Reviewed Condensed Consolidated Financial Statements

for the year ended 31 December 2017 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 increased from a R468 million loss in 2016 to a profit of R2 100 million. This mainly reflects a stronger performance by Textainer Group Holdings Limited ("Textainer") (NYSE: TGH) and TAC Limited ("TAC") due to improved business performance in stronger trading conditions.
- Headline earnings per share were 117 cents (2016: headline loss per share 435 cents).
- The year-end SA rand to US dollar exchange rate was R12,37 (2016: R13,58). The average SA rand to US dollar exchange rate for the year was R13,29 (2016: R14,72).
- Based on the relevant spot exchange rates and the listed share prices of Textainer, the net asset values ("NAV") of Trencor at the dates below were as follows:

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

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

TEXTAINER: 47,78% beneficiary interest at 31 December 2017 (2016: 48,04%)

US GAAP results

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

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.

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.

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, 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 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 financial impact of the VLD and of the consequential deconsolidation of Textainer in terms of IFRS is set out in note 10.

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 of R2 579 million on deconsolidation of Textainer will be excluded from headline earnings and has no tax consequences.

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. Halco is 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.

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.

DECLARATION OF CASH DIVIDEND

The board has declared a final gross cash dividend (number 105) of 50 cents per share out of distributable reserves in respect of the year ended 31 December 2017.

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

Last day to trade *cum* the dividend	Tuesday, 12 June 2018
Trading commences *ex* the dividend	Wednesday, 13 June 2018
Record date	Friday, 15 June 2018
Payment date	Monday, 18 June 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 June 2018 and Friday, 15 June 2018, 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).

Directors: David Nurek (Chairman), Jimmy McQueen, Eddy Oblowitz, Ric Sieni* (Financial), Roddy Sparks, Hennie van der Merwe* (CEO), Herman Wessels (*Executive)
Secretaries: Trencor Services Proprietary Limited
Registered office: 13th Floor, The Towers South, Heerengracht, Cape Town 8001
Transfer Secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107)
Sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)

PREPARATION OF FINANCIAL STATEMENTS

These condensed consolidated financial statements have been prepared by management under the supervision of the financial director, Ric Sieni CA(SA). The directors take full responsibility for the preparation of the financial statements.

REVIEW REPORT

The condensed consolidated financial statements, which comprise of the statement of financial position at 31 December 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to such financial statements, have been reviewed by Trencor's independent auditors, 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 AND COMMITTEES

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, Hennie van der Merwe and Ric Sieni were appointed to the risk committee.

On behalf of the board

David Nurek
Chairman

22 May 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

R million	Reviewed 2017	Audited 2016
ASSETS		
Property, plant and equipment	44 793	49 060
Intangible assets and goodwill	282	367
Investment in equity accounted investee	114	121
Net investment in finance leases	496	983
Derivative financial instruments	100	63
Deferred tax assets	19	18
Restricted cash	1 105	737
Total non-current assets	46 909	51 349
Inventories	403	434
Trade and other receivables	1 440	2 017
Current portion of net investment in finance leases	427	467
Current tax asset	–	18
Cash and cash equivalents	3 134	2 837
Total current assets	5 404	5 773
Total assets	52 313	57 122
EQUITY		
Share capital and premium	44	44
Reserves	7 004	8 155
Total equity attributable to equity holders of the company	7 048	8 199
Non-controlling interests	5 387	6 218
Total equity	12 435	14 417
LIABILITIES		
Interest-bearing borrowings	35 008	4 913
Derivative financial instruments	–	17
Deferred revenue	25	30
Deferred tax liabilities	28	66
Total non-current liabilities	35 061	5 026
Trade and other payables	2 080	719
Current tax liabilities	123	136
Current portion of interest-bearing borrowings	2 611	36 755
Current portion of amounts attributable to third parties in respect of long-term receivables	–	65
Current portion of deferred revenue	3	4
Total current liabilities	4 817	37 679
Total liabilities	39 878	42 705
Total equity and liabilities	52 313	57 122
Capital expenditure incurred during the year	5 750	7 210
Capital expenditure committed and authorised, but not yet incurred	2 365	–
Ratio to total equity:		
Total liabilities (%)	320,7	296,2
Interest-bearing borrowings (%)	302,5	289,0

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

R million	Reviewed 2017	Audited 2016
Revenue (note 2)	8 344	9 373
Trading profit/(loss)	2 100	(468)
Realised and unrealised exchange losses on translation of long-term receivables, excluding fair value adjustment	–	(89)
Fair value adjustment on net long-term receivables	–	338
Impairment of property, plant and equipment (note 4)	(1 098)	(2 460)
Available-for-sale financial asset – reclassification from other comprehensive loss	–	33
Compensation receivable from third party in respect of impairment of property, plant and equipment	–	289
Operating profit/(loss) before net finance expenses (note 3)	1 002	(2 357)
Net finance expenses (note 5)	(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 Interest income	68	57
Share of profit/(loss) of equity accounted investee (net of tax)	4	(6)
Loss before tax	(580)	(3 757)
Income tax expense/(credit)	30	(11)
Loss for the year	(610)	(3 746)
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 for the year	(1 849)	(6 151)
Total comprehensive loss for the year attributable to:		
Equity holders of the company	(983)	(3 055)
Non-controlling interests	(866)	(3 096)
	(1 849)	(6 151)
Loss for the year attributable to:		
Equity holders of the company	(321)	(1 743)
Non-controlling interests	(289)	(2 003)
	(610)	(3 746)
Basic Loss per share (cents)	(181,5)	(984,4)
Diluted loss per share (cents)	(181,5)	(984,4)
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	12,37	13,58
Average rate of exchange for the year: SA rand to US dollar	13,29	14,72

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

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
	Equity holders of the company									
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										
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
Total comprehensive loss for the year										
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(321)**	**(321)**	**(289)**	**(610)**
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										
Share-based payments	**–**	**–**	**–**	**–**	**31**	**–**	**–**	**31**	**34**	**65**
Share options exercised	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**13**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(177)**	**(177)**	**(34)**	**(211)**
Total contributions by/(distributions to) owners	**–**	**–**	**–**	**–**	**31**	**–**	**(177)**	**(146)**	**13**	**(133)**
Changes in ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**(22)**	**–**	**(22)**	**22**	**–**
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**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

R million	**Reviewed 2017**	Restated 2016
Cash flows from operating activities		
Cash generated from operations	**6 920**	7 479
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 equity holders of the company	**(177)**	(531)
Dividends paid to non-controlling interests	**(34)**	(231)
Income tax paid	**(62)**	(205)
Net cash inflow/(outflow) from operating activities	**1 617**	(461)
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 (note 11)	**(23 244)**	(8 681)
Interest-bearing borrowings raised (note 11)	**22 988**	8 574
Debt issuance costs incurred	**(393)**	(88)
Proceeds on issue of shares by subsidiary	**13**	–
Net cash outflow from financing activities	**(636)**	(195)
Net increase/(decrease) in cash and cash equivalents before exchange rate fluctuations	**501**	(1 014)
Cash and cash equivalents at the beginning of the period	**2 837**	4 241
Effects of exchange rate fluctuations on cash and cash equivalents	**(204)**	(390)
Cash and cash equivalents at the end of the year	**3 134**	2 837

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements 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 International Financial Reporting Standards ("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 statement.

	R million	Reviewed 2017	Audited 2016
2.	**Revenue**		
	Goods sold	**1 959**	2 202
	Leasing income	**6 224**	7 101
	Management fees	**161**	158
	Finance income	**–**	1
		8 344	9 462
	Realised and unrealised exchange differences	**–**	(89)
		8 344	9 373
3.	**Operating profit/(loss) before net finance expenses**		
	Other significant items which have been included in operating profit/(loss) before net finance expenses:		
	Depreciation	**3 048**	4 861
	Impairment loss incurred – financial assets	**15**	628
	(Write-up)/Write-down of inventories	**(14)**	527
4.	**Impairment of property, plant and equipment**		
	Container leasing equipment		
	Net impairment loss recognised	**1 209**	2 107
	Impairment (recovery)/loss in respect of containers on lease to defaulting customers	**(111)**	353
		1 098	2 460

A net impairment loss has been recognised for the year ended 31 December 2017, 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 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. These projected future cash flow assumptions have strengthened during the period as a result of further improvements 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.

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

R million	Reviewed 2017 Recoverable amount	Reviewed 2017 Impairment	Audited 2016 Recoverable amount	Audited 2016 Impairment
Container type				
20' Flatrack	**177**	**(2)**	205	11
20' Dry freight	**14 189**	**48**	15 462	503
20' Refrigerated	**204**	**23**	261	2
40' Hi cube	**17 613**	**16**	18 974	1 363
40' Dry freight	**1 902**	**(14)**	2 563	(9)
40' Refrigerated	**8 390**	**1 120**	11 166	234
45' Hi cube	**240**	**18**	325	3
	42 715	**1 209**	48 956	2 107

	R million	Reviewed 2017	Audited 2016
5.	**Net finance expenses**		
	Finance expenses	**1 654**	1 451
	Interest expense – Textainer	**1 616**	1 189
	Interest expense – TAC	**88**	217
	Realised and unrealised (gains)/losses on derivative financial instruments	**(50)**	45
	Finance income		
	Interest income – cash and cash equivalents	**(68)**	(57)
		1 586	1 394
6.	**Headline earnings/(loss)**		
	Loss attributable to equity holders of the company	**(321)**	(1 743)
	Impairment of property, plant and equipment	**1 098**	2 460
	Compensation receivable from third party in respect of impairment of property, plant and equipment	**–**	(289)
	Available-for-sale financial asset – reclassification from other comprehensive loss	**–**	(33)
	Total tax effects of adjustments	**(17)**	(31)
	Total non-controlling interests' share of adjustments	**(554)**	(1 135)
	Headline earnings/(loss)	**206**	(771)
	Weighted average number of shares in issue (million)	**177,1**	177,1
	Headline earnings/(loss) per share (cents)	**116,5**	(435,1)
	Diluted headline earnings/(loss) per share (cents)	**116,5**	(435,1)
7.	**Segmental reporting**		
	Revenue		
	Reportable segments		
	Containers – owning, leasing, management and trading	**8 344**	9 459
	Containers – finance (including foreign exchange differences)	**–**	(86)
		8 344	9 373
	Operating profit/(loss) before net finance expenses		
	Reportable segments		
	Containers – owning, leasing, management and trading	**1 191**	(2 523)
	Containers – finance	**(23)**	240
		1 168	(2 283)
	Unallocated	**(166)**	(74)
		1 002	(2 357)
	Loss before tax		
	Reportable segments		
	Containers – owning, leasing, management and trading	**(451)**	(3 975)
	Containers – finance	**(23)**	240
		(474)	(3 735)
	Unallocated	**(106)**	(22)
		(580)	(3 757)
	Assets		
	Capital expenditure incurred by the container owning, leasing, management and trading segment	**5 750**	7 210

	R million	Reviewed 2017 Carrying amount	Reviewed 2017 Fair Value	Audited 2016 Carrying amount	Audited 2016 Fair Value
8.	**Financial instruments**				
	The carrying amounts and fair values of financial assets and financial liabilities are as follows:				
	Assets				
	Held for trading				
	Derivative financial instruments	**100**	**100**	63	63
	Loans and receivables				
	Restricted cash	**1 105**	**1 105**	737	737
	Trade and other receivables	**1 283**	**1 283**	1 731	1 731
	Cash and cash equivalents	**3 134**	**3 134**	2 837	2 837
	Other				
	Net investment in finance leases	**923**	**938**	1 450	1 451
		6 545	**6 560**	6 818	6 819
	Liabilities				
	Liabilities at amortised cost				
	Interest-bearing borrowings (excluding debt issuance costs)	**37 952**	**38 013**	41 926	41 300
	Trade and other payables	**2 080**	**2 080**	719	719
	Designated at fair value through profit or loss				
	Amounts attributable to third parties in respect of long-term receivables	**–**	**–**	65	65
	Held for trading				
	Derivative financial instruments	**–**	**–**	17	17
		40 032	**40 093**	42 727	42 101

9. 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 on the depreciation charge in 2018 is not considered to be significant given that the results of Textainer will no longer be consolidated.

10. 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, 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:

R million	
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. Halco is 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.

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.

11. Restatement of the condensed 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.

R million	Amount previously reported	Change	Restated amount
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

In order to provide a better appreciation of the results of the group's operations, 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 2017

US$ million	Unreviewed 2017	Unreviewed 2016
Revenue	627.8	641.8
Trading profit/(loss)	158,0	(32,2)
Realised and unrealised exchange losses on translation of long-term receivables, excluding fair value adjustment	(0,2)	(0,9)
Fair value adjustment on net long-term receivables	–	22,1
Impairment of property, plant and equipment	(89,4)	(178,9)
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
Operating profit/(loss) before net finance expenses	68,4	(168,4)
Net finance expenses	(119,3)	(95,1)
Finance expenses Interest expense	(128,2)	(95,9)
Realised and unrealised gains/(losses) on derivative financial instruments	3,8	(3,1)
Finance income Interest income	5,1	3,9
Share of profit/(loss) of equity accounted investee (net of tax)	0,3	(0,4)
Loss before tax	(50,6)	(263,9)
Income tax expense	2,1	0,2
Loss for the year	(52,7)	(264,1)
Attributable to:		
Equity holders of the company	(27,5)	(122,0)
Non-controlling interests	(25,2)	(142,1)
	(52,7)	(264,1)
Loss per share (US cents)	(15,5)	(68,9)
Diluted loss per share (US cents)	(15,5)	(68,9)
Headline earnings/(loss) per share (US cents)	8,7	(28,5)
Diluted headline earnings/(loss) per share (US cents)	8,7	(28,5)
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	12,37	13,58
Average rate of exchange for the year: SA rand to US dollar	13,29	14,72
Trading profit/(loss) from operations comprises:		
Textainer and TAC	172,3	(23,4)
Other	(14,3)	(8,8)
	158,0	(32,2)

UNREVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN US DOLLARS

at 31 December 2017

US$ million	Unreviewed 2017	Unreviewed 2016
ASSETS		
Property, plant and equipment	3 621,1	3 612,7
Other non-current assets	171,0	168,5
Total non-current assets	3 792,1	3 781,2
Total current assets	437,0	425,0
Inventories	32,6	31,9
Trade and other receivables	116,5	149,8
Current portion of net investment in finance leases	34,5	34,4
Cash and cash equivalents	253,4	208,9
Total assets	4 229,1	4 206,2
EQUITY		
Equity attributable to equity holders of the company	569,9	603,7
Non-controlling interests	435,5	457,8
Total equity	1 005,4	1 061,5
LIABILITIES		
Interest-bearing borrowings	2 830,1	361,8
Derivative financial instruments	–	1,2
Deferred revenue	2,0	2,3
Deferred tax liabilities	2,2	4,8
Total non-current liabilities	2 834,3	370,1
Total current liabilities	389,4	2 774,6
Trade and other payables	168,1	52,9
Current tax liabilities	10,0	10,0
Current portion of amounts attributable to third parties in respect of long-term receivables	–	4,8
Current portion of interest-bearing borrowings	211,1	2 706,6
Current portion of deferred revenue	0,2	0,3
Total liabilities	3 223,7	3 144,7
Total equity and liabilities	4 229,1	4 206,2
Ratio to total equity:		
Total liabilities (%)	320,7	296,2
Interest-bearing borrowings (%)	302,5	289,0