Reviewed Provisional Results

for the year ended 31 December 2016 and declaration of cash dividend

TRENCOR

Trencor Limited
(Incorporated in the Republic of South Africa)

Registration number 1955/002869/06 | Share code: TRE | ISIN: ZAE000007506 | ("Trencor" or "the company")

COMMENTARY

GROUP

- Trading profit after net financing costs decreased by 216% from R1 608 million in 2015 to a trading loss of R1 862 million. This loss reflects a weaker performance by Textainer due to difficult trading conditions, and also includes additional depreciation required under International Financial Reporting Standards ("IFRS") over and above that required under US GAAP as well as the impairment of the Hanjin Shipping Co ("Hanjin") receivables, such depreciation and impairment representing non-cash items (refer below).
- Headline loss per share (including the effect of net realised and unrealised foreign exchange translation gains) was 435,1 cents (2015: headline earnings per share 512,6 cents).
- Adjusted headline loss per share (which excludes the effect of net unrealised foreign exchange translation gains) was 435,1 cents (2015: adjusted headline earnings per share 443,3 cents).
- Net unrealised foreign exchange gains arising on translation of net dollar receivables and the related valuation adjustments, not included in adjusted headline earnings, was nil (2015: R123 million or 69,3 cents per share).
- These amounts are better reflected in tabular form:

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

- Consolidated gearing ratio at 31 December 2016 was 289% (2015: 224%), with all debt in Textainer and TAC (refer to Events after the Reporting Period below).
- TAC procured the subscription by its holding company, Halco Holdings Inc, for additional shares in TAC to the value of US$56,4 million, thereby strengthening the TAC balance sheet.
- The long-term receivables were settled.
- Final dividend of 50 cents per share declared, making a total of 130 cents per share for the year (2015: total 300 cents per share).

TEXTAINER: 48,04% beneficiary interest at 31 December 2016 (2015: 48,25%) – US GAAP results

- Net loss for the year was US$50,7 million (2015: profit US$108,4 million – an immaterial correction was recorded for US GAAP statutory reporting purposes from the US$106,9 million profit previously reported). Textainer recorded a container impairment of US$22,1 million, net of estimated insurance proceeds of US$20,2 million for containers on operating and direct financing leases to Hanjin, a lessee that filed for bankruptcy, and recorded US$19,0 million for bad debt expense, net of insurance proceeds of US$2,6 million, to fully reserve for that lessee's outstanding accounts receivable.
- Recorded US$66,5 million of container impairments (2015: US$32,7 million) resulting from a transfer to held for sale and a write-down of its inventory of containers pending disposal to their estimated fair value.
- Additional depreciation of US$25,4 million was charged in the second half of 2016 arising from the decrease in estimated residual values and an increase in the estimated useful life of certain container types.
- Average fleet utilisation for the year was 94,7% (2015: 96,8%).
- Continued expansion with approximately US$480 million (2015: US$600 million) of capital expenditure in 2016 in respect of the owned and managed fleet.
- Total fleet under management at 31 December 2016 was 3 142 556 (2015: 3 147 690) 20 foot equivalent units of which Textainer itself owned 81,0% (2015: 80,1%).
- Textainer's results may be viewed on its website www.textainer.com.

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. In years prior to 2015, limited insignificant adjustments were necessary in so converting from US GAAP to IFRS. However, in the year to 31 December 2015 and continuing for the year ended 31 December 2016, differences in accounting treatment between US GAAP and IFRS, in the areas of impairment testing and a revision of the residual values of the container fleets, caused significant differences in financial results reported under the respective accounting conventions.

Adjusted to conform with IFRS, Trencor's consolidation of the results of Textainer requires that net losses of US$260,6 million be recorded for the year (2015: profit of US$23,0 million). This included a non-cash impairment loss on the leased container fleet as required under IFRS of US$155 million (2015: US$88 million). No impairment was necessary under US GAAP at 31 December 2016 or 31 December 2015. Trencor recorded an additional depreciation charge of US$78,1 million required under IFRS for the year to 31 December 2016, over and above the amount provided under US GAAP.

Adjusted to conform with IFRS, Trencor's consolidation of the results of TAC requires that net losses of US$8,8 million be recorded for the year (2015: net losses of US$20,5 million). This included a non-cash impairment recovery on the leased container fleet as required under IFRS of US$0,1 million (2015: US$26,2 million impairment loss). An impairment of US$0,4 million (2015: nil) was recorded under US GAAP at 31 December 2016. Trencor recorded an additional depreciation charge required of US$1,8 million under IFRS for the year ended 31 December 2016 over and above the amount provided under US GAAP.

Details of the different requirements under US GAAP and IFRS and their materially different impact on the reported results of Textainer and TAC and those of Trencor are as follows:

- Impairment testing – under US GAAP the container fleets are required to be impaired to fair value where the undiscounted expected future cash flows are less than the carrying value of the container fleet. As this was not the case, no impairment was necessary at 31 December 2016 under US GAAP. IFRS on the other hand requires that, where there is an indicator of impairment, expected future cash flows should be discounted to present value. Applying this methodology results in a net non-cash impairment of US$155 million in respect of the Textainer and TAC fleets (R2 107 million) in Trencor's financial statements for the year ended 31 December 2016, which has been recorded in profit or loss but excluded from headline earnings, as required in respect of all such impairment losses. The impact on loss after tax and non-controlling interests, is a net charge of R967 million or 546 cents per share.
- 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 often 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. This requirement necessitated a reassessment of the residual values of the container fleets at 30 June 2016 and again at 31 December 2016. This is in contrast to US GAAP which takes a long-term view of the value to be realised on disposal of each container at the end of its useful life (i.e. market fluctuations in price are not taken into account in the reassessment of residual values unless they persist for extended periods of time). At 30 June 2016 the reassessment of the useful lives of the container fleets resulted in the useful lives of certain container types being extended with effect from 1 July 2016.

  The resale values of containers can vary significantly depending on, among other factors, location, time of sale, the condition of the container and customer demand. Recent average sales prices for containers were considered by major asset type and the residual values were adjusted accordingly at 30 June 2016 and again on 31 December 2016. The consequence of the reassessment of residual values and useful lives at 30 June 2016 is an estimated increase of R663 million in the depreciation charge recorded for the six months from 1 July to 31 December 2016 over and above what it would have been had the residual values and useful lives not been revised (the impact on earnings and headline earnings, after tax and non-controlling interests, is estimated to be a net charge of R355 million or 201 cents per share). This depreciation charge is calculated after adjusting the carrying value of the container fleet for impairment at 30 June 2016. In addition, the reassessment of residual values at 31 December 2016 will result in an estimated reduction in depreciation in 2017 of

R199 million over what it would have been had the residual values not been so revised. This estimate presumes no material changes to the composition of the container fleets and no significant changes for the next year to market factors that prevailed at 31 December 2016. Changes in these factors will influence the depreciation that may be charged in future periods.

- Treatment of classification of interest-bearing borrowings (refer to Events after the Reporting Period below).

HANJIN

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

Containers leased to Hanjin with ownership interests attributable to Textainer represented approximately 4,8% of the Textainer owned and managed fleet expressed in 20 foot equivalent units. Substantial losses from the Hanjin bankruptcy have been incurred, arising from container recovery expenses, unpaid current and future rental income from Hanjin, container repair expenses, container repositioning expenses, re-leasing expenses and the loss of unreturned containers.

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

Textainer recorded an impairment of US$24,9 million in US GAAP terms during the year ended 31 December 2016 based on an estimate that 10% of the fleet will not be recovered.

The effect of the Hanjin bankruptcy for the year ended 31 December 2016 has been an impairment on the estimated unrecoverable containers in the amount of R50 million as well as impairments to the finance lease receivables and accounts receivable amount to R325 million and R220 million respectively.

Insurance cover is maintained to cover certain costs and losses from default customers. However, the policy contains various exclusions and limitations and there can be no assurance that the full claim will be paid or, if paid in full, the insurance will be sufficient to cover the losses related to Hanjin.

EVENTS AFTER THE REPORTING PERIOD

On 21 December 2016, Textainer entered into amendments for certain of its secured debt, credit and term loan facilities, whereby the testing of certain covenants was delayed until 28 February 2017. At 31 December 2016, Textainer did not have the unconditional right to defer settlement of R33,8 billion of interest-bearing borrowings beyond 31 December 2017, which resulted in these borrowings being recorded by Trencor as current liabilities in accordance with IFRS. Under US GAAP these amounts due after 31 December 2017 under the facilities are not recorded as current liabilities, as is required under IFRS. Subsequently, on 27 February 2017, Textainer entered into amendments of these facilities, which resulted in various changes to the related covenants and an increase in the interest margin of 0,55% for the secured debt facilities and to a range of between 1,5% and 2,5% for the revolving credit and term loan facilities with effect from that date. An assessment has not yet been made as to whether these amendments represent substantial modifications of the terms of these interest-bearing borrowings in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

As a result of these amendments, R31,9 billion of interest-bearing borrowings, which are reflected as current liabilities at 31 December 2016, will only become due after 31 December 2017.

In addition, Textainer prepaid certain debt facilities with a total aggregate principal balance of more than R5,8 billion on 20 April 2017 and funded the repayment with proceeds from a new debt facility arranged with several financial institutions.

CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the renewal of cautionary announcement issued on 24 March 2017 in which attention was drawn, *inter alia,* to the fact that the full impact of the Hanjin bankruptcy, suffered by Textainer, on Trencor under IFRS remained uncertain and could only be determined after further major analysis. Such impact up to 31 December 2016 has been taken into account in these results. However, the analysis continues in respect of the future impact, and will be completed as soon as reasonably practical. Accordingly, shareholders are reminded to continue to exercise caution when dealing in their Trencor shares until a further announcement is made.

DECLARATION OF CASH DIVIDEND

The board has declared a final gross cash dividend (number 103) of 50 cents per share out of distributable reserves in respect of the year ended 31 December 2016.

The salient dates pertaining to the dividend payment are as follows:

Last day to trade *cum* the dividend	Tuesday, 16 May 2017
Trading commences *ex* the dividend	Wednesday, 17 May 2017
Record date	Friday, 19 May 2017
Payment date	Monday, 22 May 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 May 2017 and Friday, 19 May 2017, both days inclusive.

Note that:

- Dividend withholding tax at the rate of 20% will be applicable to shareholders who are not exempt from this tax, which will result in a net dividend of 40 cents per share to these shareholders;
- Trencor's tax reference number is 9676002711; and
- Trencor's issued share capital at the declaration date is R885 340 (177 068 011 ordinary shares of 0,5 cent each).

PREPARATION OF FINANCIAL STATEMENTS

These provisional results have been prepared by management under the supervision of the financial director, Mr RA Sieni CA(SA). The directors take full responsibility for the preparation of the provisional results and the financial information has been correctly extracted from the underlying condensed consolidated financial statements.

REVIEW REPORT

The condensed consolidated financial statements for the year ended 31 December 2016 have been reviewed by KPMG Inc, who expressed an unmodified review conclusion.

The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

DIRECTORATE

As announced on 19 January 2017, at the forthcoming annual general meeting ("AGM"), and with effect therefrom:

- Mr JE McQueen will retire as chief executive officer, executive director and chairman of the executive committee but will remain on the board in a non-executive capacity; and
- Mr HR van der Merwe, previously managing director of Trencor from 2003 to 2011 and currently a part-time executive director, will be appointed as chief executive officer and chairman of the executive committee in the place of Mr McQueen.

The above changes are subject to Mr McQueen and Mr Van der Merwe, both of whom retire by rotation at the AGM, being re-elected as directors. They are both available and offer themselves for re-election.

As announced on 31 March 2017 Mr JE Hoelter will retire as a non-executive director at the forthcoming AGM.

On behalf of the board

DM Nurek
Chairman

28 April 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016

R million	Reviewed 2016	Audited 2015
ASSETS		
Property, plant and equipment	**49 060**	59 636
Intangible assets and goodwill	**367**	486
Investment in equity accounted investee	**121**	145
Other investments	**–**	45
Long-term receivables	**–**	506
Net investment in finance leases	**983**	1 465
Derivative financial instruments	**63**	10
Deferred tax assets	**18**	19
Restricted cash	**737**	450
Total non-current assets	**51 349**	62 762
Inventories	**434**	766
Trade and other receivables	**2 017**	1 930
Current portion of long-term receivables	**–**	134
Current portion of net investment in finance leases	**467**	758
Current tax asset	**18**	–
Cash and cash equivalents	**2 837**	4 241
Total current assets	**5 773**	7 829
Total assets	**57 122**	70 591
EQUITY		
Share capital and premium	**44**	44
Reserves	**8 155**	11 736
Total equity attributable to equity holders of the company	**8 199**	11 780
Non-controlling interests	**6 218**	9 479
Total equity	**14 417**	21 259
LIABILITIES		
Interest-bearing borrowings (note 10)	**4 913**	46 006
Amounts attributable to third parties in respect of long-term receivables	**–**	71
Derivative financial instruments	**17**	40
Deferred revenue	**30**	40
Deferred tax liabilities	**66**	271
Total non-current liabilities	**5 026**	46 428
Trade and other payables	**719**	1 170
Current tax liabilities	**136**	144
Current portion of interest-bearing borrowings (note 10)	**36 755**	1 571
Current portion of amounts attributable to third parties in respect of long-term receivables	**65**	14
Current portion of deferred revenue	**4**	5
Total current liabilities	**37 679**	2 904
Total liabilities	**42 705**	49 332
Total equity and liabilities	**57 122**	70 591
Capital expenditure incurred during the year	**7 210**	6 095
Ratio to total equity:		
Total liabilities (%)	**296,2**	232,1
Interest-bearing borrowings (%)	**289,0**	223,8

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

R million		Reviewed 2016	Audited 2015
Revenue (note 2)		**9 373**	9 277
Trading (loss)/profit before items listed below:		**(468)**	2 784
Realised and unrealised exchange (losses)/gains on translation of long-term receivables, excluding fair value adjustment		**(89)**	278
Fair value adjustment on net long-term receivables		**338**	(77)
Impairment of property, plant and equipment (note 4)		**(2 460)**	(1 912)
Available-for-sale financial asset – reclassification from other comprehensive (loss)/income		**33**	–
Compensation receivable from third party in respect of impairment of property, plant and equipment		**289**	98
Operating (loss)/profit before net finance expenses (note 3)		**(2 357)**	1 171
Net finance expenses (note 5)		**(1 394)**	(1 176)
Finance expenses	Interest expense	**(1 406)**	(1 025)
	Realised and unrealised losses on derivative financial instruments	**(45)**	(174)
Finance income	Interest income	**57**	23
Share of (loss)/profit of equity accounted investee (net of tax)		**(6)**	9
(Loss)/Profit before tax		**(3 757)**	4
Income tax (credit)/expense		**(11)**	61
Loss for the year		**(3 746)**	(57)
Other comprehensive (loss)/income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**(2 370)**	5 695
Change in fair value of available-for-sale financial asset		**(9)**	(21)
Available-for-sale financial asset – reclassification to profit and loss		**(33)**	–
Related income tax		**7**	4
Total comprehensive (loss)/income for the year		**(6 151)**	5 621
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the company		**(3 055)**	2 832
Non-controlling interests		**(3 096)**	2 789
		(6 151)	5 621
Loss for the year attributable to:			
Equity holders of the company		**(1 743)**	(146)
Non-controlling interests		**(2 003)**	89
		(3 746)	(57)
Loss per share (cents)		**(984,4)**	(82,7)
Diluted loss per share (cents)		**(984,4)**	(82,7)
Number of shares in issue (million)		**177,1**	177,1
Weighted average number of shares in issue (million)		**177,1**	177,1
Year-end rate of exchange: SA rand to US dollar		**13,58**	15,53
Average rate of exchange for the year: SA rand to US dollar		**14,72**	12,75

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

R million	Reviewed 2016	Audited 2015
Cash flows from operating activities		
Cash generated from operations	**7 465**	7 561
Increase in container leasing equipment	**(7 635)**	(6 277)
Finance income received	**57**	23
Finance lease income received	**167**	184
Finance expenses paid	**(1 236)**	(1 037)
Decrease in finance leases	**874**	823
Receipts from long-term receivables	**928**	257
Payments to third parties in respect of long-term receivables	**(49)**	(39)
Dividends paid to equity holders of the company	**(531)**	(487)
Dividends paid to non-controlling interests	**(231)**	(665)
Income tax paid	**(205)**	(57)
Net cash (outflow)/inflow from operating activities	**(396)**	286
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(22)**	(15)
Proceeds on disposal of available-for-sale financial asset	**36**	–
Increase in equity accounted investee	**–**	(8)
Increase/(Decrease) in restricted cash	**(372)**	344
Net cash (outflow)/inflow from investing activities	**(358)**	321

R million	Reviewed 2016	Audited 2015
Cash flows from financing activities		
Interest-bearing borrowings repaid	**(1 052)**	(6 824)
Interest-bearing borrowings raised	**945**	6 566
Acquisition of non-controlling interest without a change in control	**–**	(82)
Shares bought back by subsidiary	**–**	(131)
Debt issuance costs incurred	**(88)**	(89)
Proceeds on issue of shares by subsidiary	**–**	4
Net cash outflow from financing activities	**(195)**	(556)
Net (decrease)/increase in cash and cash equivalents before exchange rate fluctuations	**(949)**	51
Cash and cash equivalents at the beginning of the period	**4 241**	3 160
Effects of exchange rate fluctuations on cash and cash equivalents	**(455)**	1 030
Cash and cash equivalents at the end of the year	**2 837**	4 241

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Equity holders of the company									
R million	Share capital	Share premium	Fair value reserve	Foreign currency translation reserve	Share-based payment reserve	Gain/(Loss) on changes in ownership interests in subsidiaries	Retained income	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	1	43	52	2 765	334	342	5 667	9 204	7 712	16 916
Total comprehensive (loss)/income for the year										
(Loss)/Profit for the year	–	–	–	–	–	–	(146)	(146)	89	(57)
Other comprehensive (loss)/income for the year										
Foreign currency translation differences	–	–	–	2 995	–	–	–	2 995	2 700	5 695
Available-for-sale financial asset – change in fair value net of tax	–	–	(17)	–	–	–	–	(17)	–	(17)
Total other comprehensive (loss)/income for the year	–	–	(17)	2 995	–	–	–	2 978	2 700	5 678
Total comprehensive (loss)/income for the year	–	–	(17)	2 995	–	–	(146)	2 832	2 789	5 621
Transactions with owners, recorded directly in equity										
Contributions by/(distributions to) owners										
Share-based payments	–	–	–	–	40	–	–	40	43	83
Share options exercised	–	–	–	–	–	–	–	–	4	4
Shares bought back by subsidiary	–	–	–	–	–	–	–	–	(131)	(131)
Dividends paid	–	–	–	–	–	–	(487)	(487)	(665)	(1 152)
Total contributions by/(distributions to) owners	–	–	–	–	40	–	(487)	(447)	(749)	(1 196)
Changes in ownership interests										
Acquisition of non-controlling interest without a change in control	–	–	–	–	–	204	–	204	(286)	(82)
Other changes in ownership interests in subsidiaries	–	–	–	–	–	(13)	–	(13)	13	–
Total changes in ownership interests	–	–	–	–	–	191	–	191	(273)	(82)
Total transactions with owners	–	–	–	–	40	191	(487)	(256)	(1 022)	(1 278)
Balance at 31 December 2015	1	43	35	5 760	374	533	5 034	11 780	9 479	21 259
Total comprehensive loss for the year										
Loss for the year	–	–	–	–	–	–	(1 743)	(1 743)	(2 003)	(3 746)
Other comprehensive loss for the year										
Foreign currency translation differences	–	–	–	(1 277)	–	–	–	(1 277)	(1 093)	(2 370)
Available-for-sale financial asset – change in fair value net of tax	–	–	(7)	–	–	–	–	(7)	–	(7)
Available-for-sale financial asset – reclassification to profit 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										
Share-based payments	–	–	–	–	34	–	–	34	37	71
Dividends paid	–	–	–	–	–	–	(531)	(531)	(231)	(762)
Total contributions by/(distributions to) owners	–	–	–	–	34	–	(531)	(497)	(194)	(691)
Changes in ownership interests in subsidiaries	–	–	–	–	–	(29)	–	(29)	29	–
Total transactions with owners	–	–	–	–	34	(29)	(531)	(526)	(165)	(691)
Balance at 31 December 2016	**1**	**43**	**–**	**4 483**	**408**	**504**	**2 760**	**8 199**	**6 218**	**14 417**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. The condensed consolidated financial statements are prepared in accordance with the Listings Requirements of the JSE Limited for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA *Financial Reporting* Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

R million	Reviewed 2016	Audited 2015
2. Revenue		
Goods sold	2 202	1 930
Leasing income	7 101	6 905
Management fees	158	156
Finance income	1	8
	9 462	8 999
Realised and unrealised exchange differences	(89)	278
	9 373	9 277
3. Operating (loss)/profit before net finance expenses		
Other significant items which have been included in operating (loss)/profit before net finance expenses:		
Depreciation	4 861	2 601
Impairment losses incurred – financial assets	638	101
Write-down of inventories	527	430

R million	Reviewed 2016	Audited 2015
4. Impairment of property, plant and equipment		
Container leasing equipment		
Net impairment recognised during the reporting period	2 107	1 770
Impairment recognised in respect of containers on operating leases not recovered from defaulting customers	353	142
	2 460	1 912

A net impairment loss has been recognised for the year ended 31 December 2016, reducing the carrying value of container leasing equipment to its recoverable amount. For the purposes of calculating the impairment loss, the container fleets were grouped by ownership entity and then by cash-generating units ("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 amount of a CGU has been calculated based on its value in use. The pre-tax discount rates used to discount the future estimated cash flows were 4,3% (2015: 4,8%) and 5,1% (2015: 5,7%) for Textainer and TAC, respectively. Projected future cash flows were estimated using the assumptions that are part of the long-term planning forecasts of the entities concerned. These projected future cash flow assumptions have weakened during the period as a result of a further decline in market conditions. Some of the significant estimates and assumptions used to determine future estimated cash flows were: estimated future lease rates, estimated utilisation, remaining useful lives, remaining on-hire periods for expired fixed-term leases, estimated future lease rates, direct container expenses and estimated 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. **Impairment of property, plant and equipment** (continued)

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

	Reviewed 2016		Audited 2015	
Container type R million	**Recoverable amount**	**Impairment**	Recoverable amount	Impairment
20' Flatrack	**205**	**11**	10	1
20' Dry freight	**15 462**	**503**	19 332	102
20' Refrigerated	**261**	**2**	242	9
40' Hi cube	**18 974**	**1 363**	23 139	1 507
40' Dry freight	**2 563**	**(9)**	3 242	111
40' Refrigerated	**11 166**	**234**	10 778	40
45' Hi cube	**12**	**3**	–	–
	48 643	**2 107**	56 743	1 770

	Reviewed 2016	Audited 2015
5. Net finance expenses		
Finance expenses	**1 451**	1 199
Interest expense – Textainer	**1 189**	922
Interest expense – TAC	**217**	103
Realised and unrealised losses on derivative financial instruments	**45**	174
Finance income		
Interest income – cash and cash equivalents	**(57)**	(23)
	1 394	1 176
6. Headline (loss)/earnings		
Loss attributable to equity holders of the company	**(1 743)**	(146)
Impairment of property, plant and equipment	**2 460**	1 912
Compensation receivable from third party in respect of impairment of property, plant and equipment	**(289)**	(98)
Available-for-sale financial asset – reclassification from other comprehensive (loss)/income	**(33)**	–
Total tax effects of adjustments	**(31)**	(24)
Total non-controlling interests' share of adjustments	**(1 135)**	(736)
Headline (loss)/earnings	**(771)**	908
Weighted average number of shares in issue (million)	**177,1**	177,1
Headline (loss)/earnings per share (cents)	**(435,1)**	512,6
Diluted headline (loss)/earnings per share (cents)	**(435,1)**	512,6
Adjusted headline (loss)/earnings:		
Headline (loss)/earnings (as above)	**(771)**	908
Net unrealised foreign exchange gains on translation of long-term receivables	**–**	(171)
Total tax effects of adjustments	**–**	48
Adjusted headline (loss)/earnings	**(771)**	785
Undiluted adjusted headline (loss)/earnings per share (cents)	**(435,1)**	443,3
Diluted adjusted headline (loss)/earnings per share (cents)	**(435,1)**	443,3
7. Segmental reporting		
Revenue		
Reportable segments		
Containers – finance (including exchange differences)	**(86)**	288
Containers – owning, leasing, management and trading	**9 459**	8 989
	9 373	9 277
Operating (loss)/profit before net finance expenses		
Reportable segments		
Containers – finance	**240**	200
Containers – owning, leasing, management and trading	**(2 523)**	1 004
	(2 283)	1 204
Unallocated	**(74)**	(33)
	(2 357)	1 171

R million	Reviewed 2016	Audited 2015
(Loss)/Profit before tax		
Reportable segments		
Containers – finance	**240**	200
Containers – owning, leasing, management and trading	**(3 975)**	(185)
	(3 735)	15
Unallocated	**(22)**	(11)
	(3 757)	4
Assets		
Capital expenditure incurred by the container owning, leasing, management and trading segment	**7 210**	6 095

	Reviewed 2016		Audited 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
8. Financial instruments				
The carrying amounts and fair values of financial assets and financial liabilities are as follows:				
Assets				
Equity securities – available for sale				
Other investments	**–**	**–**	45	45
Designated at fair value through profit or loss				
Long-term receivables	**–**	**–**	640	640
Held for trading				
Derivative financial instruments	**63**	**63**	10	10
Loans and receivables				
Restricted cash	**737**	**737**	450	450
Trade and other receivables	**1 731**	**1 731**	1 793	1 793
Cash and cash equivalents	**2 837**	**2 837**	4 241	4 241
Other				
Net investment in finance leases	**1 450**	**1 451**	2 223	2 203
	6 818	**6 819**	9 402	9 382
Liabilities				
Liabilities at amortised cost				
Interest-bearing borrowings (excluding debt issuance costs)	**41 926**	**41 300**	47 935	47 711
Trade and other payables	**719**	**719**	1 170	1 170
Designated at fair value through profit or loss				
Amounts attributable to third parties in respect of long-term receivables	**65**	**65**	85	85
Held for trading				
Derivative financial instruments	**17**	**17**	40	40
	42 727	**42 101**	49 230	49 006

9. **Change in estimate**

Residual values of the container fleets were reassessed at 30 June 2016 and at 31 December 2016. The useful lives of certain container types have also been extended at 30 June 2016. In accordance with IAS 16 *Property, Plant and Equipment* residual values are the estimated amounts that the 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 2016 is an increase of R663 million in the depreciation charge for the remainder of the year over what it would have been had the residual values and useful lives not been revised. The reassessment of residual values at 31 December 2016 will result in an estimated reduction in depreciation in 2017 of R355 million over what it would have been had the residual values not been revised. This estimate presumes no material changes to the composition of the container fleets and no significant changes for the next year to market factors prevailing at 31 December 2016. Changes in these factors will influence the depreciation that may be charged in future periods.

10. **Events after the reporting period**

On 21 December 2016, Textainer entered into amendments for certain of its secured debt, credit and term loan facilities, whereby the testing of certain covenants was delayed until 28 February 2017. At 31 December 2016, Textainer did not have the unconditional right to defer settlement of R33,8 billion of interest-bearing borrowings beyond 31 December 2017, which resulted in these borrowings being recorded as current liabilities in accordance with IFRS. Under US GAAP these amounts due after 31 December 2017 under the facilities are not recorded as current liabilities, as is the case under IFRS. Subsequently, on 27 February 2017, Textainer entered into amendments of these facilities, which resulted in various changes to the related covenants and an increase in the interest margin of 0,55% for the secured debt facilities and to a range of between 1,5% and 2,5% for the revolving credit and term loan facilities with effect from that date. An assessment has not yet been made as to whether these amendments represent substantial modifications of the terms of these interest-bearing borrowings in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

As a result these amendments, R31,9 billion of interest-bearing borrowings, which are reflected as current liabilities at 31 December 2016, will become due after 31 December 2017.

In addition, Textainer prepaid certain debt facilities with a total aggregate principal balance of more than R5,8 billion on 20 April 2017 and funded the repayment with proceeds from a new debt facility arranged with several financial institutions.

In order to provide a better appreciation of the results of the group's activities, a condensed consolidated income statement and a condensed consolidated statement of financial position are also presented in US dollars, as virtually all of the group's consolidated revenue and assets and much of its expenditure are denominated in that currency. The unreviewed amounts stated in US dollars have been prepared by management and have been calculated by translating the assets and liabilities at the period-end rate of exchange, income statement items at the average rate of exchange with the difference allocated to the foreign currency translation reserve included in equity.

UNREVIEWED CONDENSED CONSOLIDATED INCOME STATEMENT IN US DOLLARS

for the year ended 31 December 2016

US$ million		**Unreviewed 2016**	Unreviewed 2015
Revenue		**641,8**	707,5
Trading (loss)/profit before items listed below:		**(32,2)**	217,7
Realised and unrealised exchange (losses)/gains on translation of long-term receivables, excluding fair value adjustment		**(0,9)**	1,5
Fair value adjustment on net long-term receivables		**22,1**	2,4
Impairment of property, plant and equipment		**(178,9)**	(125,2)
Available-for-sale financial asset – reclassification from other comprehensive income		**2,1**	–
Compensation receivable from third party in respect of impairment of property, plant and equipment		**19,4**	7,7
Operating (loss)/profit before net finance expenses		**(168,4)**	104,1
Net finance expenses		**(95,1)**	(92,1)
Finance expenses	Interest expense	**(95,9)**	(80,4)
	Realised and unrealised losses on derivative financial instruments	**(3,1)**	(13,6)
Finance income	Interest income	**3,9**	1,9
Share of (loss)/profit of equity accounted investee (net of tax)		**(0,4)**	0,7
(Loss)/Profit before tax		**(263,9)**	12,7
Income tax expense		**0,2**	1,9
(Loss)/Profit for the year		**(264,1)**	10,8
Attributable to:			
Equity holders of the company		**(122,0)**	(6,3)
Non-controlling interests		**(142,1)**	17,1
		(264,1)	10,8
Number of shares in issue (million)		**177,1**	177,1
Weighted average number of shares in issue (million)		**177,1**	177,1
Loss per share (US cents)		**(68,9)**	(3,6)
Diluted loss per share (US cents)		**(68,9)**	(3,6)
Headline (loss)/earnings per share (US cents)		**(28,5)**	35,0
Diluted headline (loss)/earnings per share (US cents)		**(28,5)**	35,0
Adjusted headline (loss)/earnings per share (US cents)		**(28,3)**	34,2
Diluted adjusted headline (loss)/earnings per share (US cents)		**(28,3)**	34,2
Year-end rate of exchange: SA rand to US dollar		**13,58**	15,53
Average rate of exchange for the year: SA rand to US dollar		**14,72**	12,75
Trading (loss)/profit from operations comprises:			
Textainer and TAC		**(23,4)**	221,0
Other		**(8,8)**	(3,3)
		(32,2)	217,7

UNREVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN US DOLLARS

at 31 December 2016

US$ million	**Unreviewed 2016**	Unreviewed 2015
ASSETS		
Property, plant and equipment	**3 612,7**	3 840,1
Long-term receivables	**–**	36,0
Other non-current assets	**168,5**	165,3
Total non-current assets	**3 781,2**	4 041,4
Total current assets	**425,0**	504,1
Inventories	**31,9**	49,3
Trade and other receivables	**149,8**	124,3
Current portion of long-term receivables	**–**	8,6
Current portion of net investment in finance leases	**34,4**	48,8
Cash and cash equivalents	**208,9**	273,1
Total assets	**4 206,2**	4 545,5
EQUITY		
Equity attributable to equity holders of the company	**603,7**	758,6
Non-controlling interests	**457,8**	610,4
Total equity	**1 061,5**	1 369,0
LIABILITIES		
Interest-bearing borrowings	**361,8**	2 962,4
Amounts attributable to third parties in respect of long-term receivables	**–**	4,5
Derivative financial instruments	**1,2**	2,6
Deferred revenue	**2,3**	2,5
Deferred tax liabilities	**4,8**	17,5
Total non-current liabilities	**370,1**	2 989,5
Total current liabilities	**2 774,6**	187,0
Trade and other payables	**52,9**	75,3
Current tax liabilities	**10,0**	9,3
Current portion of amounts attributable to third parties in respect of long-term receivables	**4,8**	0,9
Current portion of interest-bearing borrowings	**2 706,6**	101,2
Current portion of deferred revenue	**0,3**	0,3
Total liabilities	**3 144,7**	3 176,5
Total equity and liabilities	**4 206,2**	4 545,5
Ratio to total equity:		
Total liabilities (%)	**296,2**	232,1
Interest-bearing borrowings (%)	**289,0**	223,8