

# Independent Auditor's Report

to the shareholders of Trencor Limited

## REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### OPINION

We have audited the consolidated and separate financial statements of Trencor Limited (the group and company) set out on pages 24 to 69, which comprise the statements of financial position at 31 December 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Trencor Limited at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the group and company in accordance with the sections 290 and

291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## 1. Unbundling of Textainer Group Holdings Limited shares

Refer to notes 7, 13.1 and 31.1 to the consolidated and separate financial statements.

Key audit matter	How the matter was addressed in our audit
<p>At 31 December 2018, Trencor had a 47,8% shareholding in Textainer Group Holdings Limited (“Textainer”), held as an investment in equity shares at fair value through profit or loss.</p> <p>Trencor issued a circular to shareholders on 18 September 2019 informing shareholders of the intent of Textainer to have an inward secondary listing on the main board of the JSE Limited (“JSE”), and the intent of Trencor to subsequently unbundle its shareholding in Textainer to the Trencor shareholders by way of a distribution of assets <i>in specie</i>. Approval was obtained by Trencor at a general meeting held on 18 October 2019. Textainer completed its inward secondary listing on the JSE on 11 December 2019 and on 17 December 2019 the inward secondary listed shares were distributed to Trencor shareholders subsequent to the repurchase of odd lot offer and specific offer shares by Trencor.</p> <p>Trencor considered the requirements in terms of the Income Tax Act in respect of the dividends tax consequences related to the distribution of the unbundled shares.</p> <p>Significant audit effort was required on the accounting treatment of the odd lot and specific offer share repurchases of Trencor shares, the unbundling of Textainer and the associated dividends tax due to the significance of the investment in Textainer to the Trencor group prior to the unbundling. As a result, this was considered a key audit matter in our audit of the consolidated and separate financial statements.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We evaluated the appropriateness of the accounting entries to recognise the repurchase of the odd lot offer and specific offer of Trencor shares.</li> <li>• We evaluated the appropriateness of the accounting entries to recognise the unbundling transaction of the bulk of Trencor’s shares in Textainer and evaluated the appropriateness of the disclosures made in respect of the transaction.</li> <li>• We assessed the accounting and tax treatment of the dividends tax on the asset <i>in specie</i> distribution in line with the Income Tax Act No. 58 of 1962, IAS 12 <i>Income Taxes</i> and IAS 10 <i>Events After Reporting Period</i>.</li> </ul>

## 2. Disposal of TAC Limited's subsidiary, Leased Assets Pool Company Limited

Refer to the accounting estimates and judgements note 29.2 and notes 4 and 6 to the consolidated financial statements.

### Key audit matter

Trencor holds an investment in a consolidated subsidiary, TAC Limited ("TAC"), which had a 100% interest in its subsidiary Leased Assets Pool Company Limited ("LAPCO").

On 2 December 2019, TAC signed an agreement to dispose of their shareholding in LAPCO subject to the fulfilment or waiver of certain key conditions precedent. The stock purchase agreement was successfully completed and closed on 31 December 2019. The directors determined the held for sale date in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* ("IFRS 5") to be 29 November 2019.

Trencor engaged their legal advisors and transaction sponsor in the determination of the shareholder approval requirements in terms of the JSE Limited Listings Requirements ("Listings Requirements") and the Companies Act of South Africa ("Companies Act").

Significant audit effort was required in the confirmation of the categorisation of the LAPCO disposal in terms of the Listings Requirements, as well as whether shareholder approval of the disposal was required by the Trencor shareholders in terms of the Companies Act.

In addition, significant judgement was involved in the determination of the held for sale date as defined in IFRS 5.

As a result, the disposal of the shareholding in LAPCO was considered a key audit matter in our audit of the consolidated financial statements.

### How the matter was addressed in our audit

We performed the following audit procedures:

- We involved experienced members on the audit team, including our own technical and legal specialists, to assess management's categorisation of the LAPCO disposal in terms of the Listings Requirements as a Category 2 transaction and to evaluate management's conclusions reached as to whether Trencor shareholder approval was required in relation to TAC's disposal of LAPCO in terms of the Companies Act.
- We utilised our accounting specialists in the assessment of:
  - The accuracy of the accounting treatment of the initial held for sale position of LAPCO, as at 29 November 2019 in terms of IFRS 5; and
  - Assessed the appropriateness of the accounting treatment for the subsequent disposal of LAPCO at 31 December 2019 in terms of IFRS 5.
- We evaluated the appropriateness of the disclosures of LAPCO, as a discontinued operation, in terms of IFRS 5.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Trencor Limited Integrated Annual Report 2019" which includes the Declaration by the Company Secretary, the Directors' Report and the Audit Committee Report as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated

and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Trencor Limited for 19 years.

KPMG Inc.  
Registered Auditor



Per GS Kolbé  
Chartered Accountant (SA)  
Registered Auditor  
Director

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30 April 2020