

# Notes to the Financial Statements

for the year ended 31 December 2018

## 1. Reporting entity

Trencor Limited (“Trencor” or “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 2018 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* 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 approved by the board of directors on 30 April 2019.

### 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:

- investment in equity shares is measured at fair value; and
- derivative financial instruments 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

The group has adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from 1 January 2018.

2.5.1 IFRS 15 did not have an impact on the group as services are delivered daily or monthly (i.e. time basis) and consequently revenue has also been recognised on this basis in terms of IAS 18, in prior years. This treatment is in line with IFRS 15 requirements. There was no impact on retained income at 1 January 2018. Refer to note 3.9 for additional information about the group’s accounting policies with respect to revenue.

### 2.5.2 IFRS 9

#### *Classification and measurement*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 *Financial Instruments: Recognition and Measurement* categories of held to maturity, loans and receivables and available for sale.

The existing requirements in IAS 39 for classification and measurement of financial liabilities are largely retained.

The adoption of IFRS 9 has not had a significant effect on the group’s accounting policies related to financial liabilities and derivative financial instruments.

Refer to note 3.3 for an explanation of how the group classifies and measures and accounts for related gains and losses under IFRS 9.

#### *Impairment losses of financial assets*

The impact of IFRS 9 on the financial statements is not material as the expected credit loss model did not result in a significantly different provision when compared to the provision raised for the year ended 31 December 2017, accordingly no additional impairment loss was recognised at 1 January 2018. This assessment was based on the group’s historical low levels of credit losses.

## 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 except for IFRS 15 and IFRS 9.

**3. Significant accounting policies** (continued)**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 17). 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 17).

**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

##### *Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### *Classification and subsequent measurement*

##### *Financial assets – Classification policy from 1 January 2018*

On initial recognition a financial asset is classified as measured at:

- amortised cost; or
- FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held with a business model with the objective of collecting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets.

Non-derivative financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

##### *Financial assets – Subsequent measurement policy from 1 January 2018*

##### *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

##### *Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss.

##### *Financial assets – Classification of financial assets:*

##### *Policy applicable from 1 January 2018*

The following information is considered by the group in determining the classification of financial assets:

- The group's business model for managing financial assets; and
- The contractual cash flow characteristics of the financial assets.

The business model assessment of the financial assets is based on the group's strategy and rationale for holding the financial assets. When considering the strategy, the following is considered:

- whether the financial assets are held to collect contractual cash flows;
- whether the financial assets are held for sale; or
- whether the financial assets are held for both collecting contractual cash flows and to be sold.

##### *Financial assets – Assessment of contractual cash flows: Policy applicable from 1 January 2018*

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

**3. Significant accounting policies** (continued)**3.3 Financial instruments (continued)****3.3.1 Non-derivative financial instruments (continued)***Financial assets – Classification policy before 1 January 2018*

The group classified its financial assets into one of the following categories:

- loans and receivables; and
- at FVTPL, and within this category as either held for trading or designated as at FVTPL.

*Financial assets – Subsequent measurement policy before 1 January 2018*

Loans and receivables were measured at amortised cost using the effective interest method.

Financial assets at FVTPL were measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

*Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. If it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Debt issuance costs are capitalised and amortised over the term of the debt as required by application of the effective interest method.

**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 which is deemed to be fair value as they have a short-term maturity.

**Investment in equity shares**

The investment in equity shares comprises listed share and is designated at FVTPL and is accounted for at fair value, with fair value adjustments subsequent to initial recognition recognised in profit or loss. The fair value of listed investments is based on quoted bid prices. Profit or loss realised when the investment is sold is recognised in profit or loss.

**Trade receivables**

Trade receivables are carried at amortised cost less expected credit losses using the group's business model for managing its financial assets.

**Trade and other payables**

Trade payables are recognised at amortised cost using the effective interest method.

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, where applicable, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Interest payable on borrowings is recognised in as finance expense in profit or loss over the term of the borrowings using the effective interest method. Transaction costs are capitalised and amortised over the term of the debt as required by application of the effective interest method.

Cash flows from interest paid are classified under operating activities in the statement of cash flows.

**3.3.2 Derivative financial instruments**

The group may from time to time establish currency and/or interest rate financial instruments to protect underlying cash flows. Derivative financial instruments are initially recognised at fair value and subsequently remeasured to their fair value with changes therein 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 3.8.3). 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 IFRS 15 *Revenue* (refer to note 3.9.2) 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       |
| 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).

**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.

**3.6 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. Significant accounting policies** (continued)**3.8 Impairment****3.8.1 Financial assets (Policy applied from 1 January 2018)**

The group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward-looking information. The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). At each reporting date, the group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**3.8.2 Financial assets (Policy applied before 1 January 2018)**

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 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.

**3.8.3 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 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

The group generates revenue primarily from the leasing and sale of marine cargo containers. Other sources of revenue include dividends received from the investment in equity shares.

#### 3.9.1 Leasing income

Leasing income represents the net amount receivable from equipment managers in relation to the lease of the group's container leasing equipment to various international shipping lines. The net amount receivable is made up of the revenues distributed by the equipment managers less the direct expenses incurred and management fees charged by the managers.

The management agreements convey to the equipment managers the right to control the managed fleet, therefore meeting the definition of a lease. The management agreements are accordingly deemed to be leases between the group entity and its equipment managers.

Revenue earned by the equipment managers is recorded when earned according to the terms of the container rental contracts usually based on a *per diem* daily rate. The majority of the containers are on long-term operating leases between the equipment managers and the shipping lines, which are typically for five or more years.

Some of the containers are on finance leases between the equipment managers and the shipping lines. Under the agreements between the group entity and the equipment managers, the group entity is entitled to the rental payable in the leases between the equipment

managers and the shipping lines, less direct container expenses incurred and management fees charged by the managers. The finance leases are treated as operating leases.

#### 3.9.2 Goods sold

The equipment managers are responsible for the sale of containers when they reach the end of their useful lives or when it is financially viable to do so. Revenue from the sale of marine cargo containers, is measured at the fair value of the consideration received or receivable, less direct costs and management fees charged by the managers.

Revenue is recognised following the transfer of control of the containers to the customers, which typically occurs upon delivery to, or pick-up by, the customers and payment is assured.

#### 3.9.3 Revenue recognition prior to the deconsolidation of Textainer

*Container equipment owned and managed by group entities.*

Leasing income arises principally from the renting of containers to various international shipping lines under operating and finance leases. Total fleet lease rental income includes the entire rental income collected from the lessee including rental income for the managed fleet as the management agreements with the owners convey to the group entity the right to control the use of the managed containers.

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.

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.

**3. Significant accounting policies** (continued)**3.9 Revenue** (continued)**3.9.3 Revenue recognition prior to the deconsolidation of Textainer** (continued)

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.

**3.9.4 Management fees**

Management fees are earned for the acquisition of containers under management and are earned under management agreements on an as-earned basis. Fees are calculated as a fixed percentage of the cost of the managed containers purchased.

**3.9.5 Dividend income and capital distributions from trust**

In the case of the company, revenue comprises dividend income and capital 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 3.9.3), 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 a group entity has 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 2019, 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 2019:*

#### *IFRS 16 Leases*

IFRS 16 was published in January 2016. IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard.

The group has completed an initial assessment of the potential impact of IFRS 16 on its consolidated financial statements, but has not yet completed its detailed assessment. Thus far, the most significant impact identified is that the group will recognise a new asset and liability in respect of the operating lease of Trencor's Cape Town Head Office premises. As at 31 December 2018, the group's future minimum lease payments under non-cancellable operating leases amounted to R4 million, on an undiscounted basis. In addition, the nature of expenses related to those leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use asset and interest expense on the lease liability. The group has no finance leases.

| Group                           |   |                                 |                          |             |
|---------------------------------|---|---------------------------------|--------------------------|-------------|
| Leasehold<br>improvements<br>Rm | Container<br>leasing<br>equipment<br>Rm | Plant<br>and<br>machinery<br>Rm | Other<br>equipment<br>Rm | Total<br>Rm |

#### 4. Property, plant and equipment

##### Cost

##### 2017

|  |     |         |      |      |         |
|--|-----|---------|------|------|---------|
| Balance at the beginning of the year               | 28  | 67 411  | 15   | 146  | 67 600  |
| 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 |
|--------------------------------|----|--------|---|-----|--------|

##### 2018

|                                       |     |       |     |   |       |
|---------------------------------------|-----|-------|-----|---|-------|
| Additions                             | –   | 399   | –   | – | 399   |
| Effect of movements in exchange rates | –   | 553   | –   | – | 553   |
| Transfer to container inventory       | –   | (498) | –   | – | (498) |
| Disposals                             | (6) | –     | (2) | – | (8)   |

|   |      |          |   |       |          |
|---|------|----------|---|-------|----------|
| Derecognised on deconsolidation of subsidiary (refer to note 7) | (21) | (60 923) | – | (136) | (61 080) |
|---|------|----------|---|-------|----------|

|                                |   |       |   |   |       |
|--------------------------------|---|-------|---|---|-------|
| Balance at the end of the year | – | 3 897 | – | 6 | 3 903 |
|--------------------------------|---|-------|---|---|-------|

##### Accumulated depreciation and impairment losses

##### 2017

|  |     |         |      |      |         |
|--|-----|---------|------|------|---------|
| Balance at the beginning of the year               | 20  | 18 387  | 11   | 122  | 18 540  |
| 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 |
|--------------------------------|----|--------|---|-----|--------|

##### 2018

|                                       |     |       |     |   |       |
|---------------------------------------|-----|-------|-----|---|-------|
| Depreciation for the year             | –   | 103   | –   | – | 103   |
| Effect of movements in exchange rates | –   | 119   | –   | – | 119   |
| Impairment loss for the year          | –   | 108   | –   | – | 108   |
| Transfer to container inventory       | –   | (384) | –   | – | (384) |
| Disposals                             | (1) | –     | (1) | – | (2)   |

|   |      |          |   |       |          |
|---|------|----------|---|-------|----------|
| Derecognised on deconsolidation of subsidiary (refer to note 7) | (18) | (18 712) | – | (113) | (18 843) |
|---|------|----------|---|-------|----------|

|                                |   |     |   |   |     |
|--------------------------------|---|-----|---|---|-----|
| Balance at the end of the year | – | 839 | – | 6 | 845 |
|--------------------------------|---|-----|---|---|-----|

##### Carrying amounts:

|                     |   |        |   |    |        |
|---------------------|---|--------|---|----|--------|
| At 1 January 2017   | 8 | 49 024 | 4 | 24 | 49 060 |
| At 31 December 2017 | 8 | 44 761 | 1 | 23 | 44 793 |
| At 31 December 2018 | – | 3 058  | – | –  | 3 058  |

Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 18):

|                     |   |        |   |   |        |
|---------------------|---|--------|---|---|--------|
| At 31 December 2017 | – | 44 761 | – | – | 44 761 |
| At 31 December 2018 | – | 2 984  | – | – | 2 984  |

|   | Group      |              |
|---|------------|--------------|
|   | 2018<br>Rm | 2017<br>Rm   |
| 4.1 Container leasing equipment impairment  |            |              |
| Impairment recognised at end of the year  | 107        | 1 209        |
| Impairment recognised in respect of containers on operating leases not recovered from defaulting customers        | 4          | 33           |
| Reversal of impairment provided on containers on operating leases with defaulting customers                       | (3)        | (109)        |
| Impairment prior to reversal of compensation from third parties   | 108        | 1 133        |
| Reversal of compensation from third party in respect of additional containers recovered from defaulting customers | –          | 89           |
|   | <b>108</b> | <b>1 222</b> |

For the purposes of calculating the impairment loss, the container fleets were grouped 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 amounts and impairment amounts of the CGUs which were impaired are as follows:

| Container type   | Group                       |                  |                             |                  |
|--|-----------------------------|------------------|-----------------------------|------------------|
|  | 2018                        |                  | 2017                        |                  |
|  | Recoverable<br>amount<br>Rm | Impairment<br>Rm | Recoverable<br>amount<br>Rm | Impairment<br>Rm |
| Non-refrigerated containers other than open top and flatrack containers: |                             |                  |                             |                  |
| 20' Dry freight  | 1 125                       | 44               | 14 189                      | 48               |
| 40' Hi cube  | 1 435                       | 63               | 17 613                      | 16               |
| 40' Dry freight  | –                           | –                | 1 902                       | (14)             |
| 45' Hi cube  | 12                          | (2)              | 240                         | 18               |
| Refrigerated containers:   |                             |                  |                             |                  |
| 20' Refrigerated   | –                           | –                | 204                         | 23               |
| 40' Refrigerated   | 169                         | 1                | 8 390                       | 1 120            |
| Open top and flatrack containers:  |                             |                  |                             |                  |
| 20' Flatrack   | 10                          | 1                | 177                         | (2)              |
|  | <b>2 751</b>                | <b>107</b>       | <b>42 715</b>               | <b>1 209</b>     |

The recoverable amount of a CGU has been calculated based on its value in use. The discount rate used to discount the future estimated cash flows of TAC Limited (“TAC”) was 7,44% (2017: 7,66%).

Projected future cash flows were estimated using the assumptions that are part of the long-term planning forecasts of TAC. These projected future cash flow assumptions are determined with reference to current market conditions. 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 For capital commitments in respect of property, plant and equipment refer to note 26.

**5. Intangible assets and goodwill****Cost****2017**

|                                       |      |      |      |
|---------------------------------------|------|------|------|
| Balance at the beginning of the year  | 150  | 731  | 881  |
| Effect of movements in exchange rates | (13) | (65) | (78) |
| Balance at the end of the year        | 137  | 666  | 803  |

**2018**

|   |       |       |       |
|---|-------|-------|-------|
| Impairment of goodwill  | (137) | -     | (137) |
| Derecognised on deconsolidation of subsidiary (refer to note 7) | -     | (666) | (666) |
| Balance at the end of the year                                  | -     | -     | -     |

**Accumulated amortisation****2017**

|                                       |   |      |      |
|---------------------------------------|---|------|------|
| Balance at the beginning of the year  | - | 514  | 514  |
| Amortisation for the year             | - | 56   | 56   |
| Effect of movements in exchange rates | - | (49) | (49) |
| Balance at the end of the year        | - | 521  | 521  |

**2018**

|   |   |       |       |
|---|---|-------|-------|
| Derecognised on deconsolidation of subsidiary (refer to note 7) | - | (521) | (521) |
| Balance at the end of the year                                  | - | -     | -     |

**Carrying amounts:**

|                     |     |     |     |
|---------------------|-----|-----|-----|
| At 1 January 2017   | 150 | 217 | 367 |
| At 31 December 2017 | 137 | 145 | 282 |
| At 31 December 2018 | -   | -   | -   |

- 5.1 The amortisation charge in respect of intangible assets was recognised in other operating expenses in the statement of profit or loss and other comprehensive income in prior periods.
- 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, was allocated to the container owning, leasing, management and trading segment in line with synergies expected to be obtained from the business combination. As Textainer no longer forms part of the segment, the operational synergies expected from the combined segment are not likely to be obtained, therefore goodwill has been impaired during the current year.

**6. Investment in equity accounted investee**

The carrying amount and share of profit of Textainer's 25% investment in unlisted TW Container Leasing Limited consolidated at 31 December 2017 was as follows:

|  |   |       |
|--|---|-------|
| Carrying value of associate                      | - | 114   |
| Share of profit                                  | - | 4     |
| Extract from associate's statement of cash flow: |   |       |
| Cash inflow from operating activities            | - | 425   |
| Cash outflow from financing activities           | - | (340) |

| Group          |  |             |
|----------------|--|-------------|
| Goodwill<br>Rm | Container<br>management<br>contracts<br>Rm | Total<br>Rm |

| Group      |            |
|------------|------------|
| 2018<br>Rm | 2017<br>Rm |

|   | Company   |            |
|---|---|------------|
|   | 2018<br>Rm  | 2017<br>Rm |
| <b>7. Interest in subsidiaries</b>                |   |            |
| Ordinary shares at cost                           | 1 800   | 408        |
| Preference shares                                 | 1 013   | 1 013      |
| Investment in subsidiaries before impairment loss | 2 813   | 1 421      |
| Impairment loss                                   | (351)   | (351)      |
| Investment in subsidiaries                        | 2 462   | 1 070      |
| Amount due to subsidiary – long-term              | (862)   | (824)      |
|   | 1 600   | 246        |
| 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)   | 6 910 400  |

- 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:

|  | Company   |           |                          |
|--|-----------|-----------|--------------------------|
|  | 2018<br>% | 2017<br>% | Place of registration    |
| <b>Direct interests:</b>   |           |           |                          |
| TAC Limited (2017: indirect beneficiary interest under the Halco Trust) (refer to note 7.4.4)        | 100       | 100       | Bermuda                  |
| Trencor Services Proprietary Limited   | 100       | 100       | Republic of South Africa |
| Halco Holdings Inc (2017: indirect beneficiary interest, deregistered in 2018) (refer to note 7.4.3) | –         | 100       | British Virgin Islands   |
| <b>Indirect beneficiary interests (under the Halco Trust):</b>                                       |           |           |                          |
| Textainer Group Holdings Limited (refer to notes 7.4.1, 7.4.2, 7.4.4 and 7.4.5)                      | –         | 47,8      | Bermuda                  |

- 7.4.1 At 31 December 2017, Trencor had a 47,8% beneficiary interest in Textainer Group Holdings Limited ("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"), on 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.
- 7.4.2 Following the entering into of the VLD, 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 as Textainer is no longer considered to be a subsidiary for the purposes of IFRS 10 (refer to note 32.1). Textainer is now accounted for by Trencor as an investment in equity shares measured at fair value through profit or loss (refer to note 8). The results of Textainer were previously included in the segment Containers – owning, leasing, management and trading (refer to note 28).
- 7.4.3 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.

**7 Interest in subsidiaries** (continued)

7.4.4 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 then owned 47,8% of Textainer (refer to note 8) and 100% of TAC. Trencor elected to record the investment in TAC at the cost the investment was carried at in Halco.

|  | <b>Group</b>    |
|--|-----------------|
|  | <b>2018</b>     |
|  | <b>Rm</b>       |
| 7.4.5 Gain on deconsolidation of subsidiary  |                 |
| Upon entering into the VLD (refer to note 7.4.1) a gain on deconsolidation of Textainer as at 1 January 2018 was recorded: |                 |
| 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 (including cash and cash equivalents of R1 701 million)   | 3 832           |
| <b>Total assets</b>  | <b>48 025</b>   |
| Interest-bearing borrowings  | (33 180)        |
| Deferred tax liabilities   | (31)            |
| Deferred revenue   | (25)            |
| Current liabilities  | (4 726)         |
| <b>Total liabilities</b>   | <b>(37 962)</b> |
| Subsidiary net asset value   | 10 063          |
| Non-controlling interests  | (5 387)         |
| Subsidiary net asset value attributable to Trencor's equity holders  | 4 676           |
| Investment in equity shares at fair value through profit or loss (refer to note 8)   | 7 255           |
| Gain on deconsolidation of subsidiary before recycling accumulated foreign currency translation gains                      | 2 579           |
| Accumulated foreign currency translation gains transferred from other comprehensive income to profit or loss               | 3 188           |
| <b>Gain on deconsolidation of subsidiary</b>   | <b>5 767</b>    |

|  | <b>Group</b>   |             |
|--|--|-------------|
|  | <b>Ownership interests held by non-controlling interests (%)</b> |             |
|  | <b>2018</b>  | <b>2017</b> |
| 7.5 Non-controlling interests:         |  |             |
| Non-controlling interests in Textainer | –  | 52,2        |

|   | <b>Group</b>   |
|---|----------------|
|   | 2017           |
|   | Restated<br>Rm |
| 7.5 Non-controlling interests (continued)   |                |
| The following is the summarised financial information of Textainer for the year ended 31 December 2017, prepared in accordance with IFRS, modified for fair value adjustments on acquisition and before inter-company eliminations with other group entities. |                |
| Revenue   | 9 076          |
| Loss  | (522)          |
| Loss attributable to non-controlling interests*   | (289)          |
| Other comprehensive loss  | (1 048)        |
| Total comprehensive loss  | (1 570)        |
| Total comprehensive loss attributable to non-controlling interests*   | (866)          |
| Non-current assets  | 44 193         |
| Current assets  | 3 832          |
| Non-current liabilities   | (33 235)       |
| Current liabilities   | (4 726)        |
| Indirect non-controlling interest   | (285)          |
| Net assets  | 9 779          |
| Net assets attributable to non-controlling interests  | 5 102          |
| Cash inflow from operating activities   | 1 743          |
| Cash outflow from investing activities  | (480)          |
| Cash outflow from financing activities  | (551)          |
| Net increase in cash and cash equivalents   | 712            |
| Dividends paid to non-controlling interest during the year included in cash flow from operating activities  | 34             |

\* Including indirect non-controlling interest.

| <b>Group</b> |            | <b>Company</b> |            |
|--------------|------------|----------------|------------|
| 2018<br>Rm   | 2017<br>Rm | 2018<br>Rm     | 2017<br>Rm |

## 8. Investment in equity shares

Investment in Textainer measured at fair value through profit or loss

27 278 802 common shares listed on the New York Stock Exchange at US\$9,96 each, translated at US\$1=R14,39

|   |                |   |                |   |
|---|----------------|---|----------------|---|
|   | <b>3 910</b>   | – | <b>3 910</b>   | – |
| 8.1 Fair value adjustment of investment in equity shares:                   |                |   |                |   |
| Fair value at 31 December 2018  | <b>3 910</b>   | – | <b>3 910</b>   | – |
| Less: Fair value at 11 May 2018   |                |   | <b>5 477</b>   | – |
| Less: Fair value at 1 January 2018  | <b>7 255</b>   | – |                |   |
| Fair value adjustment of investment in equity shares                        | <b>(3 345)</b> | – | <b>(1 567)</b> | – |
| Fair value adjustment of investment in equity shares is made up as follows: |                |   |                |   |
| Decrease in fair value due to movement in share price                       | <b>(4 530)</b> | – | <b>(2 508)</b> | – |
| Increase in fair value due to movement in exchange rate                     | <b>1 185</b>   | – | <b>941</b>     | – |
|   | <b>(3 345)</b> | – | <b>(1 567)</b> | – |

**8. Investment in equity shares** (continued)

- 8.2 The investment in Textainer is now accounted for by the group as an investment in equity shares measured at fair value through profit or loss (refer to note 7).
- 8.3 The shares in Textainer were previously held by Halco. On 11 May 2018, Halco declared to Trencor, all of the shares it previously held in Textainer. As a result, Trencor then acquired 47,8% of Textainer and Trencor assumed the same contractual rights and obligations *vis-à-vis* Textainer as Halco had under the VLD (refer to note 7).

| Group      |            |
|------------|------------|
| 2018<br>Rm | 2017<br>Rm |

**9. Net investment in finance leases**

Present value of minimum lease payments analysed as follows:

|  |   |     |
|--|---|-----|
| Non-current finance lease receivables                        | - | 496 |
| Current finance lease receivables included in current assets | - | 427 |
|  | - | 923 |

| Group          |            |  |              |                   |
|----------------|------------|--|--------------|-------------------|
| Final maturity | Underlying | Notional amount of contracts outstanding<br>Rm | Fair value   |                   |
|                |            |  | Assets<br>Rm | Liabilities<br>Rm |

**10. Derivative financial instruments**

Derivative financial instruments at 31 December comprise:

**2018**

Type of contract

|                              |               |                |       |   |   |
|------------------------------|---------------|----------------|-------|---|---|
| Interest rate swap contracts | December 2023 | Interest rates | 1 569 | 9 | - |
|                              |               |                |       | 9 | - |

**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 | - |
|                              |               |                |        | 100 | - |

- 10.1 The interest rate cap and swap contracts have been recorded at fair value and the related fair value adjustments recorded in profit or loss.
- 10.2 The variable interest rate debt principal outstanding amounted to R2 170 million at 31 December 2018 (2017: R27 131 million) of which R1 569 million (2017: R16 020 million) in notional value was covered by interest rate cap and swap contracts.
- 10.3 The value of the interest rate swaps is based on a discounted cash flow analysis utilising forecasted interest rate yield curves.



| Group      |            |             |            |            |            |
|------------|------------|-------------|------------|------------|------------|
| Assets     |            | Liabilities |            | Net        |            |
| 2018<br>Rm | 2017<br>Rm | 2018<br>Rm  | 2017<br>Rm | 2018<br>Rm | 2017<br>Rm |

## 11. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

|  |             |              |           |            |            |          |
|--|-------------|--------------|-----------|------------|------------|----------|
| Property, plant and equipment          | -           | -            | 11        | 239        | 11         | 239      |
| Inventories                            | -           | -            | -         | 2          | -          | 2        |
| Trade and other receivables            | -           | -            | -         | 8          | -          | 8        |
| Trade and other payables               | (2)         | (19)         | -         | -          | (2)        | (19)     |
| Share-based payments                   | -           | (9)          | -         | -          | -          | (9)      |
| Tax losses carried forward             | (11)        | (212)        | -         | -          | (11)       | (212)    |
| <b>Tax (assets)/liabilities</b>        | <b>(13)</b> | <b>(240)</b> | <b>11</b> | <b>249</b> | <b>(2)</b> | <b>9</b> |
| Set-off of tax balances in same entity | 11          | 221          | (11)      | (221)      | -          | -        |
| <b>Net tax (assets)/liabilities</b>    | <b>(2)</b>  | <b>(19)</b>  | <b>-</b>  | <b>28</b>  | <b>(2)</b> | <b>9</b> |

Movement in temporary differences during the year:

|   | Group                                      |                                    |                                     |   |                                      |
|---|--|------------------------------------|-------------------------------------|---|--------------------------------------|
|   | Balance at the beginning of the year<br>Rm | Recognised in profit or loss<br>Rm | Exchange adjustment in equity<br>Rm | Derecognised on deconsolidation of subsidiary<br>Rm | Balance at the end of the year<br>Rm |
| <b>2018</b>                             |  |                                    |                                     |   |                                      |
| Property, plant and equipment           | 239  | 2                                  | (2)                                 | (228)   | 11                                   |
| Inventories                             | 2  | -                                  | -                                   | (2)   | -                                    |
| Trade and other receivables             | 8  | -                                  | -                                   | (8)   | -                                    |
| Trade and other payables                | (19)                                       | 1                                  | -                                   | 16  | (2)                                  |
| Share-based payments                    | (9)  | -                                  | -                                   | 9   | -                                    |
| Tax losses carried forward              | (212)                                      | (2)                                | 2                                   | 201   | (11)                                 |
|   | <b>9</b>                                   | <b>1</b>                           | <b>-</b>                            | <b>(12)</b>   | <b>(2)</b>                           |
| <b>2017</b>                             |  |                                    |                                     |   |                                      |
| 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)                                |
|   | <b>48</b>                                  | <b>(36)</b>                        | <b>(3)</b>                          | <b>-</b>  | <b>9</b>                             |

- 11.1 Deferred tax assets of R11 million (2017: R212 million) relate to tax losses carried forward which will begin to expire beginning in 2036 (2017: will expire between 2018 and 2037) if not utilised.
- 11.2 An amount of R92 million (2017: R77 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.
- 11.3 In the case of the company, there were no temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised (2017: nil).

| Group      |            |
|------------|------------|
| 2018<br>Rm | 2017<br>Rm |

**12. Restricted cash**

The restricted cash was held by lenders in interest-bearing cash accounts as additional collateral for Textainer's secured debt facilities, a revolving credit facility and bonds payable.

|   |       |
|---|-------|
| - | 1 105 |
|---|-------|

**13. Inventories**

|                                   |    |     |
|-----------------------------------|----|-----|
| Container equipment held for sale | 19 | 270 |
| Trading containers                | -  | 133 |

|    |     |
|----|-----|
| 19 | 270 |
| -  | 133 |

|           |            |
|-----------|------------|
| <b>19</b> | <b>403</b> |
|-----------|------------|

In terms of IAS 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 values, which are the estimated selling prices 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-down of containers of R3 million (2017: R14 million net write-up).

| Group      |            | Company    |            |
|------------|------------|------------|------------|
| 2018<br>Rm | 2017<br>Rm | 2018<br>Rm | 2017<br>Rm |

**14. Trade and other receivables**

|                       |    |       |   |   |
|-----------------------|----|-------|---|---|
| Trade receivables     | 96 | 1 019 | - | - |
| Prepayments           | 10 | 158   | 1 | - |
| Insurance receivables | 7  | 160   | - | - |
| Other receivables     | 14 | 103   | - | - |

|     |       |   |   |
|-----|-------|---|---|
| 127 | 1 440 | 1 | - |
|-----|-------|---|---|

**15. Income tax paid**

|   |       |       |   |     |
|---|-------|-------|---|-----|
| Amounts payable at the beginning of the year    | 123   | 136   | 1 | -   |
| Amounts receivable at the beginning of the year | -     | (18)  | - | -   |
| Effect of movements in exchange rates           | 2     | (12)  | - | -   |
| Recognised in profit or loss                    |       |       |   |     |
| South African normal                            | 7     | 52    | 1 | 2   |
| Foreign normal                                  | 1     | 27    | - | -   |
| Derecognised on deconsolidation of subsidiary   | (110) | -     | - | -   |
| Amounts payable at the end of the year          | (11)  | (123) | - | (1) |

|                              |    |    |   |   |
|------------------------------|----|----|---|---|
| Amounts paid during the year | 12 | 62 | 2 | 1 |
|------------------------------|----|----|---|---|

**16. Cash and cash equivalents**

|                        |     |       |   |   |
|------------------------|-----|-------|---|---|
| Bank balances          | 336 | 2 008 | - | - |
| Call and term deposits | 944 | 1 126 | - | - |

|              |              |          |          |
|--------------|--------------|----------|----------|
| <b>1 280</b> | <b>3 134</b> | <b>-</b> | <b>-</b> |
|--------------|--------------|----------|----------|

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2018<br>Rm | 2017<br>Rm | 2018<br>Rm | 2017<br>Rm |
| <b>17. Capital and reserves</b>   |            |            |            |            |
| Share capital   |            |            |            |            |
| Authorised  |            |            |            |            |
| Ordinary shares of 0,5 cent each<br>200 000 000 (2017: 200 000 000)   | 1          | 1          | 1          | 1          |
| Issued  |            |            |            |            |
| Ordinary shares of 0,5 cent each<br>173 677 833 (2017: 177 068 011)   | 1          | 1          | 1          | 1          |
| 17.1 Number of ordinary shares in issue (in thousands)  |            |            |            |            |
| Shares in issue at the beginning of the year  | 177 068    | 177 068    | 177 068    | 177 068    |
| Shares bought back by the company   | (3 390)    | –          | (3 390)    | –          |
| Shares in issue at the end of the year  | 173 678    | 177 068    | 173 678    | 177 068    |
| In the aggregate 3 390 178 ordinary shares, representing 1,91% of the company's issued share capital were repurchased in terms of the shareholders' authority granted. The total value of the shares repurchased amounted to R100 million at an average price of R29,50 per share, ranging between R27,66 and R31,00 per share. Share premium was reduced by R43 million and R57 million was charged against retained income. |            |            |            |            |
| 17.2 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.   |            |            |            |            |
| 17.3 No authorisation has been sought from shareholders to place the unissued shares of the company under the control of the directors.   |            |            |            |            |
| 17.4 Dividends  |            |            |            |            |
| Dividends declared and paid during the year are as follows:   |            |            |            |            |
| Final dividend in respect of the financial year   |            |            |            |            |
| 2017 – 50 cents per share (2016: 50 cents per share)  | 88         | 88         | 88         | 88         |
| Interim dividend in respect of the financial year   |            |            |            |            |
| 2018 – nil (2017: 50 cents per share)   | –          | 88         | –          | 88         |
|   | 88         | 177        | 88         | 177        |
| No dividend was declared in respect of the year under review.   |            |            |            |            |
| 17.5 Reserves   |            |            |            |            |
| <b>Foreign currency translation reserve</b>   |            |            |            |            |
| The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The accumulated foreign currency translation gains in respect of Textainer (refer to note 7) and other liquidated subsidiaries were transferred to retained income during the year.  |            |            |            |            |
| <b>Share-based payment reserve</b>  |            |            |            |            |
| The share-based payment reserve comprised the cumulative value of equity-settled share-based payments. These reserves were transferred to retained income during the year.  |            |            |            |            |
| <b>Gain/Loss on changes in ownership interests in subsidiaries</b>  |            |            |            |            |
| This reserve represented the cumulative net gain in changes in ownership interests in subsidiaries. These net gains were transferred to retained income during the year on deconsolidation of Textainer.  |            |            |            |            |

|   | Group                                     |                                       |                |               |            |            |
|---|---|---------------------------------------|----------------|---------------|------------|------------|
|   | Interest rate<br>31 Dec<br>2018<br>% p.a. | Interest<br>fixed or<br>indexed<br>to | Foreign amount |               | 2018<br>Rm | 2017<br>Rm |
|   |   |                                       | 2018<br>US\$m  | 2017<br>US\$m |            |            |
| <b>18. Interest-bearing borrowings</b>  |   |                                       |                |               |            |            |
| Credit facility:  |   |                                       |                |               |            |            |
| Leased Assets Pool Company Limited ("LAPCO") credit facility (refer to notes 18.2 and 34) | 4,57                                      | LIBOR                                 | 151            | 151           | 2 170      | 1 866      |
| Bonds:  |   |                                       |                |               |            |            |
| 2017 – 1 Bonds  | –   | Fixed                                 | –              | 394           | –          | 4 877      |
| 2017 – 2 Bonds  | –   | Fixed                                 | –              | 480           | –          | 5 944      |
| Term loan:  |   |                                       |                |               |            |            |
| Textainer term loan   | –   | US prime or LIBOR                     | –              | 354           | –          | 4 379      |
| Debt facilities:  |   |                                       |                |               |            |            |
| Textainer debt facility   | –   | LIBOR                                 | –              | 665           | –          | 8 223      |
| Textainer debt facility   | –   | LIBOR                                 | –              | 133           | –          | 1 645      |
| Revolving credit facilities:  |   |                                       |                |               |            |            |
| Textainer revolving credit facility   | –   | LIBOR                                 | –              | 574           | –          | 7 100      |
| Textainer revolving credit facility   | –   | LIBOR                                 | –              | 152           | –          | 1 880      |
| Textainer revolving credit facility   | –   | LIBOR                                 | –              | 165           | –          | 2 038      |
| Total   |   |                                       | 151            | 3 068         | 2 170      | 37 952     |
| Unamortised debt issuance costs   |   |                                       |                |               | (36)       | (333)      |
|   |   |                                       |                |               | 2 134      | 37 619     |
| Current portion included in current liabilities   |   |                                       |                |               | (512)      | (2 611)    |
|   |   |                                       |                |               | 1 622      | 35 008     |

18.1 The borrowings are secured by way of a pledge against certain of the group entities' property, plant and equipment. In prior years the asset pledges included 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, 9 and 12 respectively).

- 18.2 Under the terms of the credit facility granted to LAPCO, a TAC subsidiary, 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 LAPCO's 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.

At 31 December 2018 LAPCO was in breach of the interest rate ratio covenant thereby triggering an early amortisation event. The revolving nature of the facility changes to a term facility until the breach is remedied or waived by the majority of the lenders. Accordingly, on that basis, US\$35,6 million would have become payable in the 2019 financial year. The SA rand equivalent of R512 million is disclosed as the current portion of long-term borrowings. The final maturity date is the sixth anniversary of the date on which the early amortisation event occurs.

On 2 April 2019 an amendment to the credit facility agreement was concluded whereby LAPCO obtained the consent of the lenders to exclude for the four consecutive quarters ending 30 September 2019, the impairment to the container fleet, reported in terms of US Generally Accepted Accounting Principles, which contributed to the breach. This has resulted in the facility reverting to a revolving credit facility. A R3,5 million (US\$240 000) waiver fee was incurred and it was agreed that a voluntary loan repayment of R144 million (US\$10 million) be paid on 23 April 2019 thereby averting any margin increases. The effect of the above is that R263 million will be repaid to the lenders during 2019 instead of the abovementioned R512 million.

Under the credit facility no repayments are made within the two-year revolving period. The facility will convert to a six-year amortising note if it is not extended by agreement between the banks and LAPCO in November 2019. Final repayment estimated in November 2025.

- 18.3 No debt issuance costs (2017: R393 million) were capitalised during the year.
- 18.4 In terms of the memorandum of incorporation, the company's borrowing powers are unlimited. The company's borrowings are disclosed in note 7.
- 18.5 Details of borrowing facilities are as follows:

|  | Group      |            |
|--|------------|------------|
|  | 2018<br>Rm | 2017<br>Rm |
| Total borrowing facilities               | 2 302      | 39 939     |
| Actual borrowings at the end of the year | 2 170      | 37 952     |
| Unutilised facilities                    | 132        | 1 987      |

**18. Interest-bearing borrowings** (continued)

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

|   | Group                                |                                 |  |                        |                          |  | Total<br>Rm |
|---|--------------------------------------|---------------------------------|--|------------------------|--------------------------|--|-------------|
|   | Interest-bearing<br>borrowings<br>Rm | Debt<br>issuance<br>costs<br>Rm | Derivative<br>financial<br>instruments<br>Rm | Share<br>premium<br>Rm | Retained<br>income<br>Rm | Non-<br>controlling<br>interests<br>Rm |             |
| Balance at 1 January 2017   | 41 926                               | (258)                           | (46)   | 43                     | 2 262                    | 6 218                                  | 50 145      |
| <b>Changes from financing cash flows</b>                                  |                                      |                                 |  |                        |                          |  |             |
| 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)    |
| <b>Total changes from financing cash flows</b>                            | 41 670                               | (651)                           | (46)   | 43                     | 2 262                    | 6 231                                  | 49 509      |
| 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)  | 43                     | 2 262                    | 5 654                                  | 45 478      |
| Non-controlling other equity related changes                              | -                                    | -                               | -  | -                      | -                        | (267)                                  | (267)       |
| <b>Balance at 31 December 2017</b>  | 37 952                               | (333)                           | (100)  | 43                     | 2 262                    | 5 387                                  | 45 211      |
| <b>Changes from financing cash flows</b>                                  |                                      |                                 |  |                        |                          |  |             |
| Shares bought back by the company   | -                                    | -                               | -  | (43)                   | (57)                     | -                                      | (100)       |
| <b>Total changes from financing cash flows</b>                            | 37 952                               | (333)                           | (100)  | -                      | 2 205                    | 5 387                                  | 45 111      |
| Debt issuance costs amortised   | -                                    | 5                               | -  | -                      | -                        | -                                      | 5           |
| Interest-bearing borrowings derecognised on deconsolidation of subsidiary | (36 087)                             | 298                             | 93   | -                      | -                        | (5 387)                                | (41 083)    |
| Effect of exchange rate fluctuations                                      | 305                                  | (6)                             | (2)  | -                      | -                        | -                                      | 297         |
|   | 2 170                                | (36)                            | (9)  | -                      | 2 205                    | -                                      | 4 330       |
| Other changes in retained income  | -                                    | -                               | -  | -                      | 3 681                    | -                                      | 3 681       |
| <b>Balance at 31 December 2018</b>  | 2 170                                | (36)                            | (9)  | -                      | 5 886                    | -                                      | 8 011       |

|  | Group      |              | Company    |            |
|--|------------|--------------|------------|------------|
|  | 2018<br>Rm | 2017<br>Rm   | 2018<br>Rm | 2017<br>Rm |
| <b>19. Trade and other payables</b>  |            |              |            |            |
| Trade payables   | 4          | 86           | -          | -          |
| Accrued expenses   | 21         | 244          | 7          | 14         |
| Amounts due to container owners  | -          | 124          | -          | -          |
| Amounts due in respect of container acquisitions   | -          | 1 622        | -          | -          |
| Other payables   | 4          | 4            | 3          | 4          |
|  | <b>29</b>  | <b>2 080</b> | <b>10</b>  | <b>18</b>  |
| <b>20. Operating profit before net finance expenses</b>  |            |              |            |            |
| Operating profit before net finance expenses is arrived at after taking into account:            |            |              |            |            |
| <b>Income</b>  |            |              |            |            |
| Capital distribution from trust  | -          | -            | 168        | -          |
| Compensation reversal from third party in respect of impairment of property, plant and equipment | -          | (89)         | -          | -          |
| Dividends received   | -          | -            | 6 910      | 400        |
| <b>Expenses</b>  |            |              |            |            |
| Amortisation of intangible assets  | -          | 56           | -          | -          |
| Auditors' remuneration   | 5          | 58           | 2          | 25         |
| Audit fee – current year   | 9          | 42           | 6          | 19         |
| – (over)/under provision prior year  | (4)        | 16           | (4)        | 6          |
| Directors' remuneration and benefits   | 14         | 14           | 3          | 3          |
| Executive directors  | 11         | 9            | -          | -          |
| Short-term employee benefits   |            |              |            |            |
| Non-executive directors  | 3          | 4            | 3          | 3          |
| Remuneration   |            |              |            |            |
| Share-based payments – equity-settled  | -          | 1            | -          | -          |
| Remeasurement of loss allowance – financial assets   |            |              |            |            |
| Trade and other receivables  | 4          | 15           | -          | -          |
| Write-down/(Write-up) of container leasing equipment held for sale                               | 3          | (14)         | -          | -          |
| Operating leases – premises  | 2          | 49           | -          | -          |
| Share-based payments included in employee benefits expense – equity-settled                      | -          | 58           | -          | -          |
| Share-based payments to suppliers – equity-settled   | -          | 6            | -          | -          |
| Retirement benefit contributions included in employee benefits expense                           | -          | 8            | -          | -          |
| <b>21. Net finance expenses</b>  |            |              |            |            |
| Finance expenses   | 84         | 1 654        | -          | -          |
| Interest expense   | 88         | 1 704        | -          | -          |
| Realised and unrealised gains on derivative financial instruments                                | (4)        | (50)         | -          | -          |
| Finance income   |            |              |            |            |
| Interest income received on cash and cash equivalents  | (62)       | (68)         | -          | -          |
|  | <b>22</b>  | <b>1 586</b> | <b>-</b>   | <b>-</b>   |

**22. Income tax expense**

|  | Group          |            | Company        |            |
|--|----------------|------------|----------------|------------|
|  | 2018<br>Rm     | 2017<br>Rm | 2018<br>Rm     | 2017<br>Rm |
| South African normal   | 7              | 52         | 1              | 2          |
| Current  | 7              | 51         | 1              | 1          |
| Adjustment for prior years   | -              | 1          | -              | 1          |
| Foreign normal   | 1              | 27         | -              | -          |
| Current  | 1              | 21         | -              | -          |
| Adjustment for prior years   | -              | 6          | -              | -          |
| Associated tax credit  |                |            |                |            |
| Adjustment for prior years   | -              | (13)       | -              | -          |
| South African deferred   |                |            |                |            |
| Origination and reversal of temporary differences  | 1              | (48)       | -              | -          |
| Foreign deferred   | -              | 12         | -              | -          |
| Origination and reversal of temporary differences  | -              | 32         | -              | -          |
| Adjustment for prior years   | -              | (11)       | -              | -          |
| Reduction in tax rate  | -              | (9)        | -              | -          |
|  | <b>9</b>       | <b>30</b>  | <b>1</b>       | <b>2</b>   |
| The income tax expense is reconciled as follows:   |                |            |                |            |
| Profit/(Loss) before tax   | <b>2 857</b>   | (580)      | <b>5 463</b>   | 271        |
| Income tax expense/(credit) at applicable rate of 28% (2017: 28%)  | <b>800</b>     | (163)      | <b>1 530</b>   | 76         |
| Operating losses not recognised  | <b>3</b>       | -          | -              | -          |
| Over provided in prior years   | -              | (12)       | -              | 1          |
| Foreign loss inclusion differential  | <b>(23)</b>    | 132        | -              | -          |
| Foreign tax rate differential  | <b>(1)</b>     | 3          | -              | -          |
| Provision for tax exposures  | <b>(1)</b>     | 42         | -              | -          |
| Non-taxable income – capital distribution from trust   | -              | -          | <b>(47)</b>    | -          |
| Non-taxable income – dividends received  | -              | -          | <b>(1 934)</b> | (111)      |
| Non-deductible expenses in relation to dividends received  | <b>8</b>       | 36         | <b>8</b>       | 36         |
| Fair value adjustment of investment in equity shares   | <b>936</b>     | -          | <b>439</b>     | -          |
| Gain on deconsolidation of subsidiary  | <b>(1 615)</b> | -          | -              | -          |
| Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries | <b>(147)</b>   | -          | -              | -          |
| Impairment of goodwill   | <b>39</b>      | -          | -              | -          |
| Other non-deductible expenses  | <b>11</b>      | -          | <b>5</b>       | -          |
| Capital gain   | <b>(1)</b>     | -          | -              | -          |
| Profit from equity accounted investee  | -              | (1)        | -              | -          |
| Effect of reduction in tax rate on recognised temporary differences                                      | -              | (7)        | -              | -          |
| Income tax expense at effective tax rate   | <b>9</b>       | <b>30</b>  | <b>1</b>       | <b>2</b>   |

- 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 TAC's profit/loss is treated as effectively connected with its conduct of a trade or business within the United States of America ("US"), and is accordingly subject to US federal income tax. Since only a portion of the profit/loss is taxed at the US federal income tax rate, the portion not included is either not taxable or not deductible.



| Group |      |       |      |
|-------|------|-------|------|
| Gross | Net* | Gross | Net* |
| 2018  |      | 2017  |      |
| Rm    | Rm   | Rm    | Rm   |

### 23. Earnings/(Loss) per share

#### Basic earnings/(loss) per share

|  |              |       |
|--|--------------|-------|
| Profit/(Loss) for the year attributable to equity holders of the company | <b>2 848</b> | (321) |
| Weighted average number of shares in issue (million)                     | <b>176,9</b> | 177,1 |
| Basic earnings/(loss) per share (cents)                                  | <b>1 610</b> | (182) |
| Diluted earnings/(loss) per share (cents)                                | <b>1 610</b> | (182) |

#### Headline (loss)/earnings per share

|  |                |       |
|--|----------------|-------|
| Profit/(Loss) for the year attributable to equity holders of the company                                 | <b>2 848</b>   | (321) |
| Impairment of property, plant and equipment  | <b>108</b>     | 1 133 |
| Compensation recovery from third party in respect of impairment of property, plant and equipment         | –              | 89    |
| Gain on deconsolidation of subsidiary  | <b>(5 767)</b> | –     |
| Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries | <b>(526)</b>   | –     |
| Impairment of goodwill   | <b>137</b>     | –     |
| Profit on sale of property, plant and equipment  | <b>(18)</b>    | –     |
| Headline (loss)/earnings attributable to equity holders of the company                                   | <b>(3 215)</b> | 265   |
| Weighted average number of shares in issue (million)   | <b>176,9</b>   | 177,1 |
| Headline (loss)/earnings per share (cents)   | <b>(1 818)</b> | 149   |
| Diluted (loss)/earnings per share (cents)  | <b>(1 818)</b> | 149   |

\* Net of tax and non-controlling interests.

|  | Group          |            | Company        |            |
|--|----------------|------------|----------------|------------|
|  | 2018<br>Rm     | 2017<br>Rm | 2018<br>Rm     | 2017<br>Rm |
| <b>24. Cash generated from operations</b>  |                |            |                |            |
| Reconciliation of profit/(loss) for the year to cash generated from operations:                          |                |            |                |            |
| Profit/(Loss) for the year   | <b>2 848</b>   | (610)      | <b>5 462</b>   | 269        |
| Adjusted for:  |                |            |                |            |
| Finance expenses   | <b>84</b>      | 1 654      | -              | -          |
| Finance income   | <b>(62)</b>    | (68)       | -              | -          |
| Gain on deconsolidation of subsidiary  | <b>(5 767)</b> | -          | -              | -          |
| Gain on disposal other property, plant and equipment   | <b>(18)</b>    | -          | -              | -          |
| Other non-cash flow adjustments to the net investment in long-term receivables                           | -              | (16)       | -              | -          |
| Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries | <b>(526)</b>   | -          | -              | -          |
| Depreciation   | <b>103</b>     | 3 048      | -              | -          |
| Carrying value of container leasing equipment disposed   | <b>134</b>     | 1 375      | -              | -          |
| Write-down/(Write-up) of container leasing equipment held for sale                                       | <b>3</b>       | (14)       | -              | -          |
| Net impairment losses incurred   | <b>248</b>     | 1 148      | -              | -          |
| Share-based payments   | -              | 65         | -              | -          |
| Amortisation of intangible assets  | -              | 56         | -              | -          |
| Finance lease income   | -              | (94)       | -              | -          |
| Deferred revenue recognised in profit or loss  | -              | (3)        | -              | -          |
| Dividend in-specie received  | -              | -          | <b>(6 869)</b> | -          |
| Fair value adjustment of investment in equity shares   | <b>3 345</b>   | -          | <b>1 567</b>   | -          |
| Share of profit from equity accounted investee   | -              | (4)        | -              | -          |
| Income tax expense   | <b>9</b>       | 30         | <b>1</b>       | 2          |
| Operating profit before working capital changes  | <b>401</b>     | 6 567      | <b>161</b>     | 271        |
| Working capital changes  | <b>(50)</b>    | 353        | <b>(9)</b>     | (1)        |
| Increase in inventories  | <b>(2)</b>     | (8)        | -              | -          |
| Decrease/(Increase) in trade and other receivables   | <b>16</b>      | 413        | <b>(1)</b>     | -          |
| Decrease in trade and other payables   | <b>(64)</b>    | (52)       | <b>(8)</b>     | (1)        |
| Cash generated from operations   | <b>351</b>     | 6 920      | <b>152</b>     | 270        |

| Group      |            |
|------------|------------|
| 2018<br>Rm | 2017<br>Rm |

**25. Operating lease commitments**

Non-cancellable operating lease rentals are payable as follows:

|                            |          |     |
|----------------------------|----------|-----|
| Within one year            | <b>3</b> | 28  |
| Between one and five years | <b>1</b> | 106 |
| After five years           | -        | 115 |
|                            | <b>4</b> | 249 |

The current year commitments relate to the lease of Trencor's head office premises and runs for a period of one and half years. There is no contingent rental included in the lease.

**26. Capital commitments**

For container leasing equipment  
Contracted

|   |       |
|---|-------|
| - | 3 030 |
|---|-------|

**27. Employee benefits****27.1 Share-based payments**

Trencor has a dormant Share Plan. In terms of the Plan, options were previously granted to certain executive directors and employees amounting in aggregate to 6 470 000 shares in the unissued share capital of the company. The maximum number of shares available for utilisation under the Plan is 8 884 209.

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

|                | <b>Group</b> |      |
|----------------|--------------|------|
|                | <b>2018</b>  | 2017 |
|                | <b>Rm</b>    | Rm   |
| Equity-settled | –            | 65   |

The expense in the prior year related to the Textainer 2015 Share Plan. Since Textainer is no longer consolidated, the information previously provided in respect of Textainer's share-based payments is no longer disclosed.

**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 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 and is in the process of being liquidated.

**28. Segment reporting****Business segments**

- 28.1 There is one (2017: two) operating segment (i.e. strategic business unit) namely container owning, leasing, management and trading. In 2017 the two segments were managed separately as they offered entirely different services. The reportable segments were: container finance and container owning, leasing, management and trading. The executive committee (regarded as the chief operating decision maker) reviews internal management reports on at least a quarterly basis.
- 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 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 was no inter-segment activity.

|  | <b>Group</b>      |      |   |                |              |                |
|--|-------------------|------|---|----------------|--------------|----------------|
|  | Container finance |      | Container owning,<br>leasing, management<br>and trading |                | Consolidated |                |
|  | <b>2018</b>       | 2017 | <b>2018</b>   | 2017           | <b>2018</b>  | 2017           |
|  | <b>Rm</b>         | Rm   | <b>Rm</b>   | Restated<br>Rm | <b>Rm</b>    | Restated<br>Rm |
| Revenue  | -                 | -    | <b>543</b>  | 9 625          | <b>543</b>   | 9 625          |
| Goods sold   | -                 | -    | <b>184</b>  | 2 303          | <b>184</b>   | 2 303          |
| Leasing income   | -                 | -    | <b>359</b>  | 7 265          | <b>359</b>   | 7 265          |
| Management fees  | -                 | -    | -   | 57             | -            | 57             |
| Reportable segment (loss)/profit<br>before net finance expenses and<br>income tax  | -                 | (23) | <b>148</b>  | 1 191          | <b>148</b>   | 1 168          |
| Finance income   | -                 | -    | <b>5</b>  | 8              | <b>5</b>     | 8              |
| Finance expenses   | -                 | -    | <b>(84)</b>   | (1 654)        | <b>(84)</b>  | (1 654)        |
| Depreciation and amortisation  | -                 | -    | <b>(103)</b>  | (3 104)        | <b>(103)</b> | (3 104)        |
| Share of profit of equity accounted<br>investee                                    | -                 | -    | -   | 4              | -            | 4              |
| Income tax (credit)/expense  | -                 | (18) | -   | 40             | -            | 22             |
| Other material non-cash items:<br>Net long-term receivable valuation<br>adjustment | -                 | (16) | -   | -              | -            | (16)           |
| Impairment losses incurred:  |                   |      |   |                |              |                |
| Property, plant and equipment  | -                 | -    | <b>(108)</b>  | (1 133)        | <b>(108)</b> | (1 133)        |
| Trade receivables  | -                 | -    | <b>(4)</b>  | (15)           | <b>(4)</b>   | (15)           |
| (Write-down)/Write-up of container<br>leasing equipment held for sale              | -                 | -    | <b>(3)</b>  | 14             | <b>(3)</b>   | 14             |
| Share-based payments   | -                 | -    | -   | (65)           | -            | (65)           |
| Reportable segment assets  | -                 | 7    | <b>3 575</b>  | 51 068         | <b>3 575</b> | 51 075         |
| Capital expenditure  | -                 | -    | <b>399</b>  | 5 750          | <b>399</b>   | 5 750          |
| Reportable segment liabilities   | -                 | -    | <b>2 146</b>  | 39 694         | <b>2 146</b> | 39 694         |

28.3 Reconciliations of reportable segment profit/(loss) before net finance expenses and income tax, finance income, income tax, assets and liabilities:

|  | Group                    |             |                    |                          |             |                    |
|--|--------------------------|-------------|--------------------|--------------------------|-------------|--------------------|
|  | Reportable segment total | Unallocated | Consolidated total | Reportable segment total | Unallocated | Consolidated total |
|  | 2018                     |             |                    | 2017                     |             |                    |
|  | Rm                       | Rm          | Rm                 | Rm                       | Rm          | Rm                 |
| Profit/(Loss) before net finance expenses and income tax | 148                      | 2 731       | 2 879              | 1 168                    | (166)       | 1 002              |
| Finance income   | 5                        | 57          | 62                 | 8                        | 60          | 68                 |
| Income tax expense                                       | -                        | 9           | 9                  | 22                       | 8           | 30                 |
| Assets   | 3 575                    | 4 830       | 8 405              | 51 075                   | 1 238       | 52 313             |
| Liabilities  | 2 146                    | 28          | 2 174              | 39 694                   | 184         | 39 878             |

|   | Group   |         |             |         |
|---|---------|---------|-------------|---------|
|   | Assets  |         | Liabilities |         |
|   | 2018 Rm | 2017 Rm | 2018 Rm     | 2017 Rm |
| The following is an analysis of the unallocated assets and liabilities: |         |         |             |         |
| Investment in equity accounted investee                                 | -       | 114     | -           | -       |
| Investment in equity shares   | 3 910   | -       | -           | -       |
| Deferred tax assets/liabilities   | 2       | 19      | -           | 28      |
| Income tax liabilities  | -       | -       | 11          | 123     |
| Trade and other receivables/payables                                    | 4       | 9       | 17          | 33      |
| Cash and cash equivalents   | 914     | 1 096   | -           | -       |
|   | 4 830   | 1 238   | 28          | 184     |

28.4 Major customers

Leasing revenue from one customer in the container owning, leasing, management and trading operating segment amounted to 14% (2017: two customers 28%) 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.

**29. Financial instruments and risk management**

## 29.1 Classification and measurement financial assets and financial liabilities

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

The analysis of financial assets and liabilities of the group's businesses into their categories as defined in IFRS 9 *Financial Instruments* is set out in the tables below. The group has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. The following tables analyse financial assets and liabilities in accordance with the categories of financial instruments as defined by IFRS 9 at 31 December 2018 and as defined by IAS 39 at 31 December 2017. Assets and liabilities outside the scope of these standards are excluded.

|                                  | Group  |                                       |                                |                          |               |
|----------------------------------|--|---------------------------------------|--------------------------------|--------------------------|---------------|
|                                  | Designated at fair value through profit or loss Rm | Financial assets at amortised cost Rm | Other financial liabilities Rm | Total carrying amount Rm | Fair value Rm |
| <b>2018</b>                      |  |                                       |                                |                          |               |
| <b>Financial assets</b>          |  |                                       |                                |                          |               |
| Investment in equity shares      | 3 910  | -                                     | -                              | 3 910                    | 3 910         |
| Derivative financial instruments | 9  | -                                     | -                              | 9                        | 9             |
| Trade and other receivables      | -  | 117                                   | -                              | 117                      | 117           |
| Cash and cash equivalents        | -  | 1 280                                 | -                              | 1 280                    | 1 280         |
|                                  | <b>3 919</b>                                       | <b>1 397</b>                          | <b>-</b>                       | <b>5 316</b>             | <b>5 316</b>  |
| <b>Financial liabilities</b>     |  |                                       |                                |                          |               |
| Interest-bearing borrowings      | -  | -                                     | 2 170                          | 2 170                    | 2 170         |
| Trade and other payables         | -  | -                                     | 29                             | 29                       | 29            |
|                                  | <b>-</b>   | <b>-</b>                              | <b>2 199</b>                   | <b>2 199</b>             | <b>2 199</b>  |

|                                  | Group               |                                       |                                |            |                          |               |
|----------------------------------|---------------------|---------------------------------------|--------------------------------|------------|--------------------------|---------------|
|                                  | Held for trading Rm | Financial assets at amortised cost Rm | Other financial liabilities Rm | Other Rm   | Total carrying amount Rm | Fair value Rm |
| <b>2017</b>                      |                     |                                       |                                |            |                          |               |
| <b>Financial assets</b>          |                     |                                       |                                |            |                          |               |
| 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         |
|                                  | <b>100</b>          | <b>5 521</b>                          | <b>-</b>                       | <b>923</b> | <b>6 544</b>             | <b>6 559</b>  |
| <b>Financial liabilities</b>     |                     |                                       |                                |            |                          |               |
| Interest-bearing borrowings      | -                   | -                                     | 37 952                         | -          | 37 952                   | 38 013        |
| Trade and other payables         | -                   | -                                     | 2 080                          | -          | 2 080                    | 2 080         |
|                                  | <b>-</b>            | <b>-</b>                              | <b>40 032</b>                  | <b>-</b>   | <b>40 032</b>            | <b>40 093</b> |

The following table reflects the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial assets and financial liabilities as at 1 January 2018.

|                                  | Group  |                                 |                          |
|----------------------------------|--|---------------------------------|--------------------------|
|                                  | Original classification under IAS 39               | New classification under IFRS 9 | Change in carrying value |
| <b>Financial assets</b>          |  |                                 |                          |
| Derivative financial instruments | Fair value – Held for trading                      | Mandatorily at FVTPL            | –                        |
| Trade and other receivables      | Loans and receivables                              | Amortised cost                  | –                        |
| Cash and cash equivalents        | Loans and receivables                              | Amortised cost                  | –                        |
| Net investment in finance leases | Other  | Not applicable                  | –                        |
| Restricted cash                  | Loans and receivables                              | Not applicable                  | –                        |
| <b>Financial liabilities</b>     |  |                                 |                          |
| Interest-bearing borrowings      | Other financial liabilities                        | Other financial liabilities     | –                        |
| Trade and other payables         | Other financial liabilities                        | Other financial liabilities     | –                        |
|                                  | Company  |                                 |                          |
|                                  | Designated at fair value through profit or loss Rm | Other financial liabilities Rm  | Fair value Rm            |
| <b>2018</b>                      |  |                                 |                          |
| <b>Financial assets</b>          |  |                                 |                          |
| Investment in equity shares      | 3 910  | –                               | 3 910                    |
|                                  | <b>3 910</b>                                       | <b>–</b>                        | <b>3 910</b>             |
| <b>Financial liabilities</b>     |  |                                 |                          |
| Amount due to subsidiary         | –  | 862                             | 862                      |
| Trade and other payables         | –  | 10                              | 10                       |
|                                  | <b>–</b>   | <b>872</b>                      | <b>872</b>               |
| <b>2017</b>                      |  |                                 |                          |
| <b>Financial liabilities</b>     |  |                                 |                          |
| Amount due to subsidiary         | –  | 824                             | 824                      |
| Trade and other payables         | –  | 18                              | 18                       |
|                                  | <b>–</b>   | <b>842</b>                      | <b>842</b>               |

## 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.

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

## 29.2 Overview (continued)

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        |              |
|--|--------------|--------------|
|  | 2018<br>Rm   | 2017<br>Rm   |
| Financial assets at fair value through profit or loss: |              |              |
| Derivative financial instruments                       | 9            | 100          |
| Financial assets at amortised cost:                    |              |              |
| Net investment in finance leases                       | –            | 923          |
| Trade receivables                                      | 96           | 1 019        |
| Restricted cash  | –            | 1 105        |
| Insurance receivables                                  | 7            | 160          |
| Other receivables                                      | 14           | 103          |
| Cash and cash equivalents                              | 1 280        | 3 134        |
|  | <b>1 406</b> | <b>6 544</b> |

Credit risk arises principally from derivative financial instruments, trade and other receivables, and cash and cash equivalents.

*Derivative financial instruments*

Derivative financial instruments are entered into with reputable financial institutions. 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.

*Trade and other receivables*

Credit risk with respect to trade and other receivables is mitigated by a customer base that comprise mainly international shipping lines and is managed by the container managers managing the container fleet. The credit policy relating to the trade receivables 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 2018, one customer accounted for 21% of trade receivables (2017: two customers 26%) and no other customer exceeding 10% of the balance.

The maximum group exposure to credit risk for trade receivables in respect of container leasing customers at the reporting date was R96 million (2017: R1 019 million).



*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.

## 29.3.2 Impairment losses

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables.

The group's historical credit loss experience does not show significantly different loss patterns for different customer segments since there is only one class of customer. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

|                               | <b>Group</b>   |   |
|-------------------------------|--|---|
|                               | <b>2018</b>  |   |
|                               | Estimated gross<br>carrying amount at<br>default<br>Rm | Loss<br>allowance/(lifetime<br>expected credit<br>loss) carrying<br>amount at default<br>Rm |
| Expected credit loss rate:    |  |   |
| Not passed due (0%)           | -  | -   |
| Past due 0 – 30 days (3%)     | 40   | 1   |
| Past due 31 – 120 days (2%)   | 56   | 1   |
| Past due 121 – 180 days (33%) | 3  | 1   |
| More than 180 days (100%)     | 2  | 2   |
|                               | <b>101</b>   | <b>5</b>  |

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

## 29.3 Credit risk (continued)

## 29.3.2 Impairment losses (continued)

The movement in the loss allowance in respect of trade receivables during the year was as follows:

|   | Group      |            |
|---|------------|------------|
|   | 2018<br>Rm | 2017<br>Rm |
| Balance at the beginning of the year (No adjustment was required for application of IFRS 9) | 75         | 409        |
| Remeasurement of loss allowance   | 4          | 15         |
| Irrecoverable amounts written-off   | (3)        | (342)      |
| Effect of movements in exchange rates   | -          | (7)        |
| Amount derecognised on deconsolidation of subsidiary  | (71)       | -          |
| Balance at the end of the year  | 5          | 75         |

*Credit risk disclosures for comparatives under IAS 39*

The following section provides comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

|  | Group              |                    |                  |                       |
|--|--------------------|--------------------|------------------|-----------------------|
|  | Gross <sup>1</sup> | Gross <sup>2</sup> | Total impairment | Net trade receivables |
|  | 2017               |                    |                  |                       |
|  | Rm                 | Rm                 | Rm               | Rm                    |
| The ageing of trade receivables at the reporting date was: |                    |                    |                  |                       |
| Not past due   | 1                  | -                  | -                | 1                     |
| Past due 0 – 30 days                                       | 574                | -                  | -                | 574                   |
| Past due 31 – 120 days                                     | 442                | -                  | (9)              | 433                   |
| Past due 121 – 180 days                                    | 14                 | -                  | (3)              | 11                    |
| More than 180 days   | -                  | 63                 | (63)             | -                     |
|  | 1 031              | 63                 | (75)             | 1 019                 |

<sup>1</sup> Gross receivables not subject to specific impairment.

<sup>2</sup> Gross receivables subject to specific impairment.

## 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.

|   | Group                 |                              |                        |                         |                       |
|---|-----------------------|------------------------------|------------------------|-------------------------|-----------------------|
|   | Carrying amount<br>Rm | Contractual cash flows<br>Rm | One year or less<br>Rm | One to five years<br>Rm | Over five years<br>Rm |
| <b>2018</b>                                 |                       |                              |                        |                         |                       |
| <b>Non-derivative financial liabilities</b> |                       |                              |                        |                         |                       |
| Revolving debt facilities                   | 2 170                 | 2 439                        | 606                    | 1 738                   | 95                    |
| Trade and other payables                    | 29                    | 29                           | 29                     | -                       | -                     |
|   | <b>2 199</b>          | <b>2 468</b>                 | <b>635</b>             | <b>1 738</b>            | <b>95</b>             |
| <b>2017</b>                                 |                       |                              |                        |                         |                       |
| <b>Non-derivative financial liabilities</b> |                       |                              |                        |                         |                       |
| 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                |

## 29.5 Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates 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.

### 29.5.1 Equity prices

| Group      |            | Company    |            |
|------------|------------|------------|------------|
| 2018<br>Rm | 2017<br>Rm | 2018<br>Rm | 2017<br>Rm |

Financial assets carried at fair value through profit or loss:

|                             |       |   |       |   |
|-----------------------------|-------|---|-------|---|
| Investment in equity shares | 3 910 | - | 3 910 | - |
|-----------------------------|-------|---|-------|---|

A change of US\$0,01 in the listed share price of Textainer at 31 December 2018 would have increased or decreased profit for the year by R4 million. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

### 29.5.2 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 2018 there was no exposure to forward exchange contracts (2017: nil).

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

## 29.5 Market risk (continued)

## 29.5.2 Currency risk (continued)

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      |              |              |            |         |          |
|----------------------------------|------------|--------------|--------------|------------|---------|----------|
|                                  | 2018       |              |              | 2017       |         |          |
|                                  | SA rand Rm | US\$ Rm      | Total Rm     | SA rand Rm | US\$ Rm | Total Rm |
| <b>Assets</b>                    |            |              |              |            |         |          |
| Investment in equity shares      | –          | 3 910        | 3 910        | –          | 923     | 923      |
| Derivative financial instruments | –          | 9            | 9            | –          | 100     | 100      |
| Restricted cash                  | –          | –            | –            | –          | 1 105   | 1 105    |
| Trade and other receivables      | 2          | 115          | 117          | 6          | 1 277   | 1 283    |
| Cash and cash equivalents        | 667        | 613          | 1 280        | 690        | 2 444   | 3 134    |
|                                  | <b>669</b> | <b>4 647</b> | <b>5 316</b> | 696        | 5 849   | 6 545    |
| <b>Liabilities</b>               |            |              |              |            |         |          |
| Interest-bearing borrowings      | –          | 2 170        | 2 170        | –          | 37 952  | 37 952   |
| Trade and other payables         | 18         | 11           | 29           | 31         | 2 049   | 2 080    |
|                                  | <b>18</b>  | <b>2 181</b> | <b>2 199</b> | 31         | 40 001  | 40 032   |

The following exchange rates applied during the year:

|                       |               |        |
|-----------------------|---------------|--------|
| Year-end rate: US\$1= | <b>R14,39</b> | R12,37 |
| Average rate: US\$1=  | <b>R13,11</b> | R13,29 |

Other than the investment in equity shares, 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.

A change of R0,01 in the foreign currency exchange rate used to translate the US dollar listed share price of Textainer at 31 December 2018 would have increased or decreased profit for the year by R3 million. This analysis assumes that all other variables, in particular the share price, remain constant.

## 29.5.3 Interest rate risk

As manager of 99% of the TAC container fleet, 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 leased out 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. TAC 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      |            |
|----------------------------------|------------|------------|
|                                  | 2018<br>Rm | 2017<br>Rm |
| <b>Fixed rate</b>                |            |            |
| Financial liabilities            | –          | (10 821)   |
|                                  | –          | (10 821)   |
| <b>Variable rate instruments</b> |            |            |
| Financial assets                 | 1 280      | 4 239      |
| Financial liabilities            | (2 170)    | (27 131)   |
|                                  | (890)      | (22 892)   |

Based on the derivative and non-derivative financial asset and liability balances as at 31 December 2018, it is estimated that a 100 basis points increase/decrease in interest rates would result in an increase/decrease in net after tax interest expense on non-derivative financial assets and liabilities of R11 million (2017: R272 million) and an increase/decrease in interest expense after tax on interest rate swap derivative instruments of R15 million (2017: R156 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      |            |
|---|------------|------------|
|   | 2018<br>Rm | 2017<br>Rm |
| Interest-bearing borrowings, net of debt issuance costs | 2 134      | 37 619     |
| Total equity  | 6 231      | 12 435     |
| Ratio of interest-bearing borrowings to total equity %  | 34         | 303        |

The ratio has mainly been affected by the weakening of the SA rand against the US dollar from US\$1=R12,37 to US\$1=R14,39 as at 31 December 2017 and 2018 respectively and the deconsolidation of Textainer.

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.

#### 29.7 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. Financial instruments and risk management** (continued)

## 29.7 Fair values (continued)

## 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<br>Rm | Level 2<br>Rm | Level 3<br>Rm | Total<br>Rm  |
| <b>2018</b>                  |               |               |               |              |
| <b>Assets</b>                |               |               |               |              |
| Investment in equity shares  | 3 910         | –             | –             | 3 910        |
| Interest rate swap contracts | –             | 9             | –             | 9            |
|                              | <b>3 910</b>  | <b>9</b>      | <b>–</b>      | <b>3 919</b> |
| <b>2017</b>                  |               |               |               |              |
| <b>Assets</b>                |               |               |               |              |
| Interest rate swap contracts | –             | 100           | –             | 100          |
|                              | <b>–</b>      | <b>100</b>    | <b>–</b>      | <b>100</b>   |

Valuation techniques for interest rate swap contracts are referred to in note 10.

**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

Amount due to subsidiaries (refer to note 7).

Capital distribution from trust (refer to note 20).

Dividends received from subsidiaries (refer to notes 7 and 20).

Administration fee paid to subsidiary R6 million (2017: 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 2018 and 2017 was as follows:

|                | Company       |                |                |
|----------------|---------------|----------------|----------------|
|                | Direct        | Indirect*      | Total          |
| <b>2018</b>    |               |                |                |
| 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         |
|                | <b>59 649</b> | <b>143 992</b> | <b>203 641</b> |
| <b>2017</b>    |               |                |                |
| 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    |            |
|-------------------------------|------------|------------|------------|------------|
|                               | 2018<br>Rm | 2017<br>Rm | 2018<br>Rm | 2017<br>Rm |
| Short-term employee benefits  | 14         | 24         | 3          | 3          |
| Share-based payments          | –          | 15         | –          | –          |
|                               | <b>14</b>  | <b>39</b>  | <b>3</b>   | <b>3</b>   |
| Paid to:                      |            |            |            |            |
| Directors                     | 14         | 14         | 3          | 3          |
| Executive officer (Textainer) | –          | 25         | –          | –          |
|                               | <b>14</b>  | <b>39</b>  | <b>3</b>   | <b>3</b>   |

The number of Textainer executive officers at 31 December 2017 was one.

**30. Related parties** (continued)

## 30.3 Transactions with directors and key management personnel (continued)

The remuneration paid to the directors during the years ended 31 December 2018 was as follows:

|                                    | <b>Group</b>            |                  |                  |                        |                    |
|------------------------------------|-------------------------|------------------|------------------|------------------------|--------------------|
|                                    | Guaranteed remuneration | Contributions to |                  | Retention compensation | Total remuneration |
|                                    |                         | Medical aid      | Retirement funds |                        |                    |
| R'000                              | R'000                   | R'000            | R'000            | R'000                  |                    |
| <b>Non-executive directors</b>     |                         |                  |                  |                        |                    |
| Jimmy McQueen                      | 263                     | -                | -                | -                      | 263                |
| David Nurek                        | 1 202                   | -                | -                | -                      | 1 202              |
| Eddy Oblowitz                      | 555                     | -                | -                | -                      | 555                |
| Roddy Sparks                       | 521                     | -                | -                | -                      | 521                |
| Herman Wessels                     | 521                     | -                | -                | -                      | 521                |
|                                    | <b>3 062</b>            | <b>-</b>         | <b>-</b>         | <b>-</b>               | <b>3 062</b>       |
| <b>Executive directors</b>         |                         |                  |                  |                        |                    |
| Ric Sieni                          | 2 925                   | 63               | 301              | 3 400                  | 6 689              |
| Hennie van der Merwe               | 3 579                   | 57               | 376              | -                      | 4 012              |
|                                    | <b>6 504</b>            | <b>120</b>       | <b>677</b>       | <b>3 400</b>           | <b>10 701</b>      |
| <b>Aggregate remuneration 2018</b> | <b>9 566</b>            | <b>120</b>       | <b>677</b>       | <b>3 400</b>           | <b>13 763</b>      |

The remuneration paid to directors (including by Textainer where applicable) during the year ended 31 December 2017 was as follows:

|                                    | <b>Group</b>            |                  |                  |                       |                    |
|------------------------------------|-------------------------|------------------|------------------|-----------------------|--------------------|
|                                    | Guaranteed remuneration | Contributions to |                  | Share-based payments* | Total remuneration |
|                                    |                         | Medical aid      | Retirement funds |                       |                    |
| R'000                              | R'000                   | R'000            | R'000            | R'000                 |                    |
| <b>Non-executive directors</b>     |                         |                  |                  |                       |                    |
| 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                |
|                                    | <b>4 145</b>            | <b>-</b>         | <b>-</b>         | <b>958</b>            | <b>5 103</b>       |
| <b>Executive directors</b>         |                         |                  |                  |                       |                    |
| 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              |
|                                    | <b>7 636</b>            | <b>142</b>       | <b>719</b>       | <b>392</b>            | <b>8 889</b>       |
| <b>Aggregate remuneration 2017</b> | <b>11 781</b>           | <b>142</b>       | <b>719</b>       | <b>1 350</b>          | <b>13 992</b>      |

\* Award of shares by Textainer for services rendered as directors of Textainer.

Value-added-tax is included in non-executive directors' remuneration, where applicable.



## 31. Indemnities and warranties

### 31.1 Indemnities

On 20 February 2018 Trencor, as a nominated beneficiary of the Halco Trust, received a vesting and distribution from the Trust of the entire issued share capital of Halco Holdings Inc (refer to note 7). Before the vesting and distribution were effected, as is customary in the Trust's jurisdiction, Trencor was required to provide an indemnity to, *inter alia*, the Trustees of the Trust. The indemnity terminates on 31 December 2024 and the maximum potential exposure under such indemnity is US\$62 million. Currently as there is nothing to suggest any claim under the indemnity, no contingent liability exists as the directors believe that the possibility of any such claim is remote.

On 11 May 2018 Trencor provided jointly with Textainer and Halco an indemnity in favour of, *inter alia*, Computershare Trust Company, the share transfer agent of Textainer, and Computershare Inc for stipulated liabilities and related costs in relation to Halco's mislaid share certificates of 5 503 556 common shares in Textainer. Furthermore, Trencor provided jointly with Halco a further indemnity in favour of Textainer for stipulated liabilities and related costs in relation to the indemnity referred to directly above. These indemnities became effective from the time that Trencor was registered as the holder of Halco's entire holding of common shares in Textainer. Currently as there is nothing to suggest any claim under the indemnity, no contingent liability exists as the directors believe that the possibility of any such claim is remote.

### 31.2 Warranties

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. All amounts attributable to third parties in terms of these arrangements had been settled by 31 December 2017.

## 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 No control of or significant influence over Textainer

Following the entering into of the VLD (refer to note 7) on 1 January 2018, shareholder voting rights in Textainer now held by Trencor are limited or restricted, 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. The corresponding relevant exercisable voting rights in Textainer are not equivalent to Trencor's percentage equity shareholding in Textainer.

The directors assessed all relevant considerations and guidance in terms of IFRS 10 to determine whether control by Trencor exists over Textainer and in terms of IAS 28 *Investments in Associates and Joint Ventures* to determine whether any significant influence by Trencor exists over Textainer.

An area of significant judgement is the assessment of whether the limitations or restrictions imposed by the VLD are substantive as the VLD is only valid for a defined timeframe up to and including 30 June 2022. The directors have applied their judgement in relation to all the relevant considerations and concluded that despite Trencor holding 47,52% of the equity shares in Textainer at 31 December 2018, Trencor is neither in control of nor has significant influence over Textainer for purposes of IFRS. Therefore, Textainer is not consolidated and not equity accounted, but has been classified under IFRS 9 as an investment in equity shares measured at fair value through profit or loss.

### 32.2 Marine cargo containers

#### 32.2.1 *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 2018 and again at 31 December 2018.

**32. Accounting estimates and judgements** (continued)

## 32.2 Marine cargo containers (continued)

32.2.1 *Residual values and useful lives of containers* (continued)

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. No changes were made to useful lives of containers during 2017 and 2018.

32.2.2 *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.

**33. Going concern**

The company's approach to managing liquidity by managing its working capital, capital expenditure and cash flows, 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 damage to the company's reputation. Ultimate responsibility for liquidity risk management rests with the board of directors. Typically the company ensures that it has sufficient cash on hand to meet operational expenses, including the servicing of financial obligations. At 31 December 2018, the company's current liabilities exceeded its current assets by R9 million (2017: R19 million). The company, however, has access to cash reserves throughout the group to ensure that the company can meet its financial obligations.

The going concern principle requires that the group's and company's financial statements be prepared on the basis that Trencor will remain in business for the foreseeable future.

In assessing the ability of the group and company to continue as a going concern, the board considered:

- the group's financial budgets and cash flow forecast;
- the performance of underlying business operations and their ability to make a positive contribution to the group's objectives; and
- the ability of the subsidiaries to declare dividends.

The board is of the view that, based on its knowledge of the group and the company, the group and the company have adequate resources at their disposal to settle obligations as they fall due and the group and the company will continue as going concerns for the foreseeable future and have thus prepared the group and the company financial statements on the going concern basis.

**34. Events after the reporting period**

On 2 April 2019 LAPCO obtained a waiver from its lenders for the breach in covenant triggering an early amortisation event on its credit facility (refer to note 18).

No other material events have occurred between 31 December 2018 and the date of this report.

### 35. Restatement of the group's prior year consolidated statement of profit or loss and other comprehensive income

Textainer has restated its financial statement presentation of the operating results from its container management business as a result of re-evaluating the accounting treatment of its fleet management agreements for managed fleet containers. These agreements convey to Textainer the right to control the use of the managed fleet containers. It was determined by Textainer that these agreements, irrespective of legal ownership, should be deemed to be leases for accounting purposes in terms of IAS 17 *Leases*. As a result of the restatement by Textainer, Trencor is required to restate its previously published results for the year ended 31 December 2017.

Lease management fee income, previously presented on a net basis, has been reclassified and is now presented on a gross basis. Further to this restatement by Textainer, and in terms of IAS 16 *Property, Plant and Equipment*, the group accordingly is also required to gross up the revenue in respect of the disposal of the managed fleet containers which was previously presented on a net basis. The result is an increase in deemed lease rental income and sales income and a corresponding increase in separately reported distribution expenses to managed fleet owners, with no effect on the group's consolidated statement of financial position, consolidated statement of cash flows, loss for the year in the consolidated statement of profit or loss and other comprehensive income, basic loss per share and headline earnings per share.

The impact of the required restatement of the financial statement presentation in the group's consolidated statement of profit or loss and other comprehensive income for the prior year ended 31 December 2017 is as follows:

|  | Group                         |           |                    |
|--|-------------------------------|-----------|--------------------|
|  | Amount previously reported Rm | Change Rm | Restated amount Rm |
| Revenue  | 8 344                         | 1 281     | 9 625              |
| Distributions to managed fleet owners                  | –                             | (1 281)   | (1 281)            |
| Other income and expenses                              | (8 954)                       | –         | (8 954)            |
| Loss for the year                                      | (610)                         | –         | (610)              |
| Total comprehensive loss for the year                  | (1 849)                       | –         | (1 849)            |
| Total comprehensive loss for the year attributable to: |                               |           |                    |
| Equity holders of the company                          | (983)                         | –         | (983)              |
| Non-controlling interests                              | (866)                         | –         | (866)              |
|  | (1 849)                       | –         | (1 849)            |
| Loss for the year attributable to:                     |                               |           |                    |
| Equity holders of the company                          | (321)                         | –         | (321)              |
| Non-controlling interests                              | (289)                         | –         | (289)              |
|  | (610)                         | –         | (610)              |
| Basic loss per share (cents)                           | (182)                         | –         | (182)              |
| Diluted loss per share (cents)                         | (182)                         | –         | (182)              |
| Headline earnings per share (cents)                    | 149                           | –         | 149                |
| Diluted headline earnings per share (cents)            | 149                           | –         | 149                |

The restatement has no impact on the 2018 financial information due to the deconsolidation of Textainer.