.11 *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.

Diluted 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, after adjustment for the effects of all dilutive potential ordinary shares.

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 2018, 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 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.

The new standard will have no effect on the financial statements, as revenue recognition under IFRS 15 will be the same as IAS 18 for the group.

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. The impact of this new standard on the financial statements will not be significant or material.

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

2016

Balance at the beginning of the year	29	74 123	25	157	74 334
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

2017

Additions	1	5 736	–	13	5 750
Effect of movements in exchange rates	(2)	(6 226)	–	(14)	(6 242)
Transfer to container inventory and finance leases	–	(2 555)	–	–	(2 555)
Disposals	–	–	(13)	(3)	(16)
Balance at the end of the year	27	64 366	2	142	64 537

Accumulated depreciation and impairment losses

2016

Balance at the beginning of the year	26	14 521	19	132	14 698
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

2017

Depreciation for the year	1	3 037	–	10	3 048
Effect of movements in exchange rates	(2)	(1 760)	–	(10)	(1 772)
Impairment loss for the year	–	1 133	–	–	1 133
Transfer to container inventory and finance leases	–	(1 192)	–	–	(1 192)
Disposals	–	–	(10)	(3)	(13)
Balance at the end of the year	19	19 605	1	119	19 744

Carrying amounts:

At 1 January 2016	3	59 602	6	25	59 636
At 31 December 2016	8	49 024	4	24	49 060
At 31 December 2017	8	44 761	1	23	44 793

Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 17):

At 31 December 2016	–	49 024	–	–	49 024
At 31 December 2017	–	44 761	–	–	44 761

4.1 Container fleet impairment

Impairment losses of R1 133 million (2016: R2 460 million) have been recognised in respect of the container fleets of Textainer Group Holdings Limited (“Textainer”) and TAC Limited (“TAC”). These entities are included in the container owning, leasing, management and trading segment (refer to note 28).

- 4.1.1 R1 209 million (2016: R2 107) of the impairment loss was incurred at 31 December 2017 as a result of testing the container fleets for impairment in accordance with the accounting policy on impairment (refer to note 3.8.2). Despite improved conditions in the container leasing market, having to discount future cash flows at higher rates has led to significant impairments to the container fleets in 2017. The rates used are influenced by beta risk factors and the costs of debt.
- 4.1.2 A further impairment loss of R33 million (2016: R353 million) was incurred in respect of containers on lease to defaulting customers.
- 4.1.3 A recovery of R109 million (2016: nil) was recorded against previous impairment losses incurred in respect of containers on lease to defaulting customers of which R89 million has been recorded in the current year as a reduction in insurance receivables in respect of the Hanjin bankruptcy reported in 2016 (refer to note 20.2).

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	2017		2016	
	Recoverable amount Rm	Impairment Rm	Recoverable amount Rm	Impairment Rm
Non-refrigerated containers other than open top and flatrack containers				
20' Dry freight	14 189	48	15 462	503
40' Hi cube	17 613	16	18 974	1 363
40' Dry freight	1 902	(14)	2 563	(9)
45' Hi cube	240	18	325	3
Refrigerated containers				
20' Refrigerated	204	23	261	2
40' Refrigerated	8 390	1 120	11 166	234
Open top and flatrack containers				
20' Flatrack	177	(2)	205	11
	42 715	1 209	48 956	2 107

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 7,2% (2016: 4,3%) and 7,7% (2016: 5,1%) 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 and useful lives of the container fleets were reassessed at 30 June 2017 and at 31 December 2017. In accordance with IAS 16 *Property, Plant and Equipment* residual values are the estimated amounts that the group entities would currently obtain at the financial reporting date from the disposal of containers, after deducting the estimated costs of disposal, if the containers were already of the age and in the condition expected at the end of their useful lives. The reassessment of residual values and useful lives are accounted for prospectively as a change in accounting estimate from the date of change in estimate, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The consequence of the reassessment of residual values and the useful lives at 30 June 2017 was a decrease of R820 million in the depreciation charge for the six months ended 31 December 2017 over what it would have been had the residual values and useful lives not been revised. The consequence of the reassessment of residual values on the depreciation charge in 2018 is not considered to be significant given that the results of Textainer will no longer be consolidated.

4.3 For commitments in respect of property, plant and equipment refer to note 26.

Group		
Goodwill Rm	Container management contracts Rm	Total Rm

5. Intangible assets and goodwill

Cost

2016

Balance at the beginning of the year	172	836	1 008
Effect of movements in exchange rates	(22)	(105)	(127)

Balance at the end of the year	150	731	881
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2017

Effect of movements in exchange rates	(13)	(65)	(78)
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Balance at the end of the year	137	666	803
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Accumulated amortisation

2016

Balance at the beginning of the year	–	522	522
Amortisation for the year	–	63	63
Effect of movements in exchange rates	–	(71)	(71)

Balance at the end of the year	–	514	514
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2017

Amortisation for the year	–	56	56
Effect of movements in exchange rates	–	(49)	(49)

Balance at the end of the year	–	521	521
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Carrying amounts:

At 1 January 2016	172	314	486
At 31 December 2016	150	217	367
At 31 December 2017	137	145	282

- 5.1 The amortisation charge is recognised in other operating expenses in the statement of profit or loss and other 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 2017 and 2016.

Group	
2017 Rm	2016 Rm

6. Investment in equity accounted investee

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

Carrying value of associate	114	121
Share of profit/(loss)	4	(6)
Extract from associate's statement of cash flow		
Cash inflow from operating activities	425	382
Cash outflow from financing activities	(340)	(474)

Textainer has a 25% investment in unlisted TW Container Leasing Limited which leases containers under finance leases.

7. Interest in subsidiaries

		Company	
		2017	2016
		Rm	Rm
Ordinary shares at cost		408	408
Preference shares		1 013	1 013
Investment in subsidiaries before impairment loss		1 421	1 421
Impairment loss		(351)	(351)
Investment in subsidiaries		1 070	1 070
Amount due to subsidiary – long-term		(824)	(916)
		246	154
7.1	Amount due to subsidiary is unsecured and interest free and is repayable at 367 days' notice.		
7.2	Income earned from subsidiaries during the year included in profit or loss:		
	Dividends received (refer to note 20.1)	400	–
	Capital distribution from trust (refer to note 20.1)	–	525
		400	525

7.3 The impairment loss arose on impairment of the company's investment in certain subsidiaries to net asset value.

7.4 List of material subsidiaries:

	2017	2016	
	%	%	Place of registration
Indirect beneficiary interests (under the Halco Trust):			
Halco Holdings Inc ("Halco")	100	100	British Virgin Islands
Textainer	47,8	48,0	Bermuda
TAC	100	100	Bermuda
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. Refer to note 34 for the accounting treatment of Textainer in future periods.

Ownership interests held by non-controlling interests (%)	
2017	2016

7. Interest in subsidiaries (continued)

7.5	Non-controlling interests		
	Non-controlling interests in Textainer	52,2	52,0

The following is summarised financial information for Textainer, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the accounting policies reflected in note 3. The information is before inter-company eliminations with other group entities.

	Textainer	
	2017 Rm	2016 Rm
Revenue	7 795	8 843
Loss	(522)	(3 766)
Loss attributable to non-controlling interests*	(289)	(2 003)
Other comprehensive loss	(1 048)	(1 986)
Total comprehensive loss	(1 570)	(5 752)
Total comprehensive loss attributable to non-controlling interests*	(866)	(3 097)
Non-current assets	44 193	48 184
Current assets	3 832	3 907
Non-current liabilities	(33 235)	(4 976)
Current liabilities	(4 726)	(35 495)
Indirect non-controlling interest	(285)	(383)
Net assets	9 779	11 237
Net assets attributable to non-controlling interests	5 102	5 834
Cash inflow/(outflow) from operating activities	1 743	(836)
Cash outflow from investing activities	(480)	(390)
Cash (outflow)/inflow from financing activities	(551)	857
Net increase/(decrease) in cash and cash equivalents	712	(369)
Dividends paid to non-controlling interest during the year included in cash flow from operating activities	34	231

* Including indirect non-controlling interest.

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
2017			2016		
Rm	Rm	Rm	Rm	Rm	Rm

8. Net investment in finance leases

Amounts receivable under finance leases:

Within one year	483	56	427	561	94	467
Between one and five years	457	40	417	968	89	879
After five years	81	2	79	109	5	104
	1 021	98	923	1 638	188	1 450

Group	
2017 Rm	2016 Rm

Present value of minimum lease payments analysed as:

Non-current finance lease receivables	496	983
Current finance lease receivables included in current assets	427	467
	923	1 450

- 8.1 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.
- 8.2 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 6,64% p.a. (2016: 6,72% p.a.).
- 8.3 Unguaranteed residual values of assets leased under finance leases at the reporting date are estimated at R58 million (2016: R69 million).
- 8.4 The net investment in finance leases has been pledged as security for a loan (refer to note 17).
- 8.5 The fair value of the net investment in finance leases is R938 million (2016: R1 451 million) (refer to note 29). No impairment loss has been recognised as the difference between carrying value and fair value resulted from changes in current market interest rates without any changes to future contractual cash flows.

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

9. Derivative financial instruments

Derivative financial instruments at 31 December comprise:

2017

Type of contract

Interest rate cap contracts	December 2019	Interest rates	1 707	–	–
Interest rate swap contracts	July 2023	Interest rates	14 313	100	–

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

- 9.1 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.
- 9.2 The variable interest rate debt principal outstanding amounted to R27 131 million at 31 December 2017 (2016: R35 972 million) of which R16 020 million (2016: R26 278 million) in notional value was covered by interest rate cap and swap contracts.
- 9.3 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 (i.e. US\$ LIBOR) and incorporates an appropriate credit risk adjustment.

Group					
Assets		Liabilities		Net	
2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm

10. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Property, plant and equipment	–	–	239	354	239	354
Net investment in long-term receivables	–	–	–	47	–	47
Inventories	–	–	2	5	2	5
Trade and other receivables	–	–	8	5	8	5
Trade and other payables	(19)	(12)	–	–	(19)	(12)
Share-based payments	(9)	(18)	–	–	(9)	(18)
Tax losses carried forward	(212)	(333)	–	–	(212)	(333)
Tax (assets)/liabilities	(240)	(363)	249	411	9	48
Set-off of tax balances in same entity	221	345	(221)	(345)	–	–
Net tax (assets)/liabilities	(19)	(18)	28	66	9	48

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
2017						
Property, plant and equipment	354	(88)	–	(27)	–	239
Net investment in long-term receivables	47	(47)	–	–	–	–
Inventories	5	(3)	–	–	–	2
Trade and other receivables	5	4	–	(1)	–	8
Trade and other payables	(12)	(8)	–	1	–	(19)
Share-based payments	(18)	8	–	1	–	(9)
Tax losses carried forward	(333)	98	–	23	–	(212)
	48	(36)	–	(3)	–	9
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 losses carried forward	(303)	(74)	–	44	–	(333)
Deferred income	6	(5)	–	(1)	–	–
	252	(197)	(8)	(9)	10	48

- 10.1 Deferred tax assets of R212 million (2016: R333 million) relate to tax losses carried forward which will expire between 2018 and 2037 if not utilised.
- 10.2 An amount of R77 million (2016: R135 million) in respect of losses has not been recognised as a deferred asset, as it is not probable that future taxable income will be available against which benefits will accrue.
- 10.3 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 2017, cumulative earnings of approximately R452 million (2016: R484 million) would be subject to income taxes of approximately R136 million (2016: R145 million) if such earnings of foreign entities were transferred out of such jurisdictions in the form of dividends.
- 10.4 In the case of the company, there were no temporary differences associated with investments in subsidiaries and associate companies for which deferred tax liabilities have not been recognised (2016: nil).

Group	
2017 Rm	2016 Rm

11. Restricted cash

The restricted cash is held by lenders in interest-bearing cash accounts as additional collateral for Textainer's secured debt facilities, a revolving credit facility and bonds payable (refer to note 17).

1 105 737

The terms of the bonds payable require that a minimum of nine (2016: nine) months' interest be held as restricted cash. The terms of the secured debt facilities and a revolving credit facility require that a minimum of five (2016: five) months' interest be held as restricted cash. The net operating income of the borrowing companies is also required to be placed in trust accounts and cannot be withdrawn until the monthly principal and interest payments are made.

12. Inventories

Container equipment held for sale	270	375
Trading containers	133	59
	403	434

In terms of IFRS 16, when containers in the leasing fleet cease to be rented, they are transferred to inventory at carrying value. The containers are then written down to their net realisable value, which is the estimated selling price in the ordinary course of business, less costs to sell. The net realisable values of containers are updated as selling prices of containers change. During the year there was a net write-up of containers of R14 million (2016: R527 million write-down).

	Group		Company	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm
13. Trade and other receivables				
Trade receivables	1 019	1 062	–	–
Prepayments	158	194	–	–
Insurance receivables	160	559	–	–
Other receivables	103	202	–	–
	1 440	2 017	–	–
14. Income tax paid				
Amounts payable at the beginning of the year	136	144	–	–
Amounts receivable at the beginning of the year	(18)	–	–	–
Effect of movements in exchange rates	(12)	(18)	–	–
Recognised in profit or loss				
South African normal	52	162	2	4
Foreign normal	27	27	–	–
Reduced tax benefit on equity-settled share-based payments	–	8	–	–
Amounts payable at the end of the year	(123)	(136)	(1)	–
Amounts receivable at the end of the year	–	18	–	–
Amounts paid during the year	62	205	1	4
15. Cash and cash equivalents				
Bank balances	2 008	1 330	–	–
Call and term deposits	1 126	1 507	–	–
	3 134	2 837	–	–

Group		Company	
2017 Rm	2016 Rm	2017 Rm	2016 Rm

16. Capital and reserves

Share capital

Authorised

Ordinary shares of 0,5 cent each
200 000 000 (2016: 200 000 000)

1	1	1	1
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Issued

Ordinary shares of 0,5 cent each
177 068 011 (2016: 177 068 011)

1	1	1	1
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16.1 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.

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

16.3 Dividends

Dividends declared and paid during the year are as follows:

Final dividend in respect of the financial year
2016 – 50 cents per share (2015: 220 cents per share)

88,5	389,5	88,5	389,5
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Interim dividend in respect of the financial year
2017 – 50 cents per share (2016: 80 cents per share)

88,5	141,7	88,5	141,7
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177,0	531,2	177,0	531,2
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A final dividend of R88,5 million (50 cents per share) in respect of the financial year ended 31 December 2017 (2016: R88,5 million – 50 cents per share) was declared by the board on 22 May 2018. 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.

16.4 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 31 Dec 2017 % p.a.	Interest fixed or indexed to	Foreign amount		2017 Rm	2016 Rm	Repayment terms	Covenant
		2017 US\$m	2016 US\$m				
17. Interest-bearing borrowings							
Secured (refer to note 17.1)							
Bonds:							
2017 – 1 Bonds	3.91	Fixed	394	–	4 877	–	The bonds 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, 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 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. The borrowers are required to maintain restricted cash balances on deposit in a designated bank account equal to nine months of interest expense. Textainer and its respective subsidiaries were in compliance with these covenants at 31 December 2017.
2017 – 2 Bonds	3.73	Fixed	480	–	5 944	–	
2013 – 1 Bonds			–	202	–	2 748	
2014 – 1 Bonds			–	236	–	3 205	

Group						
Interest rate 31 Dec 2017 % p.a.	Interest fixed or indexed to	Foreign amount		2017 Rm	2016 Rm	Covenant
		2017 US\$m	2016 US\$m			
Term loan:						
Textainer term loan	3,69 US prime or LIBOR	354	396	4 379	5 382	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. On 27 February 2017 and 31 October 2017, the borrower entered into amendments which revised certain of the covenants and restrictions, and increased the interest rate. Textainer and the borrower were in compliance with these covenants at 31 December 2017.
Debt facilities:						
Textainer debt facility	3,38 LIBOR	665	955	8 223	12 970	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. The borrower is required to maintain restricted cash balances on deposit in a designated bank account equal to five months of interest expense.
Textainer debt facility	4,00 LIBOR	133	141	1 645	1 920	On 27 February 2017, amendments were entered into which revised certain of the covenants and restrictions, and increased the interest rate. On 31 August 2017, an amendment was entered into which extended the conversion date to August 2020, and lowered the interest rate of the first mentioned secured debt facility. Textainer and its respective subsidiaries were in compliance with these covenants at 31 December 2017.

Group								
Interest rate 31 Dec 2017 % p.a.	Interest fixed or indexed to	Foreign amount		2017 Rm	2016 Rm	Covenant		
		2017 US\$m	2016 US\$m					
17. Interest-bearing borrowings (continued)								
Revolving credit facilities:								
Textainer revolving credit facility	3.56	LIBOR	574	676	7 100	9 175	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 2017. 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 2017. On 27 February 2017 and 31 October 2017, amendments were entered into which revised certain of the covenants and restrictions, and increased the interest rate.
Textainer revolving credit facility	3.55	LIBOR	152	175	1 880	2 379	Repayable in full in July 2020.	
Textainer revolving credit facility	3.43	LIBOR	165	150	2 038	2 037	Repayable in full in December 2021.	The revolving credit facility contains restrictive covenants on Textainer's consolidated net worth, leverage, debt service coverage, Textainer's container management subsidiaries' 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 borrower's net book value of containers and finance leases. The revolving credit facility is secured by a pledge of the borrower's assets. On 27 February 2017, an amendment was entered into which revised certain of the covenants and restrictions. On 8 December 2017, an amendment was entered which extended the maturity date to 7 December 2021, lowered the interest margin and increased the aggregate commitment amount by US\$40 million. Textainer and its respective subsidiaries' were in compliance with these covenants at 31 December 2017.

	Group					
	Interest rate 31 Dec 2017 % p.a.	Interest fixed or indexed to	Foreign amount		2017 Rm	2016 Rm
			2017 US\$m	2016 US\$m		
TAC revolving credit facility	3,69	LIBOR	151	155	1 866	2 110
					Repayment terms	Covenant
					No repayment within the two year revolving period. The facility will convert to a six year amortising note if not extended by agreement between the banks and the borrower. Final repayment estimated in November 2025.	On 20 November 2017 the facility was renewed. 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. The facility includes under the definition of an early amortisation event, which will be triggered if the borrowers earnings before interest and taxes ratio is equal to or less than (a) 1,0 for the calendar quarter ended 30 September 2017 or (b) 1,2 for each calendar quarter ending subsequent 30 September 2017. With respect to (b), the measurement period shall be the number of quarters that have elapsed since the calendar quarter 30 September 2017 until four quarters and thereafter a rolling four quarter basis. TAC and the borrower were in compliance with these covenants at 31 December 2017.
Total			3 068	3 086	37 952	41 926
Unamortised debt issuance costs					(333)	(258)
Current portion included in current liabilities					37 619	41 668
					(2 611)	(36 755)
					35 008	4 913

- 17.1 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, 8 and 11 respectively).
- 17.2 Debt issuance costs of R393 million (2016: R88 million) were capitalised during the year.
- 17.3 In terms of the memorandum of incorporation, the company's borrowing powers are unlimited. The company's borrowings are disclosed in note 7.

Group	
2017 Rm	2016 Rm

17. Interest-bearing borrowings (continued)

17.4 Details of borrowing facilities are as follows:

Total borrowing facilities	39 939	42 975
Actual borrowings at the end of the year	37 952	41 926
Unutilised facilities	1 987	1 049

17.5 Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Interest bearing borrowings Rm	Debt issuance costs Rm	Derivative financial instruments Rm	Non- controlling interests Rm	Total Rm
Balance at 1 January 2017	41 926	(258)	(46)	6 218	47 840
Changes from financing cash flows					
Proceeds from loans and borrowings	22 988	–	–	–	22 988
Proceeds from exercise of share options	–	–	–	13	13
Capitalised debt issuance costs	–	(393)	–	–	(393)
Repayment of borrowings	(23 244)	–	–	–	(23 244)
Total changes from financing cash flows	41 670	(651)	(46)	6 231	47 204
Debt issuance costs amortised	–	187	–	–	187
Debt issuance costs written-off	–	100	–	–	100
Effect of exchange rate fluctuations	(3 718)	31	9	(577)	(4 255)
Changes in fair value	–	–	(63)	–	(63)
	37 952	(333)	(100)	5 654	43 173
Non-controlling other equity related changes	–	–	–	(267)	(267)
Balance at 31 December 2017	37 952	(333)	(100)	5 387	42 906

18. 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, 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	
	2017 Rm	2016 Rm
Balance at the beginning of the year	34	45
Recognised in profit or loss	(3)	(4)
Effect of movements in exchange rates	(3)	(7)
Balance at the end of the year	28	34
Analysed as:		
Non-current deferred revenue	25	30
Current deferred revenue	3	4
	28	34

Group		Company	
2017 Rm	2016 Rm	2017 Rm	2016 Rm

19. Trade and other payables

Trade payables	86	163	–	–
Accrued expenses	244	210	14	13
Amounts due to container owners	124	176	–	–
Amounts due in respect of container acquisitions	1 622	163	–	–
Other payables	4	7	4	6
	2 080	719	18	19

Group		Company	
2017	2016	2017	2016
Rm	Rm	Rm	Rm

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

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

Income

Capital distribution from trust	–	–	–	525
Compensation (reversal)/recovery from third party in respect of impairment of property, plant and equipment	(89)	289	–	–
Dividends received	–	–	400	–
Realised exchange gains not included in revenue	–	12	–	11

Expenses

Amortisation of intangible assets	56	63	–	–
Auditors' remuneration	58	42	25	16

Audit fee – current year	42	26	19	9
– under provision prior year	16	16	6	7

Directors' remuneration and benefits	14	19	3	3
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Executive directors				
Short-term employee benefits	9	12	–	–
Share-based payments – equity-settled	–	2	–	–
Non-executive directors				
Remuneration	4	4	3	3
Share-based payments – equity-settled	1	1	–	–

Impairment losses incurred – financial assets	15	628	–	–
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Finance leases – defaulting customers	–	390	–	–
Trade and other receivables	15	282	–	–
Trade and other receivables – loss reversed	–	(44)	–	–

(Write-up)/Write-down of container leasing equipment held for sale	(14)	527	–	–
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Operating leases – premises	49	21	–	–
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Share-based payments included in employee benefits expense – equity-settled	58	65	–	–
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Share-based payments to suppliers – equity-settled	6	11	–	–
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Retirement benefit contributions included in employee benefits expense	8	8	–	–
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20.2 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 recovery of these containers during the period it has been estimated that the recovery will be 93% (2016: 90%) of the containers on lease to Hanjin. Accordingly, the impairment loss raised in 2016 has been adjusted by R89 million on the estimated unrecoverable containers of 7%. 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.

Group		
Gross loss incurred Rm	Insurance recovery Rm	Net loss incurred Rm

20. Operating profit/(loss) before net finance expenses (continued)**20.2 Hanjin bankruptcy and impairment (continued)**

The financial impact of the Hanjin bankruptcy recorded in operating profit/(loss) from operations for the years ended 31 December 2016 and 2017 was as follows:

Impairment of net investment in finance leases	325	–	325
Impairment of containers considered irrecoverable	339	(289)	50
Costs incurred in respect of recovery of containers	282	(282)	–
Impairment of trade receivables	258	(38)	220
Foreign exchange fluctuation included in foreign translation reserve	–	50	–
Loss/(Recovery) at 31 December 2016	1 204	(559)	595
Costs incurred in respect of recovery of containers	354	(354)	–
Reduction of the impairment loss and insurance recovery in respect of containers recovered that were previously considered to be irrecoverable	(89)	89	–
Loss/(Recovery) at 31 December 2017	1 469	(824)	595
Insurance proceeds received to date	–	640	–
Foreign exchange fluctuation included in foreign translation reserve	–	24	–
	1 469	(160)	595

21. Net finance expenses

Finance expenses – incurred by Textainer and TAC

Group		Company	
2017 Rm	2016 Rm	2017 Rm	2016 Rm
1 654	1 451	–	–
Interest expense	1 704	–	–
Realised and unrealised (gains)/losses on derivative financial instruments	(50)	45	–
Finance income			
Interest income received on cash and cash equivalents	(68)	(57)	–
1 586	1 394	–	–

22. Income tax expense/(credit)

South African normal	52	162	2	4
Current	51	162	1	4
Adjustment for prior years	1	–	1	–
Foreign normal	27	28	–	–
Current	21	49	–	–
Adjustment for prior years	6	(21)	–	–
Associated tax credit	(13)	(4)	–	–
Current year	–	(3)	–	–
Prior year	(13)	(1)	–	–
South African deferred				
Origination and reversal of temporary differences	(48)	(74)	–	–
Foreign deferred	12	(123)	–	–
Origination and reversal of temporary differences	32	(132)	–	–
Adjustment for prior years	(11)	9	–	–
Reduction in tax rate	(9)	–	–	–
	30	(11)	2	4

	Group		Company	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm
The income tax expense/(credit) is reconciled as follows:				
(Loss)/Profit before tax	(580)	(3 757)	271	448
Income tax (credit)/expense at applicable rate of 28% (2016: 28%)	(163)	(1 052)	76	126
Operating losses not recognised	–	32	–	–
(Over)/Under provided in prior years	(12)	(14)	1	–
Foreign loss inclusion differential	132	958	–	–
Foreign tax rate differential	3	6	–	–
Provision for tax exposures	42	36	–	–
Non-taxable income – capital distribution from trust	–	–	–	(147)
Non-deductible expenses in relation to capital distribution from trust	–	25	–	25
Non-taxable income – dividends received	–	–	(111)	–
Non-deductible expenses in relation to dividends received	36	–	36	–
Capital gain	–	(4)	–	–
(Profit)Loss from equity accounted investee	(1)	2	–	–
Effect of reduction in tax rate on recognised temporary differences	(7)	–	–	–
Income tax expense/(credit) at effective tax rate	30	(11)	2	4

- 22.1 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.
- 22.2 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.
- 22.3 Foreign loss 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			
Gross	Net*	Gross	Net*
2017		2016	
Rm	Rm	Rm	Rm

23. Loss per share

Basic loss per share

Loss for the year attributable to equity holders of the company (R million)	(321)	(1 743)
Weighted average number of shares in issue (million)	177,1	177,1
Basic loss per share (cents)	(181,5)	(984,4)
Diluted loss per share (cents)	(181,5)	(984,4)

Headline earnings/(loss) per share

Loss for the year attributable to equity holders of the company	(321)	(1 743)
Impairment of property, plant and equipment	1 133	544
Compensation reversal/(recovery) from third party in respect of impairment of property, plant and equipment	89	42
Available-for-sale financial asset – reclassified from other comprehensive loss	–	(33)
	–	(28)

Headline earnings/(loss) attributable to equity holders of the company	265	(771)
Weighted average number of shares in issue (million)	177,1	177,1
Headline earnings/(loss) per share (cents)	149,4	(435,1)
Diluted headline earnings/(loss) per share (cents)	149,4	(435,1)

* Net of tax and non-controlling interests.

	Group		Company	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm
24. Cash generated from operations				
Reconciliation of (loss)/profit for the year to cash generated from operations				
(Loss)/Profit for the year	(610)	(3 746)	269	444
Adjusted for:				
Finance expenses	1 654	1 451	–	–
Finance income	(68)	(57)	–	–
Realised and unrealised foreign exchange losses	–	94	–	–
Net decrease in adjustment to the net investment in long-term receivables	–	(345)	–	–
Other non-cash flow adjustments to the net investment in long-term receivables	(16)	6	–	–
Depreciation	3 048	4 861	–	–
Carrying value of container leasing equipment disposed	1 375	2 137	–	–
(Write-up)/Write-down of container leasing equipment held for sale	(14)	527	–	–
Net impairment losses incurred	1 148	3 088	–	–
Share-based payments	65	79	–	–
Amortisation of intangible assets	56	63	–	–
Finance lease income	(94)	(167)	–	–
Deferred revenue recognised in profit or loss	(3)	(4)	–	–
Gain on disposal of available-for-sale financial asset	–	(33)	–	–
Share of (profit)/loss from equity accounted investee	(4)	6	–	–
Income tax expense/(credit)	30	(11)	2	4
Operating profit before working capital changes	6 567	7 949	271	448
Working capital changes	353	(470)	(1)	13
(Increase)/Decrease in inventories	(8)	10	–	–
Decrease/(Increase) in trade and other receivables	413	(591)	–	1
(Decrease)/Increase in trade and other payables	(52)	111	(1)	12
Cash generated from operations	6 920	7 479	270	461

Group	
2017 Rm	2016 Rm

25. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

Within one year	28	13
Between one and five years	106	120
After five years	115	152
	249	285

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 rentals.

26. Capital commitments

For container leasing equipment
Contracted

3 030 –

27. Employee benefits

27.1 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 (2016: 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 (2016: 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 a share option and restricted share unit plan, the 2015 Share Incentive Plan ("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 in respect 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 10 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 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
Share options and restricted share units granted in 2017, net of forfeitures	(422 952)
Shares available for utilisation under the plans at 31 December 2017	787 937

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 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
Granted	246 722	–	246 722	22,75	2027
Vested	(117 546)	117 546	–	21,40	2024
Exercised	(65 468)	–	(65 468)	14,67	2019
Expired	(45 638)	–	(45 638)	16,04	2023
Forfeited	(42 752)	–	(42 752)	25,55	2023
Outstanding at 31 December 2017	649 594	875 083	1 524 677	22,88	2024

Restricted share units	Weighted average fair value at grant date US\$
------------------------	--

27. Employee benefits (continued)**27.1 Share-based payments (continued)**

Restricted share units		
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
Granted	289 800	20,82
Vested	(244 633)	18,33
Forfeited	(46 022)	14,24
Outstanding at 31 December 2017	693 048	16,03

The options outstanding at 31 December 2017 had an exercise price ranging from US\$7,10 to US\$38,36 (2016: US\$7,10 to US\$38,36) and a weighted average contractual life of 5,6 years (2016: 7,2 years).

The weighted average share price at the date of exercise for share options exercised in 2017 was US\$18,35. No share options were exercised during 2016.

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 2017	30 November 2016
Number of share options granted under the 2015 Plan	246 722	341 532
Fair value at measurement date (US\$)	10,32	4,01
Share price at grant date (US\$)	22,95	9,70
Expected life option time (years)	5,4	5,2
Volatility %	47,4	43,7
Risk-free % rate (based on US Treasury bonds)	2,2	1,9
Dividend yield %	0,0	0,0

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.

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

	Group	
	2017 Rm	2016 Rm
Equity-settled	65	79

27.3 Retirement benefit funds

Membership of the Alexander Forbes Retirement Fund, an umbrella fund arrangement which provides member investment choice from a range of portfolios, was compulsory for all eligible employees in South Africa. Effective 1 June 2018 the Trencor employee members joined to the Allan Gray Umbrella Retirement Fund.

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.

28. Segment reporting**Business segments**

- 28.1 There are two operating segments (i.e. strategic business units) managed separately as they offer entirely different services. The reportable segments are: container finance, and container owning, leasing, management and trading.
- 28.2 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	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Revenue	-	(86)	8 344	9 459	8 344	9 373
Goods sold	-	-	1 959	2 202	1 959	2 202
Leasing income	-	2	6 224	7 099	6 224	7 101
Management fees	-	-	161	158	161	158
Finance income	-	1	-	-	-	1
Realised and unrealised exchange losses	-	(89)	-	-	-	(89)
Reportable segment (loss)/profit before net finance expenses and income tax	(23)	240	1 191	(2 523)	1 168	(2 283)
Finance income	-	-	8	12	8	12
Finance expenses	-	-	(1 654)	(1 451)	(1 654)	(1 451)
Depreciation and amortisation	-	-	(3 104)	(4 924)	(3 104)	(4 924)
Share of profit/(loss) of equity accounted investee	-	-	4	(6)	4	(6)
Income tax (credit)/expense	(18)	68	40	(92)	22	(24)
Other material non-cash items:						
Net long-term receivable valuation adjustment	(16)	345	-	-	(16)	345
Impairment losses incurred:						
Finance lease	-	-	-	(390)	-	(390)
Property, plant and equipment	-	-	(1 133)	(2 460)	(1 133)	(2 460)
Trade receivables	-	-	(15)	(282)	(15)	(282)
Trade receivables – loss reversed	-	-	-	44	-	44
Write-up/(Write-down) of container leasing equipment held for sale	-	-	14	(527)	14	(527)
Carrying value of container leasing equipment disposed	-	-	(1 396)	(2 740)	(1 396)	(2 740)
Share-based payments	-	-	(65)	(79)	(65)	(79)
Reportable segment assets	7	12	51 068	55 455	51 075	55 467
Capital expenditure	-	-	5 750	7 210	5 750	7 210
Reportable segment liabilities	-	65	39 694	42 411	39 694	42 476

Group					
Reportable segment total	Unallocated	Consolidated total	Reportable segment total	Unallocated	Consolidated total
2017			2016		
Rm	Rm	Rm	Rm	Rm	Rm

28. Segment reporting (continued)

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

Profit/(loss) before net finance expenses and income tax	1 168	(166)	1 002	(2 283)	(74)	(2 357)
Finance income	8	60	68	12	45	57
Income tax expense/(credit)	22	8	30	(24)	13	(11)
Assets	51 075	1 238	52 313	55 467	1 656	57 122
Liabilities	39 694	184	39 878	42 476	229	42 705

Assets		Liabilities	
2017 Rm	2016 Rm	2017 Rm	2016 Rm

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

Investment in equity accounted investee	114	121	–	–
Deferred tax assets/liabilities	19	18	28	66
Income tax liabilities	–	18	123	136
Trade and other receivables/payables	9	9	33	27
Cash and cash equivalents	1 096	1 490	–	–
	1 238	1 656	184	229

28.4 Major customers

Leasing revenue from two customers in the container owning, leasing, management and trading operating segment amounted to 28% (2016: two customers 26%) of leasing revenue. No other customer individually accounted for more than 10% of revenue.

28.5 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	Loans and receivables Rm	Liabilities at amortised cost Rm	Other Rm	Total carrying amount Rm	Fair value Rm

29. Financial instruments and risk management

29.1 Categories of financial assets and liabilities

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

2017

Financial assets

Net investment in finance leases	-	-	-	-	923	923	938
Derivative financial instruments	-	100	-	-	-	100	100
Restricted cash	-	-	1 105	-	-	1 105	1 105
Trade and other receivables	-	-	1 282	-	-	1 282	1 282
Cash and cash equivalents	-	-	3 134	-	-	3 134	3 134
	-	100	5 521	-	923	6 544	6 559

Financial liabilities

Interest-bearing borrowings	-	-	-	37 952	-	37 952	38 013
Trade and other payables	-	-	-	2 080	-	2 080	2 080
	-	-	-	40 032	-	40 032	40 093

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

Company		
Liabilities at amortised cost Rm	Total carrying amount Rm	Fair value Rm

2017

Financial liabilities

Amounts due to subsidiary	824	824	824
Trade and other payables	18	18	18
	842	842	842

2016

Financial liabilities

Amount due to subsidiary	916	916	916
Trade and other payables	19	19	19
	935	935	935

29. Financial instruments and risk management (continued)**29.2 Overview**

The risks arising from the use of financial instruments include:

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

This note presents information about the exposure to each of the above risks, objectives, policies and the process 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.

29.3 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.

29.3.1 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	
	2017 Rm	2016 Rm
Financial assets held for trading		
Derivative financial instruments	100	63
Other financial instruments		
Net investment in finance leases	923	1 450
Loans and receivables excluding cash and cash equivalents		
Trade receivables	1 019	1 062
Restricted cash	1 105	737
Insurance receivables	160	559
Other receivables	103	202
Cash and cash equivalents	3 134	2 837
	6 544	6 910

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

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 2017, three (2016: two) customers accounted for 63% (2016: 50%) 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 a customer base that comprise mainly international shipping lines. 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 2017, two customers accounted for 26% of trade receivables (2016: two customers 16%) and no other customer exceeding 10% of the balance.

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

	Group	
	2017 Rm	2016 Rm
Container leasing customers	1 019	1 061
Other	–	1
	1 019	1 062

Insurance receivables

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

Restricted cash, cash and cash equivalents

Restricted cash, cash and cash equivalents are placed with financial institutions which have acceptable credit ratings.

29. Financial instruments and risk management (continued)**29.3 Credit risk (continued)****29.3.2 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
2017				2016			
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	574	–	–	574	672	–	(8)	664
Past due 31 – 120 days	442	–	(9)	433	388	–	(7)	381
Past due 121 – 180 days	14	–	(3)	11	12	56	(58)	10
More than 180 days	–	63	(63)	–	19	323	(336)	6
	1 031	63	(75)	1 019	1 092	379	(409)	1 062

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	
	2017 Rm	2016 Rm
Balance at the beginning of the year	409	220
Impairment loss incurred	15	282
Impairment loss reversed	–	(44)
Irrecoverable amounts written-off	(342)	–
Effect of movements in exchange rates	(7)	(49)
Balance at the end of the year	75	409

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.

29.4 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.

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

	Group				
	Carrying amount Rm	Contractual cash flows Rm	One year or less Rm	One to five years Rm	Over five years Rm
2017					
Non-derivative financial liabilities					
Bonds payable	10 821	12 688	1 360	6 136	5 192
Debt facilities	9 868	11 917	944	4 254	6 719
Revolving debt facilities	12 884	14 296	1 023	12 679	594
Term loan	4 379	4 570	640	3 930	–
Trade and other payables	2 080	2 080	2 080	–	–
	40 032	45 551	6 047	26 999	12 505
2016					
Non-derivative financial liabilities					
Bonds payable	5 953	6 748	1 018	3 775	1 955
Debt facilities	14 890	17 208	1 738	15 470	–
Revolving debt facilities	15 701	17 034	450	15 918	666
Term loan	5 382	5 642	549	5 093	–
Trade and other payables	719	719	719	–	–
Derivative financial liabilities					
Derivative financial instruments	17	150	69	81	–
	42 662	47 501	4 543	40 337	2 621

29.5 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.

29. Financial instruments and risk management (continued)**29.5 Market risk (continued)****29.5.1 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 2017 there was no exposure to forward exchange contracts (2016: 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:

	Group					
	2017			2016		
	SA rand Rm	US\$ Rm	Total Rm	SA rand Rm	US\$ Rm	Total Rm
Assets						
Net investment in finance leases	–	923	923	–	1 450	1 450
Derivative financial instruments	–	100	100	–	63	63
Restricted cash	–	1 105	1 105	–	737	737
Trade and other receivables	6	1 277	1 283	5	1 818	1 823
Cash and cash equivalents	690	2 444	3 134	853	1 984	2 837
	696	5 849	6 545	858	6 052	6 910
Liabilities						
Interest-bearing borrowings	–	37 952	37 952	–	41 926	41 926
Amounts attributable to third parties in respect of long-term receivables	–	–	–	65	–	65
Derivative financial instruments	–	–	–	–	17	17
Trade and other payables	31	2 049	2 080	26	693	719
	31	40 001	40 032	91	42 636	42 727

The following exchange rates applied during the year:

Year-end rate: US\$1=	R12,37	R13,58
Average rate: US\$1=	R13,29	R14,72

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.

29.5.2 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 term lease (i.e. long-term) business should be financed with fixed rate debt, and master lease (i.e. short-term) business should be financed with floating rate debt. Interest on loans raised to purchase containers for 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 leases 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	
	2017 Rm	2016 Rm
Fixed rate		
Financial liabilities	(10 821)	(5 953)
Variable rate instruments		
Financial assets	4 239	3 574
Financial liabilities	(27 131)	(35 973)
	(22 892)	(32 399)

Based on the derivative and non-derivative financial asset and liability balances as at 31 December 2017, 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 R153 million (2016: R304 million), an increase/decrease in net interest expense on non-derivative financial assets and liabilities of R272 million (2016: R334 million) and a decrease/increase in interest expense on interest rate swap derivative liabilities of R156 million (2016: R194 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

29.6 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	
	2017 Rm	2016 Rm
Interest-bearing borrowings, net of debt issuance costs	37 619	41 668
Total equity	12 435	14 417
Ratio of interest-bearing borrowings to total equity	302,5%	289,0%

The ratio has mainly been affected by the strengthening of the SA rand against the US dollar from US\$1=R13,58 to US\$1=R12,37 as at December 2016 and 2017 respectively and the losses incurred by the group during the year.

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.

29. Financial instruments and risk management (continued)**29.7 Fair values**

The fair values of financial instruments (refer to note 29.1) have been arrived at after taking into account current market conditions. All of the fair value measurements are recurring in nature.

29.7.1 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
2017				
Assets				
Interest rate swap contracts	–	100	–	100
	–	100	–	100
Liabilities				
Interest rate swap contracts	–	–	–	–
	–	–	–	–
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

Valuation techniques for interest rate swap contracts are referred to in note 9.

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
2016			
Balance at the beginning of the year	640	(85)	555
Total gains/(losses) in profit or loss	288	(29)	259
Settlements	(928)	49	(879)
Balance at the end of the year	–	(65)	(65)
2017			
Total gains in profit or loss	–	29	29
Settlements	–	36	36
Balance at the end of the year	–	–	–
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:			
2017			
Total losses included in profit or loss for the year			
Operating loss	–	(42)	(42)
Associate tax credit	–	13	13
2016			
Total gains/(losses) included in profit or loss for the year			
Operating profit/(loss)	288	(42)	246
Associate tax credit	–	13	13
Total unrealised losses for the year included in profit or loss for assets and liabilities held at the end of the year			
Operating loss	–	(22)	(22)

30. Related parties**30.1 Identity of related parties**

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

30.2 Intra-group transactions and balances

Amounts due to subsidiaries (refer to note 7).

Capital distribution from trust (refer to notes 7 and 20.1).

Dividends received from subsidiaries (refer to notes 7 and 20.1).

Administration fee paid to subsidiary R6 million (2016: R6 million).

30.3 Transactions with directors and 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 2017 and 2016 was as follows:

	Direct	Indirect	Total
2017			
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
2016			
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

* Indirect interest represents holdings by associates.

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

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

	Group		Company	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Short-term employee benefits	24	36	3	3
Share-based payments	15	29	–	–
	39	65	3	3
Paid to:				
Directors	14	19	3	3
Executive officers (Textainer)	25	46	–	–
	39	65	3	3

The number of executive officers at 31 December 2017 was 1 (2016: 2).

	Contributions to			
Guaranteed remuneration	Medical aid	Retirement funds	Share-based payments*	Total remuneration
R'000	R'000	R'000	R'000	R'000

The remuneration paid to the directors during the years ended 31 December 2017 and 2016 was as follows:

2017

Non-executive directors

Jim Hoelter	405	–	–	–	405
Jimmy McQueen	476	–	–	283	759
David Nurek	1 831	–	–	675	2 506
Eddy Oblowitz	499	–	–	–	499
Roddy Sparks	466	–	–	–	466
Herman Wessels	468	–	–	–	468
	4 145	–	–	958	5 103

Executive directors

Jimmy McQueen	2 365	31	177	392	2 965
Ric Sieni	2 791	58	284	–	3 133
Hennie van der Merwe	2 480	53	258	–	2 791
	7 636	142	719	392	8 889

Aggregate remuneration 2017	11 781	142	719	1 350	13 992
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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
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* Award of shares by Textainer for services rendered as directors of Textainer.

31. 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 2017, all amounts attributable to third parties in terms of these arrangements had been settled (2016: R66 million).

32. 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:

32.1 Marine cargo containers**32.1.1 *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 2017 and again at 31 December 2017.

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 (i.e. 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. No changes were made to useful lives of containers during 2017.

32.1.2 *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.

33. 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.

34. Events after the reporting period

At 31 December 2017, Trencor had a 47,8% beneficiary interest in Textainer through Halco under the Halco Trust ("Trust"). At Halco's request, Textainer and Halco entered into a Voting Limitation Deed ("VLD"), effective 1 January 2018, whereby Halco agreed to limit or restrict its shareholder voting rights in Textainer, solely in respect of the appointment and/or removal of directors and then only to the extent necessary to ensure that Trencor would be regarded for purposes of IFRS as being neither in control of nor having significant influence over Textainer. All Halco's voting rights, save for the said limitation or restriction, were unaffected by the VLD.

Accordingly, as from 1 January 2018, the financial results of Textainer, reporting under US GAAP, are no longer required to be converted into IFRS for inclusion in the results of Trencor, thus eliminating significant commercial issues (e.g. the time-consuming and expensive conversion process, delays in Trencor's financial reporting, reputational risks and the like) for Trencor and Textainer and their respective shareholders. As Trencor would be regarded in terms of IFRS as being neither in control of nor having significant influence over Textainer, Textainer will be accounted for by Trencor as an investment measured at fair value through profit or loss, which fair value information will be more meaningful.

The NAV of Textainer as reported at 31 December 2017 will be deconsolidated and the financial instrument at fair value through profit or loss will be recognised based on the fair value of Textainer's shares at 1 January 2018. The gain on deconsolidation of Textainer will be excluded from headline earnings and has no tax consequences, and is calculated as follows:

	Rm
Property, plant and equipment	42 237
Intangible assets and goodwill	145
Investment in equity accounted investee	114
Net investment in finance leases	481
Derivative financial instruments	93
Deferred tax assets	19
Restricted cash	1 104
Current assets	3 832
Total assets	48 025
Interest-bearing borrowings	(33 180)
Deferred tax liabilities	(31)
Deferred revenue	(25)
Current liabilities	(4 726)
Total liabilities	(37 962)
Textainer NAV	10 063
Non-controlling interests	(5 387)
Textainer NAV included in Trencor's consolidated results	4 676
Financial instrument at fair value through profit or loss	7 255
Gain on deconsolidation of Textainer	2 579

On 20 February 2018, Trencor, as a nominated beneficiary of the Trust, received a vesting and distribution from the Trust of the entire issued share capital of Halco. At that date, Halco was the holder of 47,8% of the shares in Textainer and 100% of the shares in TAC. This vesting and distribution will have no financial consequences in future consolidated financial statements.

Before the vesting and distribution were effected, as is customary in the Trust's jurisdiction, Trencor had to provide an indemnity to, *inter alia*, the trustee of the Trust. The indemnity terminates on 31 December 2024. The maximum exposure was initially limited to the value of the assets distributed which in substance left the Trustee in the same position as it enjoyed under the deed of settlement of the Trust. The maximum exposure under such indemnity has since been reduced to a considerably smaller amount of US\$62 million.

On 11 May 2018, Halco declared to its sole shareholder, Trencor, three dividends, namely 47,8% of the shares in Textainer, 100% of the shares in TAC (these dividends constituting the entirety of Halco's shareholdings in Textainer and TAC) and a cash amount of US\$8 million. As a result, Trencor now owns 47,8% of Textainer and 100% of TAC. These dividends will have no financial consequences in future consolidated financial statements.

In light of the progression of the simplification of Trencor's interest in Textainer, on 15 June 2018 the JSE Limited deferred any decision regarding Trencor's compliance with the applicable Listings Requirements (following the JSE Limited's view that the effect of the VLD of 1 January 2018 had rendered Trencor non-compliant) and has requested that Trencor make representations after a period of twelve months on further progress made in respect of the simplification during that period.

35. Restatement of the consolidated statement of cash flows

In compiling the consolidated statement of cash flows for the financial year ended 31 December 2016, interest-bearing borrowings raised amounting to R7 629 million were netted off against interest-bearing borrowings repaid which resulted in both interest-bearing borrowings raised and repaid being understated by an equal amount of R7 629 million. The restatement in the current period has no impact on earnings per share or headline earnings per share, and net cash flows of the group have remained as previously reported.

	Amount previously reported Rm	Change Rm	Restated amount Rm
Cash flows from operating activities			
Cash generated from operations	7 479	–	7 479
Others	(7 940)	–	(7 940)
Net cash outflow from operating activities	(461)	–	(461)
Cash flows from investing activities	(358)	–	(358)
Cash flows from financing activities			
Interest-bearing borrowings repaid	(1 052)	(7 629)	(8 681)
Interest-bearing borrowings raised	945	7 629	8 574
Debt issuance costs incurred	(88)	–	(88)
Net cash outflow from financing activities	(195)	–	(195)
Net decrease in cash and cash equivalents before exchange rate fluctuations	(1 014)	–	(1 014)
Cash and cash equivalents at the beginning of the year	4 241	–	4 241
Effects of exchange rate fluctuations on cash and cash equivalents	(390)	–	(390)
Cash and cash equivalents at the end of the year	2 837	–	2 837

Analysis of Shareholders

at 31 December 2017

	Number of holders	% of holders	Number of shares	% interest
Size of shareholding				
1 – 1 000 shares	2 021	60,2	393 241	0,2
1 001 – 10 000 shares	756	22,5	2 817 914	1,6
10 001 – 100 000 shares	395	11,8	14 131 885	8,0
100 001 – 1 000 000 shares	153	4,5	47 594 714	26,9
1 000 001 shares and over	34	1,0	112 130 257	63,3
Total	3 359	100,0	177 068 011	100,0
Distribution of shareholders				
Mutual funds	215	6,4	81 242 265	45,9
Banks and insurance companies	83	2,5	31 096 408	17,6
Retirement funds	220	6,5	40 367 856	22,8
Other corporate bodies	246	7,3	6 934 344	3,9
Individuals	2 277	67,8	5 125 811	2,9
Nominee companies and trusts	316	9,4	12 301 106	6,9
Investment companies	2	0,1	221	0,0
Total	3 359	100,0	177 068 011	100,0
Shareholder spread				
Public shareholders	3 351	99,8	154 993 721	87,5
Non-public shareholders	8	0,2	22 074 290	12,5
Directors and associates	7	0,2	203 641	0,1
Strategic holdings (more than 10%)	1	0,0	21 870 649	12,4
Total	3 359	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 2017 was as follows:

	Number of shares	% interest
Government Employees Pension Fund	21 870 649	12,4
Jowell family	10 112 987	5,7
Coronation Balanced Plus Fund	9 947 333	5,6
Old Mutual Life Assurance Company (South Africa) Limited	9 808 155	5,5
	51 739 124	29,2

Directorate: Brief Résumés

Ages at 31 December 2017

EXECUTIVE

RICARDO (RIC) ANTONIO SIENI (63)

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 and the risk 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 (70)

BA Law LLB (Stellenbosch) LLM (Tax) (Wits). Appointed as chief executive officer and chairman of the executive committee on 10 August 2017. He serves on the social and ethics committee and the risk 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 member of the executive committee, until his said appointment as chief executive officer. He initially practised as an attorney at law followed by various senior executive positions in the banking and industrial sectors, both locally and internationally. He serves on the boards of various listed and unlisted companies in a non-executive capacity. He is a non-executive director of Textainer Group Holdings Limited.

NON-EXECUTIVE

JAMES (JIMMY) ERNEST MCQUEEN (73)

B Com (UCT) CA(SA). Retired from all executive positions on 10 August 2017 but remains on the board in a non-executive capacity. He was previously in charge of finance and chairman of the executive committee. He is a member of the risk committee. He was appointed as an alternate director on 18 April 1984 and as a full director on 15 May 1996. Prior to joining Trencor on 10 June 1976, he was an accountant in public practice. He retired as a non-executive director of Textainer Group Holdings Limited on 23 May 2018.

INDEPENDENT NON-EXECUTIVE

DAVID MORRIS NUREK (67)

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 (60)

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 (58)

B Com Hons (UCT) CA(SA) MBA (UCT) was appointed as a non-executive director on 27 July 2009. He is the lead independent director 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 (73)

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 second annual general meeting of shareholders of the company ("the AGM") will be held at Trencor Limited, 13th Floor, The Towers South, Heerengracht, Cape Town on Tuesday, 14 August 2018 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 AGM is Friday, 29 June 2018. 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 AGM is Friday, 3 August 2018, 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 AGM is Tuesday, 31 July 2018.

ELECTRONIC PARTICIPATION IN THE AGM

The company intends to make provision for shareholders of the company, or their proxies, to participate in the AGM by way of teleconference call. Should you wish to participate in the AGM 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 AGM. 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 AGM or at any postponement or adjournment thereof.

The purpose of the AGM 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 2017.

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 82 of the integrated annual report of which this notice of AGM forms part ("the integrated annual report").

2. In terms of the company's memorandum of incorporation David Nurek, Eddy Oblowitz and Roddy Sparks retire by rotation at the AGM but, being eligible, offer themselves for re-election.

Brief résumés of the directors of the company are presented on page 84 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 David Nurek is elected as a director of the company."

Ordinary resolution number 1.2

"Resolved that Eddy Oblowitz is elected as a director of the company."

Ordinary resolution number 1.3

"Resolved that Roddy Sparks is elected as a director of the company."

Explanatory note:

The board recommends the election of David Nurek, Eddy Oblowitz and Roddy Sparks as directors of the company. The election of each director who retires by rotation is required at the company's AGM. 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 and implementation report of the company (as set out on pages 14 and 16 of the integrated annual report) for consideration and submit same for separate non-binding advisory votes by the shareholders.

Advisory vote 1:

"Resolved that the remuneration policy of the company, as set out on page 14 of the integrated annual report of which this notice of AGM forms part, is endorsed through a non-binding advisory vote."

Advisory vote 2:

"Resolved that the remuneration implementation report of the company, as set out on page 16 of the integrated annual report of which this notice of AGM forms part, is endorsed through a non-binding advisory vote."

Explanatory note:

In terms of the King IV principles and the Listings Requirements of the JSE Limited, the company's remuneration policy and the implementation report should be tabled to the shareholders of the company for separate non-binding advisory votes at the annual general meeting. Accordingly, the shareholders are requested to endorse the company's remuneration policy and the implementation report by way of separate non-binding advisory votes in the same manner as an ordinary resolution.

In the event that either the policy or implementation report or both are voted against by 25% or more of the voting rights exercised then a shareholder engagement process will be undertaken to ascertain the reasons for the dissenting votes. All legitimate and reasonable objections and concerns will be appropriately addressed and full disclosure of the process followed will be included in the following year's remuneration report.

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 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 recommends 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 Oblowitz is 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 1.2."

Ordinary resolution number 3.2:

"Resolved that Roddy Sparks is 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."

Ordinary resolution number 3.3:

"Resolved that Herman Wessels is elected as a member of the audit committee of the company."

Explanatory note:

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

Section 94(2) of the Companies Act requires a public company, at each AGM, 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 these directors are presented on page 84 of the integrated annual report. Each of the proposed nominees is an independent director of a company.

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 2018 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 2018 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	R977 000
Basic remuneration as director	R270 000
Chairman of the audit/risk committee	R176 000
Chairman of the audit committee – additional amount in 2018	R50 000
Member of the audit/risk committee	R96 000
Member of the governance committee	R25 000
Member of the remuneration committee	R25 000
Member of the nomination committee	R25 000
Member of the social and ethics committee	R25 000

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 6%. 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 US GAAP/IFRS conversion explained in the integrated annual report of which this notice of meeting forms part.

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.

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:

- (a) 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);
- (b) any such repurchase of shares is authorised by the company's memorandum of incorporation;
- (c) at any point in time, the company may only appoint one agent to effect any repurchase(s) on its behalf;
- (d) 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;
- (e) the board of directors pass a resolution authorising the repurchase, confirming that the company passes the solvency and liquidity test and that at the time that the test is done there are no material changes to the financial position of the company;
- (f) 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;
- (g) 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;

- (h) 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;
- (i) 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) and 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 AGM. 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 twelve months after the date of the general repurchase;
 - the issued share capital and reserves of the company and the group will be adequate for ordinary business purposes 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 twelve 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 AGM is attached provides details of:

- the major shareholders of the company on page 83; and
- the share capital of the company in note 16 on page 55, 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 83.

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 integrated 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 AGM 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 AGM. 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 AGM; alternatively
- you may appoint a proxy (who need not also be a shareholder of the company) to represent you at the AGM 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 AGM (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 AGM commences. 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 must be so delivered before your proxy may exercise any of your rights as a shareholder at the AGM.

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 AGM 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 AGM 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 AGM 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 AGM 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 AGM (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 AGM commences.

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

Section 63(1) of the Companies Act requires that a person wishing to participate in the AGM (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
6 July 2018

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 Tuesday, 14 August 2018 at 15:00 ("the AGM").

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 AGM 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 AGM 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 AGM;
- the appointment of the proxy is revocable; and
- you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the company.

- Please note that any shareholder of the company that is a company may authorise any person to act as its representative at the AGM. 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 AGM (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 AGM, provided that my/our proxy:

- may only delegate his/her authority to act on my/our behalf at the AGM 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 AGM by no later than 15:00 on Monday, 13 August 2018, being 24 hours (excluding Saturdays, Sundays and public holidays) before the AGM to be held at 15:00 on Tuesday, 14 August 2018; and
- must provide to his/her delegate a copy of his/her authority to act on my/our behalf at the AGM.

Refer to notes on page 93.

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 AGM. Any form of proxy not so lodged beforehand may be delivered to the company at any time before the AGM commences at 15:00 on Tuesday, 14 August 2018.

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 to note 1)

or failing him/her

or failing him/her

or failing him/her the chairperson of the AGM as my/our proxy to act for me/us on my/our behalf at the AGM 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.

	For	Against	Abstain
Election of directors:			
Ordinary resolution number 1.1: Election of David Nurek as director.			
Ordinary resolution number 1.2: Election of Eddy Oblowitz as director.			
Ordinary resolution number 1.3: Election of Roddy Sparks as director.			
Non-binding advisory vote 1: Endorsement of the remuneration policy of the company.			
Non-binding advisory vote 2: Endorsement of the remuneration implementation report 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, from 1 July 2018.			
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	2018
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 AGM;
- 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 AGM;
- 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 AGM, but only as directed by you on this proxy form; and
- the appointment of your proxy remains valid only until the end of the AGM or any adjournment or postponement thereof or for a period of six months, whichever is shorter, 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 AGM 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 AGM 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 AGM (i.e. 15:00 on Monday, 13 August 2018). Any form of proxy not so lodged beforehand may be delivered to the company at any time before the AGM commences at 15:00 on Tuesday, 14 August 2018.
 4. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the AGM 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 AGM. 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 AGM 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 the registered 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 AGM 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 AGM 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 AGM 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 AGM 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 AGM. Any form of proxy not so lodged beforehand may be delivered to the company at any time before the AGM commences at 15:00 on Tuesday, 14 August 2018.

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

H du Plessis

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

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

