Notes to the Financial Statements

for the year ended 31 December 2019

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 2019 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. For the years ended 31 December 2019 and 2018, the group was engaged in the owning and leasing of marine cargo containers.

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 the framework concepts and the measurement, recognition, presentation and disclosure requirements of International Financial Reporting Standards ("IFRS") and the South African Institute of Chartered Accountants *Financial Reporting Guides* as issued by the Accounting Practices Committee and *Financial 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 2020.

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. Although there are foreign operations transacting in foreign currency, the group has elected the presentation currency to be SA rand. 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 29.

2.5 Adoption of new accounting standards

The group has implemented IFRS 16 *Leases* from 1 January 2019.

2.5.1 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 group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application being 1 January 2019. Therefore, the comparative information for 2018 is reported under IAS 17 *Leases* and not comparable to the information presented for 2019. In using the modified retrospective approach, the group excluded initial direct costs in measuring the right-of-use asset.

2.6 Comparative information

Certain comparative information in the statement of profit or loss and other comprehensive income has been restated as a result of an operation discontinued during the current year (refer to notes 3.4 and 4).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated and separate financial statements, and have been applied consistently by group entities except for IFRS 16.

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. Significant accounting policies (continued)

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. 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 Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated.

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 year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency gains or losses on monetary items are recognised in profit or loss.

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.

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.

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 fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial assets – Classification

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.

Non-derivative financial liabilities are classified as financial liabilities at amortised cost.

Financial assets – Subsequent measurement
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 losses 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
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
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.

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or at FVTPL. 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.

Restricted cash
Restricted cash is classified as a non-current asset and comprises money-market and term deposits held by independent escrow agents in escrow accounts in relation to indemnities issued by the group (refer to note 28). Restricted cash is carried at amortised cost including interest, accrued using the effective interest method, which is included in profit or loss. The carrying value of restricted cash is deemed to be fair value as interest is earned at market related interest rates.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents are subsequently measured 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 shares and is measured 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 subsequently measured at amortised cost less expected credit losses.

Trade and other payables
Trade payables are subsequently measured 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 as finance expense in profit or loss over the term of the borrowings using the effective interest method.

In the case of the company, the amount due to the subsidiary is classified as a non-current liability as the subsidiary will not require repayment of the liability for at least 12 months. The liability is carried at amortised cost.

3. Significant accounting policies (continued)

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 Derecognition

Financial assets

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which a group entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

A financial liability is derecognised when its contractual obligations are discharged or cancelled, or expire. A group entity also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.3.3 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.

3.3.4 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.

3.3.5 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 and dividend distributions of assets *in specie* (treated as distributions within equity) are recognised as a liability in the year in which they are declared.

3.4 Discontinued operation

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

3.5 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets or deferred tax assets which continue to be measured in accordance with the group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, property, plant and equipment is no longer depreciated.

3.6 Property, plant and equipment

3.6.1 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 3.6.3) and accumulated impairment losses (refer to note 3.9.2). 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 3.11.2) and the carrying value is included in changes in inventories.

3.6.2 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.

3.6.3 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. Right-of-use assets and leasehold improvements are depreciated over the lease term. The estimated useful lives are as follows for the current and comparative years:

	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.

3.7 Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses (refer to note 3.9.2).

3.8 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.

3.9 Impairment

3.9.1 Financial assets

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.

3.9.2 Non-financial assets

At each reporting date, the carrying amounts of non-financial assets (other than inventories and deferred tax assets) are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3. Significant accounting policies (continued)

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.

3.10 Leases

The group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. The group has disclosed accounting policies under both IFRS 16, for the current year, and IAS 17 for the comparative year presented in order for users to understand the current year, as well as comparative information and changes in significant accounting policies.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities in interest-bearing borrowings in the statement of financial position.

As a lessor
Generally, the accounting policies applicable to the group as a lessor in the comparative year were not different from IFRS 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Assets held under operating leases were not recognised in the group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor
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. 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. The finance leases are treated as operating leases between the group entity and the equipment manager in terms of the management agreements.

3.11 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.

3.11.1 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.

3.11.2 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 recognised from the sale of marine cargo containers is the amount of consideration the entity expects to be entitled to in exchange for the containers transferred to the customer.

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.

3.11.3 Dividend income and distributions from a trust

In the case of the company, revenue comprises dividend income and capital and income distributions from a trust and is recognised when the right to receive payment is established.

3.12 Finance income and finance expenses

3.12.1 Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

3.12.2 Interest expense

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.

Fair value gains or losses on interest rate swaps are included in finance expenses.

3.13 Employee benefits

3.13.1 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. Significant accounting policies (continued)

3.13.2 Retirement benefits

A group entity contributes to a defined contribution retirement fund. 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 the fund is recognised in profit or loss in the period during which services are rendered by employees.

3.14 Income tax

Income tax comprises current, deferred and dividends 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 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.

Dividends tax is levied on the company in respect of dividend distributions of assets *in specie* to shareholders who are not exempt or not subject to such tax at a reduced rate. There are no dividends tax consequences for the company on the distribution of cash dividends.

3.15 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 year.

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.

Headline earnings per share

The presentation of headline earnings per share is mandated under the JSE Limited's Listings Requirements and is calculated in accordance with Circular 1/2019 *Headline Earnings*, as issued by the South African Institute of Chartered Accountants.

3.16 Accounting standards and interpretations in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for years beginning on or after 1 January 2020, and have not been applied in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the group's consolidated financial statements:

Effective for the financial year commencing 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (amendments to IFRS 3);
- Definition of Material (amendments to IAS 1 and IAS 8); and
- Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7).

4. Discontinued operation

At the end of November 2019, the container owning and leasing segment was discontinued when Leased Assets Pool Company Limited ("LAPCO"), a wholly-owned subsidiary of TAC Limited ("TAC"), was considered to be held for sale. This was due to the impending sale of LAPCO in terms of a sale agreement with Textainer Limited, a wholly-owned subsidiary of Textainer Group Holdings Limited ("Textainer").

The operation was classified as a discontinued operation under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* ("IFRS 5") as of 29 November 2019 and as at that date, management determined that all the conditions for such classification, in terms of IFRS 5, had been met. The assets and liabilities of the operation, at their carrying amounts to which the group's existing accounting policies have been applied, were transferred into a disposal group on that date and classified as held for sale. The container equipment was impaired in terms of IAS 36 *Impairment of Assets* (before transferring it to the disposal group) to its fair value less cost to sell in terms of the value in the sale agreement and an impairment loss of R435 million was incurred. The sale was concluded and became effective on 31 December 2019 when the proceeds were received and all the conditions precedent were met.

		Group	
		2019 Rm	2018 Rm
4.1	**Results of the discontinued operation**		
	Revenue	**513**	543
	Other operating income	**1**	–
	Cost of containers sold	**(165)**	(151)
	Depreciation	**(113)**	(103)
	Other operating expenses	**(32)**	(33)
	Impairment of property, plant and equipment (note 5)	**(448)**	(108)
	Operating (loss)/profit before net finance expenses	**(244)**	148
	Net finance expenses	**(114)**	(80)
	Finance expenses: Interest expense	**(99)**	(88)
	Realised and unrealised (losses)/gains on derivative financial instruments	**(21)**	4
	Finance income: Interest income	**6**	4
	(Loss)/Profit before tax	**(358)**	68
	Income tax credit	**–**	1
	(Loss)/Profit for the year	**(358)**	69
	Loss on disposal of subsidiary, net of tax	**(21)**	–
	(Loss)/Profit from discontinued operation, net of tax	**(379)**	69
	Basic (loss)/earnings per share (cents)	**(218)**	39
	Diluted (loss)/earnings per share (cents)	**(218)**	39
4.2	**Cash flows from discontinued operation**		
	Net cash inflow/(outflow) from operating activities	**406**	(15)
	Net cash inflow from investing activities (refer below)	**392**	–
	Net cash outflow from financing activities	**(356)**	(1)
	Net cash inflow/(outflow) for the year	**442**	(16)
4.3	**Effect of disposal on the financial position of the group**		
	Property, plant and equipment	**(2 273)**	
	Inventories	**(42)**	
	Trade and other receivables	**(116)**	
	Cash and cash equivalents	**(297)**	
	Interest-bearing borrowings	**1 748**	
	Derivative financial instruments	**16**	
	Trade and other payables	**10**	
	Current tax liabilities	**10**	
	Net assets and liabilities	**(944)**	
	Proceeds on disposal of subsidiary	**923**	
	Loss on disposal of subsidiary, net of tax	**(21)**	
	Proceeds on disposal of subsidiary	**923**	
	Cash and cash equivalents disposed of	**(297)**	
	Net cash flow on disposal of subsidiary	**626**	
	Amount placed in escrow account	**(234)**	
	Net cash inflow from investing activities (refer above)	**392**	

5. Property, plant and equipment

	Group				
	Leasehold improvements and right-of-use asset Rm	Container leasing equipment Rm	Plant and machinery Rm	Other equipment Rm	Total Rm
Cost					
2018					
Balance at 1 January 2018	27	64 366	2	142	64 537
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	(21)	(60 923)	–	(136)	(61 080)
Balance at 31 December 2018	–	3 897	–	6	3 903
2019					
Recognition of right-of-use asset on initial application of IFRS 16 (refer to note 23.1)	**4**	**–**	**–**	**–**	**4**
Adjusted balance at 1 January 2019	**4**	**3 897**	**–**	**6**	**3 907**
Effect of movements in exchange rates	**–**	**(71)**	**–**	**–**	**(71)**
Transfer to container inventory	**–**	**(407)**	**–**	**–**	**(407)**
Derecognised on disposal of subsidiary (refer to note 4.3)	**–**	**(3 419)**	**–**	**–**	**(3 419)**
Balance at the end of the year	**4**	**–**	**–**	**6**	**10**
Accumulated depreciation and impairment losses					
2018					
Balance at 1 January 2018	19	19 605	1	119	19 744
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	(18)	(18 712)	–	(113)	(18 843)
Balance at 31 December 2018	–	839	–	6	845
2019					
Depreciation for the year	**2**	**113**	**–**	**–**	**115**
Effect of movements in exchange rates	**–**	**(36)**	**–**	**–**	**(36)**
Impairment loss for the year	**–**	**448**	**–**	**–**	**448**
Transfer to container inventory	**–**	**(218)**	**–**	**–**	**(218)**
Derecognised on disposal of subsidiary (refer to note 4.3)	**–**	**(1 146)**	**–**	**–**	**(1 146)**
Balance at the end of the year	**2**	**–**	**–**	**6**	**8**
Carrying amounts:					
At 1 January 2018	8	44 761	1	23	44 793
At 31 December 2018	–	3 058	–	–	3 058
At 31 December 2019	**2**	**–**	**–**	**–**	**2**
Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 14):					
At 31 December 2018	–	2 984	–	–	2 984
At 31 December 2019	**–**	**–**	**–**	**–**	**–**

	Group	
	2019 Rm	2018 Rm
Container leasing equipment impairment		
Fair value less cost to sell impairment	**435**	–
Value-in-use impairment	**–**	107
Impairment recognised in respect of containers on operating leases not recovered from defaulting customers	**13**	4
Reversal of impairment provided on containers on operating leases with defaulting customers	**–**	(3)
	448	108

The container leasing equipment was impaired in terms of IAS 36 *Impairment of Assets* to its fair value less cost to sell in terms of the value in the sale agreement (refer to note 4) and thereafter classified as held for sale in terms of IFRS 5. An impairment loss of R435 million was recognised. The fair value determination is categorised as level 2 of the fair value hierarchy (refer to note 26.7.1)

In prior reporting periods, for the purposes of calculating the value-in-use impairment loss, the container fleets were grouped by CGU. 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. At 31 December 2018, the recoverable amount of a CGU was calculated based on its value-in-use, using a discount rate of 7,44% to discount the future estimated cash flows.

Projected future cash flows were estimated using the assumptions that were part of the long-term planning forecasts. These projected future cash flow assumptions were determined with reference to the then 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 the then market rates.

	Company	
	2019 Rm	2018 Rm
6. Investment in subsidiaries		
Ordinary shares at cost	**1 448**	1 800
Preference shares	**1 013**	1 013
Investment in subsidiaries before impairment loss	**2 461**	2 813
Impairment loss	**(366)**	(351)
Investment in subsidiaries	**2 095**	2 462
Amount due to subsidiary – non-current	**(907)**	(862)
	1 188	1 600
6.1 Amount due to subsidiary is unsecured and interest free and is repayable at 367 days' notice (refer to note 27.2).		
6.2 Income earned from subsidiaries during the year included in profit or loss:		
Dividends received (refer to notes 18 and 27.2)	**4**	6 910

6. Investment in subsidiaries (continued)

6.3 The impairment loss arose on impairment of the company's investment in a subsidiary to net asset value, which is the fair value less cost to sell of the investment.

6.3.1 During the year, the previously reported impairment loss of R351 million was set-off against the cost of the subsidiary on derecognition of the subsidiary pending its deregistration.

6.3.2 The impairment loss of R366 million arose on the write-down of the carrying value of TAC to its net asset value on the disposal of LAPCO.

	Company		
	Country of incorporation	**2019 %**	2018 %
6.4 List of material subsidiaries:			
Direct interests			
TAC Limited	Bermuda	**100**	100
Trencor Services Proprietary Limited	Republic of South Africa	**100**	100

	Group
	2019 Rm
6.5 Loss on disposal of subsidiary (refer to note 4)	
Property, plant and equipment	**2 273**
Inventories	**42**
Trade and other receivables	**116**
Cash and cash equivalents	**297**
Total assets	**2 728**
Interest-bearing borrowings	**(1 748)**
Derivative financial instruments	**(16)**
Trade and other payables	**(10)**
Current tax liabilities	**(10)**
Total liabilities	**(1 784)**
Subsidiary net asset value	**944**
Proceeds on disposal of subsidiary	**(923)**
Loss on disposal of subsidiary, net of tax	**(21)**

6.6 Gain on deconsolidation of subsidiary

Following the entering into of the Voting Limitation Deed ("VLD") on 1 January 2018, whereby Trencor is regarded for purposes of IFRS 10 as neither being in control of nor having significant influence over Textainer (refer to note 29.1), Textainer is no longer considered to be a subsidiary for the purposes of IFRS 10 and is now accounted for as an investment in equity shares measured at fair value through profit or loss (refer to note 7). On 1 January 2018, Textainer was deconsolidated, realising a gain on disposal as follows:

	Group
	2018 Rm
Property, plant and equipment	42 237
Intangible assets	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
Total assets	48 025
Interest-bearing borrowings	(33 180)
Deferred tax liabilities	(31)
Deferred revenue	(25)
Current liabilities	(4 726)
Total liabilities	(37 962)
Subsidiary net asset value	10 063
Non-controlling interests	(5 387)
Subsidiary net asset value attributable to shareholders	4 676
Investment in equity shares at fair value through profit or loss (refer to note 7)	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
Gain on deconsolidation of subsidiary	5 767

7. Investment in equity shares

Investment in Textainer measured at fair value through profit or loss:

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 its shareholders. Shareholder approval was obtained in a general meeting held on 18 October 2019. Textainer completed its inward secondary listing on the JSE on 11 December 2019. On 17 December 2019, Trencor unbundled to its shareholders by way of a distribution of assets *in specie*, 24 278 802 of the 27 278 802 shares it held in Textainer. Textainer has a primary listing on the New York Stock Exchange and an inward secondary listing on the JSE. The distribution by the company amounted to R3 597 million on which an amount of R174 million was accrued in respect of dividends tax, payable within one month of the year-end (refer to note 31.1).

	Group		Company	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
3 000 158 shares inward listed on the JSE at R139,12 (2018: 27 278 802 shares listed on the New York Stock Exchange at US$9,96 each, translated at US$1=R14,39)	**417**	3 910	**417**	3 910
Fair value adjustment of investment in equity shares:				
Fair value at the beginning of the year	**3 910**	7 255	**3 910**	–
Fair value at 11 May 2018			**–**	5 477
Distribution to shareholders	**(3 597)**	–	**(3 597)**	–
Fair value adjustment (refer below)	**104**	(3 345)	**104**	(1 567)
Fair value at the end of the year	**417**	3 910	**417**	3 910
Fair value adjustment of investment in equity shares is made up as follows:				
Increase/(Decrease) in fair value due to movement in share price	**37**	(4 530)	**37**	(2 508)
Increase in fair value due to movement in exchange rate	**67**	1 185	**67**	941
	104	(3 345)	**104**	(1 567)

The shares in Textainer were previously held by Halco Holdings Inc ("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.

8. Deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
Property, plant and equipment	**–**	–	**–**	(11)	**–**	(11)
Trade and other payables	**1**	2	**–**	–	**1**	2
Tax losses carried forward	**–**	11	**–**	–	**–**	11
Deferred tax assets/(liabilities)	**1**	13	**–**	(11)	**1**	2
Set-off of tax balances in same entity	**–**	(11)	**–**	11	**–**	–
Net deferred tax assets	**1**	2	**–**	–	**1**	2

Movement in temporary differences during the year:

	Group				
	Balance at the beginning of the year Rm	Recognised in profit or loss Rm	Exchange adjustment in equity Rm	Derecognised on deconsolidation of subsidiary Rm	Balance at the end of the year Rm
2019					
Property, plant and equipment	**(11)**	**10**	**1**	**–**	**–**
Trade and other payables	**2**	**(1)**	**–**	**–**	**1**
Tax losses carried forward	**11**	**(10)**	**(1)**	**–**	**–**
	2	**(1)**	**–**	**–**	**1**
2018					
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
	(9)	(1)	–	12	2

8.1 Deferred tax assets of R1 million (2018: R2 million) relate to temporary differences and it is probable that future taxable profits of the group entity will be available against which the assets can be utilised.

8.2 On the disposal of LAPCO (refer to note 4), the deferred tax assets available to that company and the losses for which a deferred asset had not been recognised are no longer available to the group. These amounts in 2018 were R11 million and R92 million respectively.

8.3 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 (2018: nil).

9. Restricted cash

	Group		Company	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
The escrow account in relation to the Halco Trust will be held until the indemnity terminates on 31 December 2024 or otherwise falls away prior to this date (refer to note 28.1.1)	**242**	–	**242**	–
The escrow account in relation to the disposal of LAPCO will be held until the indemnity terminates on 30 June 2021 (refer to note 28.1.3)	**234**	–	**–**	–
	476	–	**242**	–

10. Inventories

	Group 2019 Rm	Group 2018 Rm
Container equipment held for sale	**–**	19

In terms of IAS 16 *Property Plant and Equipment*, 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 R13 million (2018: R3 million).

11. Trade and other receivables

	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Trade receivables	**–**	96	**–**	–
Prepayments	**8**	10	**1**	1
Insurance receivables	**–**	7	**–**	–
Other receivables	**1**	14	**–**	–
	9	127	**1**	1

12. Cash and cash equivalents

	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Bank balances	**707**	336	**–**	–
Call and term deposits	**721**	944	**–**	–
	1 428	1 280	**–**	–

13. Capital and reserves

	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Share capital				
Authorised				
Ordinary shares of 0,5 cent each				
200 000 000 (2018: 200 000 000)	**1**	1	**1**	1
Issued				
Ordinary shares of 0,5 cent each				
173 534 676 (2018: 173 677 833)	**1**	1	**1**	1

13.1 Number of ordinary shares in issue

	Group 2019 '000	Group 2018 '000	Company 2019 '000	Company 2018 '000
Shares in issue at the beginning of the year	**173 678**	177 068	**173 678**	177 068
Shares repurchased by the company	**(143)**	(3 390)	**(143)**	(3 390)
Shares in issue at the end of the year	**173 535**	173 678	**173 535**	173 678

As a result of the odd-lot offer and the specific offer to repurchase shares, 143 157 ordinary shares, representing 0,08% of the company's issued share capital, were repurchased on 8 November 2019. The total value of the shares repurchased amounted to R5 million at a price of R32,38 per share. The amount was charged against retained income. During 2018, 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' general 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.

13.2 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.

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

13.4 **Reserves**

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. When a group entity is derecognised due to deconsolidation, liquidation or disposal, the accumulated foreign currency translation differences are transferred to profit or loss.

Share-based payment reserve

The share-based payment reserve comprised the cumulative value of equity-settled share-based payments. These reserves were transferred to retained income during 2018.

Net gain on changes in ownership interests in subsidiaries

This reserve represented the cumulative net gain in changes in ownership interests in subsidiaries. These net gains were transferred to retained income during 2018.

	Group		Company	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
13.5 **Dividends**				
Dividends declared and paid during the year are as follows:				
Final dividend in respect of the financial year 2018 – nil (2017: 50 cents per share)	**–**	88	**–**	88
Unbundling dividend of assets *in specie* – 2 073 cents per share (refer to note 7)	**3 597**	–	**3 597**	–
Unclaimed dividends for more than three years have been reversed	**(2)**	–	**(2)**	–
	3 595	88	**3 595**	88

14. Interest-bearing borrowings

	Group					
	Interest rate 31 December 2019 % p.a.	Interest fixed or indexed to	Foreign amount **2019 US$m**	Foreign amount 2018 US$m	**2019 Rm**	2018 Rm
Lease liability (refer to note 23.2)	9,25	–	**–**	–	**1**	–
LAPCO credit facility	–	LIBOR	**–**	151	**–**	2 170
Total			**–**	151	**1**	2 170
Unamortised debt issuance costs					**–**	(36)
					1	2 134
Current portion included in current liabilities					**(1)**	(512)
					–	1 622

14.1 The LAPCO credit facility was secured by way of a pledge against certain of its property, plant and equipment (refer to note 5).

14.2 Under the terms of the credit facility previously granted to LAPCO, payment of dividends and the redemption of shares subject to mandatory redemption could only be made from surplus cash flows after any payments due under the facility. The facility also contained covenants regarding senior funded indebtedness, interest coverage and tangible net worth.

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 changed to a term facility until the breach was remedied or waived by the majority of the lenders. Accordingly, on that basis, US$35,6 million (R512 million) would have become payable in the 2019 financial year and was disclosed as the current portion of long-term borrowings.

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 which resulted in the breach. This resulted in the facility reverting to a revolving credit facility.

Under the credit facility, no repayments were required to be made within the two-year revolving period. The facility would have converted to a six-year amortising note if it was not extended by agreement between the banks and LAPCO in November 2019. The banks did not enforce the term loan conversion provisions set out in the facility agreement for the period between 20 November 2019 and 31 December 2019. Final repayment was estimated in November 2025. The LAPCO facility was settled by Textainer on 31 December 2019 when the sale of LAPCO was concluded and became effective (refer to note 4).

14.3 The company's borrowing powers are unlimited. At 31 December 2019, the group had no external borrowing facilities (2018: R2 302 million of which R132 million was unutilised). The company's borrowings are disclosed in note 6.1.

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

	Company			
	Share premium Rm	Amount due to subsidiary Rm	Retained income Rm	Total Rm
Balance at 1 January 2018	43	824	181	1 048
Changes from financing cash flows				
Shares repurchased by the company	(43)	–	(57)	(100)
Amounts advanced by subsidiary	–	38	–	38
Total changes from financing cash flows	(43)	38	(57)	(62)
Equity related changes	–	–	5 376	5 376
Balance at 31 December 2018	–	862	5 500	6 362
Changes from financing cash flows				
Shares repurchased by the company	**–**	**–**	**(5)**	**(5)**
Amounts advanced by subsidiary	**–**	**45**	**–**	**45**
Total changes from financing cash flows	**–**	**45**	**(5)**	**40**
Equity related changes	**–**	**–**	**(3 834)**	**(3 834)**
Balance at 31 December 2019	**–**	**907**	**1 661**	**2 568**

	Group							
	Interest-bearing borrowings Rm	Lease liability Rm	Debt issuance costs Rm	Derivative financial instruments Rm	Share premium Rm	Retained income Rm	Non-controlling interests Rm	Total Rm
Balance at 1 January 2018	37 952	–	(333)	(100)	43	2 262	5 387	45 211
Changes from financing cash flows								
Shares repurchased by the company	–	–	–	–	(43)	(57)	–	(100)
Total changes from financing cash flows	–	–	–	–	(43)	(57)	–	(100)
Debt issuance costs amortised	–	–	5	–	–	–	–	5
Interest-bearing borrowings derecognised on deconsolidation of subsidiary (refer to note 6.6)	(36 087)	–	298	93	–	–	(5 387)	(41 083)
Effect of exchange rate fluctuations	305	–	(6)	(2)	–	–	–	297
Equity related changes	–	–	–	–	–	3 681	–	3 681
Balance at 31 December 2018	2 170	–	(36)	(9)	–	5 886	–	8 011
Recognition of lease liability on initial application of IFRS 16 (refer to note 23.2)	–	4	–	–	–	–	–	4
Adjusted balance at 1 January 2019	2 170	4	(36)	(9)	–	5 886	–	8 015
Changes from financing cash flows								
Shares repurchased by the company	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Repayment of borrowings	**(357)**	**(3)**	**–**	**–**	**–**	**–**	**–**	**(360)**
Total changes from financing cash flows	**(357)**	**(3)**	**–**	**–**	**–**	**(5)**	**–**	**(365)**
Debt issuance costs amortised	**–**	**–**	**5**	**–**	**–**	**–**	**–**	**5**
Interest-bearing borrowings derecognised on disposal of subsidiary (refer to note 6.5)	**(1 778)**	**–**	**30**	**(16)**	**–**	**–**	**–**	**(1 764)**
Effect of exchange rate fluctuations	**(35)**	**–**	**1**	**4**	**–**	**–**	**–**	**(30)**
Changes in fair value	**–**	**–**	**–**	**21**	**–**	**–**	**–**	**21**
Equity related changes	**–**	**–**	**–**	**–**	**–**	**(4 051)**	**–**	**(4 051)**
Balance at 31 December 2019	**–**	**1**	**–**	**–**	**–**	**1 830**	**–**	**1 831**

15. Trade and other payables

	Group		Company	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Trade payables	**–**	4	**–**	–
Accrued expenses	**30**	21	**11**	7
Other payables	**1**	4	**–**	3
	31	29	**11**	10

16. Derivative financial instruments

	Group				
				Fair value	
	Final maturity	Underlying	Notional amount of contracts outstanding Rm	Assets Rm	Liabilities Rm
2018					
Derivative financial instruments at 31 December 2018 comprise interest rate swap contracts	December 2023	Interest rates	1 569	9	–

16.1 The interest rate cap and swap contracts were recorded at fair value and the related fair value adjustments recorded in profit or loss.

16.2 At 31 December 2018, the variable interest rate debt principal outstanding amounted to R2 170 million of which R1 569 million in notional value was covered by interest rate cap and swap contracts. The interest rate swaps were settled on 31 December 2019 when the sale of LAPCO was concluded and became effective (refer to note 4).

16.3 The value of the interest rate swaps was based on a discounted cash flow analysis utilising forecasted interest rate yield curves.

17. Intangible assets and goodwill

	Group		
	Goodwill Rm	Container management contracts Rm	Total Rm
Cost			
2018			
Balance at 1 January 2018	137	666	803
Impairment of goodwill	(137)	–	(137)
Derecognised on deconsolidation of subsidiary (refer to note 6.6)	–	(666)	(666)
Balance at 31 December 2018	–	–	–
Accumulated amortisation			
2018			
Balance at 1 January 2018	–	521	521
Derecognised on deconsolidation of subsidiary (refer to note 6.6)	–	(521)	(521)
Balance at 31 December 2018	–	–	–
Carrying amounts:			
At 1 January 2018	137	145	282
At 31 December 2018	–	–	–

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 and leasing 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 were not likely to be obtained, goodwill was impaired in 2018.

	Group		Company	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm

18. Operating profit/(loss) before finance income – continuing operations

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

	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Income				
Capital distribution from the Halco Trust	**–**	–	**239**	168
Income distribution from the Halco Trust	**–**	–	**5**	–
Dividends received	**–**	–	**4**	6 910
Expenses				
Auditors' remuneration	**7**	5	**5**	2
Audit fee				
Current year	**7**	9	**5**	6
Over provision prior year	**–**	(4)	**–**	(4)
Directors' remuneration and benefits	**14**	14	**3**	3
Executive directors				
Short-term employee benefits	**11**	11	**–**	–
Non-executive directors				
Remuneration	**3**	3	**3**	3
Unrealised foreign exchange loss	**5**	–	**–**	–
Retirement benefit contributions included in employee benefits expense	**1**	–	**–**	–

19. Finance income – continuing operations

	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Interest income				
Cash and cash equivalents	**47**	58	**–**	–
Restricted cash	**4**	–	**4**	–
	51	58	**4**	–

20. Income tax

20.1 Income tax paid

	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Amounts payable at the beginning of the year	**11**	123	**–**	1
Effect of movement in exchange rates	**–**	2	**–**	–
Recognised in profit or loss				
South African normal	**7**	7	**3**	1
South African dividends tax	**174**	–	**174**	–
Foreign normal	**–**	1	**–**	–
Derecognised on deconsolidation of subsidiary	**–**	(110)	**–**	–
Derecognised on disposal of subsidiary (refer to note 4.3)	**(10)**	–	**–**	–
Amounts payable at the end of the year	**(175)**	(11)	**(175)**	–
Amounts paid during the year	**7**	12	**2**	2

20. Income tax (continued)

20.2 Income tax expense

	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
South African normal	**7**	7	**3**	1
Current	**6**	7	**2**	1
Adjustment for prior years	**1**	–	**1**	–
Foreign normal – current	**–**	1	**–**	–
South African deferred				
Origination and reversal of temporary differences	**1**	1	**–**	–
South African dividends tax	**174**	–	**174**	–
	182	9	**177**	1
Analysis of tax charge:				
Tax charge – continuing operations	**182**	10		
Tax credit – discontinued operation (refer to note 4.1)	**–**	(1)		
	182	9		

20.3 Income tax expense reconciliation

	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Profit/(Loss) before tax – continuing operations	**105**	2 789	**(62)**	5 463
(Loss)/Profit before tax – discontinued operations (refer to note 4.1)	**(358)**	68		
Loss on disposal of subsidiary (refer to note 4.1)	**(21)**	–		
(Loss)/Profit before tax	**(274)**	2 857	**(62)**	5 463
The Income tax expense is reconciled as follows:				
Income tax (credit)/expense at applicable rate of 28% (2018: 28%)	**(77)**	800	**(18)**	1 530
Operating losses not recognised	**12**	3	**–**	–
Under provided in prior years	**1**	–	**1**	–
Foreign loss inclusion differential	**96**	(24)	**–**	–
Foreign tax rate differential	**–**	(1)	**–**	–
Non-taxable income – capital distribution from trust	**–**	–	**(67)**	(47)
Non-deductible expenses in relation to capital distribution from trust	**7**	–	**7**	–
Non-taxable income – dividends received	**–**	–	**(1)**	(1 934)
Non-deductible expenses in relation to dividends received	**–**	8	**–**	8
Fair value adjustment of investment in equity shares	**(29)**	936	**(29)**	439
Gain on deconsolidation of subsidiary	**–**	(1 615)	**–**	–
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	**(10)**	(147)	**–**	–
Impairment of investment	**–**	–	**103**	–
Impairment of goodwill	**–**	39	**–**	–
Other non-deductible expenses	**8**	11	**7**	5
Capital gain	**–**	(1)	**–**	–
Dividends tax (refer to note 7)	**174**	–	**174**	–
Income tax expense at effective tax rate	**182**	9	**177**	1

20.4 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. Deferred income taxes reflect temporary differences attributable to various jurisdictions at the appropriate statutory tax rates.

20.5 **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.

21. (Loss)/Earnings per share

	Group			
	Gross	**Net of tax**	Gross	Net of tax
	2019		2018	
	Rm	**Rm**	Rm	Rm
Basic (loss)/earnings per share				
(Loss)/Profit for the year attributable to shareholders of the company		**(456)**		2 848
Weighted average number of shares in issue (million)		**173,7**		176,9
Entity as a whole				
Basic (loss)/earnings per share (cents)		**(263)**		1 610
Diluted (loss)/earnings per share (cents)		**(263)**		1 610
Continuing operations				
Basic (loss)/earnings per share (cents)		**(44)**		1 571
Diluted (loss)/earnings per share (cents)		**(44)**		1 571
Discontinued operations				
Basic (loss)/earnings per share (cents)		**(218)**		39
Diluted (loss)/earnings per share (cents)		**(218)**		39
Headline loss per share				
(Loss)/Profit for the year attributable to shareholders of the company		**(456)**		2 848
Impairment of property, plant and equipment	**448**	**448**	108	108
Loss on disposal of subsidiary	**21**	**21**	–	–
Compensation recovery from third party in respect of impairment of property, plant and equipment	**(1)**	**(1)**	–	–
Gain on deconsolidation of subsidiary	**–**	**–**	(5 767)	(5 767)
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	**(36)**	**(36)**	(526)	(526)
Impairment of goodwill	**–**	**–**	137	137
Profit on sale of property, plant and equipment	**–**	**–**	(18)	(15)
Headline loss attributable to shareholders of the company		**(24)**		(3 215)
Weighted average number of shares in issue (million)		**173,7**		176,9
Headline loss per share (cents)		**(14)**		(1 818)
Diluted headline loss per share (cents)		**(14)**		(1 818)

22. Cash generated from operations

Reconciliation of (loss)/profit for the year to cash generated from operations:

	Group		Company	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
(Loss)/Profit for the year	**(456)**	2 848	**(239)**	5 462
Adjusted for:				
Finance expenses	**120**	84	**–**	–
Finance income	**(57)**	(62)	**(4)**	–
Gain on deconsolidation of subsidiary	**–**	(5 767)	**–**	–
Gain on disposal other property, plant and equipment	**–**	(18)	**–**	–
Loss on disposal of subsidiary	**21**	–	**–**	–
Unrealised exchange losses	**5**	–	**5**	–
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	**(36)**	(526)	**–**	–
Depreciation	**115**	103	**–**	–
Carrying value of container leasing equipment disposed	**152**	134	**–**	–
Write-down of container leasing equipment held for sale	**13**	3	**–**	–
Net impairment losses incurred	**448**	248	**366**	–
Dividend *in specie* received	**–**	–	**–**	(6 869)
Fair value adjustment of investment in equity shares	**(104)**	3 345	**(104)**	1 567
Income tax expense	**182**	9	**177**	1
Operating profit before working capital changes	**403**	401	**201**	161
Working capital changes	**17**	(50)	**4**	(9)
Increase in inventories	**–**	(2)	**–**	–
Decrease/(Increase) in trade and other receivables	**3**	16	**–**	(1)
Increase/(Decrease) in trade and other payables	**14**	(64)	**4**	(8)
Cash generated from operations	**420**	351	**205**	152

23. Leases

Leases as lessee (IFRS 16)

The group leases its head office premises and the lease agreement was entered into many years ago. The lease was classified as an operating lease under IAS 17.

At the date of initial application IFRS 16, the lease had a period of 18 months until it terminates.

		At 1 January 2019 Rm
23.1	**Impact on transition**	
	Right-of-use-asset – Property plant and equipment (refer to note 5)	**4**
	Lease liability – Interest-bearing borrowings (refer to note 14)	**4**
23.2	**Operating lease commitments at 31 December 2018 as disclosed under IAS 17**	
	Total lease commitment	**4**
	Discounted at the incremental borrowing rate of 9,25% at 1 January 2019	**4**

		For the year Rm
23.3	**Amounts recognised in profit or loss**	
	2019 – leases under IFRS 16	
	Interest on lease liability	**0,2**
	Depreciation	**2,0**
	2018 – operating leases under IAS 17	
	Lease expense	**2,0**
23.4	**Amounts recognised in statement of cash flows**	
	Total cash outflow for leases	**3,0**

24. Employee benefits

Retirement benefit funds

Effective 1 June 2018, Trencor's membership of the Alexander Forbes Retirement Fund transferred to the Allan Gray Umbrella Retirement Pension Fund, which provides member investment choice from a range of portfolios.

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.

25. Segment reporting

Business segments

25.1 There is one (2018: one) operating segment (i.e. strategic business unit) namely container owning and leasing, which has been discontinued as a result of the sale of LAPCO (refer to note 4). The executive committee (regarded as the chief operating decision-maker) reviewed internal management reports on at least a quarterly basis.

25.2 Information regarding the results of the reportable segment is recorded below. Performance is measured based on segment (loss)/profit before net finance expenses 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.

	Group					
	Reportable Segment					
	Discontinued container owning and leasing		Unallocated		Consolidated	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
Revenue	**513**	543	**–**	–	**513**	543
Goods sold	**168**	184	**–**	–	**168**	184
Leasing income	**345**	359	**–**	–	**345**	359
(Loss)/Profit before net finance expenses and income tax	**(244)**	148	**54**	2 731	**(190)**	2 879
Finance income	**6**	4	**51**	58	**57**	62
Finance expenses	**(120)**	(84)	**–**	–	**(120)**	(84)
Depreciation and amortisation	**(113)**	(103)	**(2)**	–	**(115)**	(103)
Income tax expense/(credit)	**–**	(1)	**182**	10	**182**	9
Other material non-cash items:						
Impairment losses incurred:						
Property, plant and equipment	**(448)**	(108)	**–**	–	**(448)**	(108)
Trade receivables	**–**	(4)	**–**	–	**–**	(4)
Loss on disposal of subsidiary, net of tax	**(21)**	–	**–**	–	**(21)**	–
Write-down of container leasing equipment held for sale	**(13)**	(3)	**–**	–	**(13)**	(3)
Assets	**–**	3 575	**2 333**	4 830	**2 333**	8 405
Liabilities	**–**	2 146	**207**	28	**207**	2 174
Capital expenditure	**–**	399	**–**	–	**–**	399

	Group			
	Assets		Liabilities	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
The following is an analysis of the unallocated assets and liabilities:				
Property, plant and equipment	**2**	–		
Investment in equity shares	**417**	3 910		
Deferred tax assets	**1**	2		
Restricted cash	**476**	–		
Income tax liabilities			**175**	11
Trade and other receivables/payables	**9**	4	**31**	17
Interest-bearing borrowings			**1**	–
Cash and cash equivalents	**1 428**	914		
	2 333	4 830	**207**	28

26. Financial instruments and risk management

26.1 Classification and measurement of 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 interests into their categories as defined in IFRS 9 *Financial Instruments* is set out in the tables below. Assets and liabilities outside the scope of the standards are excluded.

Group	Designated at fair value through profit or loss Rm	Financial assets at amortised cost Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm	Fair value * Rm
2019					
Financial assets					
Investment in equity shares	**417**	**–**	**–**	**417**	**417**
Restricted cash	**–**	**476**	**–**	**476**	**476**
Trade and other receivables	**–**	**1**	**–**	**1**	**1**
Cash and cash equivalents	**–**	**1 428**	**–**	**1 428**	**1 428**
	417	**1 905**	**–**	**2 322**	**2 322**
Financial liabilities					
Interest-bearing borrowings	**–**	**–**	**1**	**1**	**1**
Trade and other payables	**–**	**–**	**31**	**31**	**31**
	–	**–**	**32**	**32**	**32**
2018					
Financial assets					
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
	3 919	1 397	–	5 316	5 316
Financial liabilities					
Interest-bearing borrowings	–	–	2 170	2 170	2 170
Trade and other payables	–	–	29	29	29
	–	–	2 199	2 199	2 199
Company					
2019					
Financial assets					
Investment in equity shares	**417**	**–**	**–**	**417**	**417**
Restricted cash	**–**	**242**	**–**	**242**	**242**
	417	**242**	**–**	**659**	**659**
Financial liabilities					
Amount due to subsidiary	**–**	**–**	**907**	**907**	**850**
Trade and other payables	**–**	**–**	**11**	**11**	**11**
	–	**–**	**918**	**918**	**861**
2018					
Financial assets					
Investment in equity shares	3 910	–	–	3 910	3 910
	3 910	–	–	3 910	3 910
Financial liabilities					
Amount due to subsidiary	–	–	862	862	805
Trade and other payables	–	–	10	10	10
	–	–	872	872	815

* The fair values of trade and other receivables and trade and other payables are their carrying amounts as they are a reasonable approximation thereof. The fair value of the amount due to subsidiary has been determined by discounting the amount due by 6,5% (2018: 6,75%) as the loan is interest free. The fair value of the remainder of the assets in the table above have measured according to their level in the hierarchy table (refer to note 26.7.1).

26. Financial instruments and risk management (continued)

26.2 Overview

The risks arising from the use of financial instruments include:

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

This note presents information about the exposure to each of the above risks, objectives, policies and the process for measuring and managing risk, and the management of capital.

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

The directors have overall responsibility for the establishment and oversight of the risk management framework. Risk management is carried out by the executive committee and management at an operational level under policies approved by the directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

The risk management policies are established to identify and analyse the risks in order to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk policies and systems are reviewed regularly.

The audit and risk committees oversee how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework. Regular *ad hoc* reviews of risk management controls and procedures are undertaken, the results of which are reported to the audit and risk committees.

26.3 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.

26.3.1 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		Company	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Financial assets at fair value through profit or loss:				
Derivative financial instruments	**–**	9	**–**	–
Financial assets at amortised cost:				
Trade receivables	**–**	96	**–**	–
Restricted cash	**476**	–	**242**	–
Insurance receivables	**–**	7	**–**	–
Other receivables	**1**	14	**–**	–
Cash and cash equivalents	**1 428**	1 280	**–**	–
	1 905	1 406	**242**	–

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

Restricted cash, cash and cash equivalents

The group has funds on deposit with various institutions both locally and offshore.

All the restricted cash is on deposit offshore with institutions which have an investment grade credit rating from the major ratings agencies. The same applies to offshore cash and cash equivalent deposits.

Local deposits have been placed with banks with credit ratings of BB+/Ba1.

Derivative financial instruments

Derivative financial instruments are entered into with reputable financial institutions. The fair value of interest rate swap contracts is 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 and no other customer exceeding 10% of the balance. There were no trade receivables at 31 December 2019 as a result of the discontinued operation.

26.3.2 Impairment

Restricted cash, cash and cash equivalents

Impairment on restricted cash and cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The group considers that its restricted cash and cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties, therefore the expected credit loss allowance for these financial assets is nil.

Trade receivables

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.

26. Financial instruments and risk management (continued)

26.3 Credit risk (continued)

26.3.2 Impairment losses (continued)

An expected credit 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 expected credit 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 expected credit loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the expected credit 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 expected credit loss allowance is therefore calculated for each past due category without disaggregating into further risk profiles. The expected credit loss allowance was determined at 31 December 2018 as follows:

	Group	
	2018	
	Estimated gross carrying amount at default Rm	Expected/ credit loss allowance (lifetime expected credit loss) carrying amount at default 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
	101	5

Since the group has no trade receivables, the expected credit loss allowance is nil at 31 December 2019.

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

	Group	
	2019 Rm	2018 Rm
Balance at the beginning of the year	**5**	75
Remeasurement of expected credit loss allowance	**–**	4
Irrecoverable amounts written-off	**–**	(3)
Amount derecognised on disposal of subsidiary	**(5)**	–
Amount derecognised on deconsolidation of subsidiary	**–**	(71)
Balance at the end of the year	**–**	5

26.4 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 Rm	Contractual cash flows Rm	One year or less Rm	More than one, less than five years Rm	More than five years Rm
2019					
Non-derivative financial liabilities					
Lease liability	**1**	**1**	**1**	**–**	**–**
Trade and other payables	**31**	**31**	**31**	**–**	**–**
	32	**32**	**32**	**–**	–
2018					
Non-derivative financial liabilities					
Revolving credit facility	2 170	2 439	606	1 738	95
Trade and other payables	29	29	29	–	–
	2 199	2 468	635	1 738	95
Company					
2019					
Non-derivative financial liabilities					
Amount due to subsidiary	**907**	**907**	**–**	**907**	**–**
Trade and other payables	**11**	**11**	**11**	**–**	**–**
	918	**918**	**11**	**907**	**–**
2018					
Non-derivative financial liabilities					
Amount due to subsidiary	862	862	–	862	–
Trade and other payables	10	10	10	–	–
	872	872	10	862	–

26.5 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.

	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm

26. Financial instruments and risk management (continued)

26.5 Market risk (continued)

26.5.1 Equity prices

Financial assets carried at fair value through profit or loss:

	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Investment in equity shares	**417**	3 910	**417**	3 910

A change of R1,00 in the JSE listed share price of Textainer at 31 December 2019 would have increased or decreased the loss for the year by R3 million. On 11 December 2019, upon the inward secondary listing of Textainer on the JSE, the Textainer shares held by Trencor became rand assets. For the year ended 31 December 2018, a change of US$0,01 in the NYSE listed share price of Textainer would have increased or decreased profit for the year by R4 million. This analysis assumed that all other variables, in particular foreign currency exchange rates, remained constant.

26.5.2 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.

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					
	2019			2018		
	SA rand Rm	**US$ Rm**	**Total Rm**	SA rand Rm	US$ Rm	Total Rm
Assets						
Investment in equity shares	**417**	**–**	**417**	–	3 910	3 910
Derivative financial instruments	**–**	**–**	**–**	–	9	9
Restricted cash	**–**	**476**	**476**	–	–	–
Trade and other receivables	**1**	**–**	**1**	2	115	117
Cash and cash equivalents	**628**	**800**	**1 428**	667	613	1 280
	1 046	**1 276**	**2 322**	669	4 647	5 316
Liabilities						
Interest-bearing borrowings	**1**	**–**	**1**	–	2 170	2 170
Trade and other payables	**20**	**11**	**31**	18	11	29
	21	**11**	**32**	18	2 181	2 199
The following exchange rates applied during the year:						
Year-end rate US$1		**R14,09**			R14,39	
Average rate US$1		**R14,46**			R13,11	

Other than the investment in equity shares at 31 December 2018, 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.

In the case of the company, other than the restricted cash of R242 million, (2018: investment in equity shares) the financial instruments are all rand denominated.

For the year ended 31 December 2018, 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 assumed that all other variables, in particular the share price, remained constant. There is no currency sensitivity on the Textainer share at 31 December 2019 as a result of Textainer's inward secondary listing on the JSE on 11 December 2019.

26.5.3 Interest rate risk

As part of the process of managing the group entities' fixed and floating rate borrowings mix, the interest rate borrowings mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are structured according to anticipated movements in interest rates. All borrowings are denominated in US dollars.

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		Company	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Fixed rate instruments				
Financial liabilities	**–**	–	**–**	–
	–	–	**–**	–
Variable rate instruments				
Financial assets	**1 904**	1 280	**242**	–
Financial liabilities	**(1)**	(2 170)	**–**	–
	1 903	(890)	**242**	–

Based on the derivative and non-derivative financial asset and liability balances as at 31 December 2019, 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 (2018: R11 million) and a increase/decrease in interest expense after tax on interest rate swap derivative instruments of R16 million (2018: R15 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

26.6 **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 payable 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.

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.

26. Financial instruments and risk management (continued)

26.7 Fair values

The fair values of financial instruments (refer to note 26.1) have been arrived at after taking into account current market conditions. All of the fair value measurements are recurring in nature.

26.7.1 Fair value hierarchy

Fair values are measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted in an active market for an identical instrument) that can be assessed at the measurement date.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices that are similar to instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses the instruments, measured at fair value at 31 December, by the level in the fair value hierarchy into which the value measurement is categorised:

	Group			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2019				
Assets				
Investment in equity shares	**417**	**–**	**–**	**417**
	417	**–**	**–**	**417**
2018				
Assets				
Investment in equity shares	3 910	–	–	3 910
Interest rate swap contracts	–	9	–	9
	3 910	9	–	3 919

Valuation techniques for interest rate swap contracts are referred to in note 16.

27. Related parties

27.1 Identity of related parties

The company has related party relationships with its subsidiaries (refer to note 6.4 and below) and directors.

27.2 Intra-group transactions and balances

	Company 2019 Rm	Company 2018 Rm
Amount due to Trencor Services Proprietary Limited (refer to note 6)	**907**	862
Administration fee paid to Trencor Services Proprietary Limited	**6**	6
Capital and income distributions from the Halco Trust (refer to note 18)	**244**	168
Dividends received from subsidiaries (refer to notes 6 and 18):		
Halco Holdings Inc	**–**	6 910
Mobile Acceptances Proprietary Limited	**1**	–
Trenprop Investments Proprietary Limited	**2**	–
Trenprop Investments Midrand Proprietary Limited	**1**	–
	4	6 910

27.3 Transactions with directors

The number of shares held by the directors and their associates in the issued share capital of the company at 31 December 2019 and 2018 was as follows:

	Company		
	Direct	Indirect *	Total
2019			
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**
2018			
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.

27. Related parties (continued)

27.3 Transactions with directors (continued)

The remuneration paid to the directors during the years ended 31 December 2019 and 2018 was as follows:

	Group				
		Contributions to			
	Guaranteed remuneration	Medical aid	Retirement fund	Retention compensation	Total remuneration
	R'000	R'000	R'000	R'000	R'000
2019					
Non-executive directors					
Jimmy McQueen	**277**	**–**	**–**	**–**	**277**
David Nurek	**1 269**	**–**	**–**	**–**	**1 269**
Eddy Oblowitz	**526**	**–**	**–**	**–**	**526**
Roddy Sparks	**549**	**–**	**–**	**–**	**549**
Herman Wessels	**549**	**–**	**–**	**–**	**549**
	3 170	**–**	**–**	**–**	**3 170**
Executive directors					
Ric Sieni	**3 069**	**69**	**316**	**1 000**	**4 454**
Hennie van der Merwe	**3 801**	**33**	**397**	**2 000**	**6 231**
	6 870	**102**	**713**	**3 000**	**10 685**
Aggregate remuneration 2019	**10 040**	**102**	**713**	**3 000**	**13 855**
2018					
Non-executive directors					
Jimmy McQueen	263	–	–	–	263
David Nurek	1 202	–	–	–	1 202
Eddy Oblowitz	555	–	–	–	555
Roddy Sparks	521	–	–	–	521
Herman Wessels	521	–	–	–	521
	3 062	–	–	–	3 062
Executive directors					
Ric Sieni	2 925	63	301	3 400	6 689
Hennie van der Merwe	3 579	57	376	–	4 012
	6 504	120	677	3 400	10 701
Aggregate remuneration 2018	9 566	120	677	3 400	13 763

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

28. Indemnities and warranties

28.1 Indemnities

28.1.1 Indemnity provided by Trencor in relation to the Halco Trust

On 20 February 2018, Trencor, as a nominated beneficiary of the Halco Trust, received a vesting and distribution from the Halco Trust of the entire issued share capital of Halco Holdings Inc ("Halco"), which in turn held the shares in Textainer and TAC. Before the vesting and distribution were effected, as is customary in the Halco Trust's jurisdiction, Trencor was required to provide an indemnity, *inter alia*, to the trustee of the Halco Trust.

In terms of this indemnity, Trencor indemnifies the indemnitees detailed below against certain events, which include the incurrence of liabilities, costs and expenses by the indemnitees in relation to the administration and/or the termination of the Halco Trust, the liquidation of the corporate trustee of the Halco Trust, the escrow arrangements contemplated by the indemnity and the incurrence of liabilities, costs and expenses by the directors and shareholders of the corporate trustee of the Halco Trust associated with the aforementioned liabilities. The indemnitees include the corporate trustee of the Halco Trust, the directors and shareholders of such trustee, their respective successors in title, and the directors and shareholders of such shareholders and their respective successors in title, as well as any liquidator of the corporate trustee.

The indemnity terminates on 31 December 2024 and Trencor's maximum potential exposure under such indemnity is US$62 million, for which an amount of US$17,2 million is currently held in accordance with the terms of an escrow agreement by an independent escrow agent in an interest-bearing escrow account in Liechtenstein (refer to note 9). The escrow balance will be so held until the indemnity terminates on 31 December 2024 or otherwise falls away prior to this date. Trencor is contractually required in terms of the escrow arrangement linked to the indemnity to retain sufficient cash and other liquid assets equal to the full face value of the maximum potential exposure under the indemnity of US$62 million. No contingent liability has been disclosed in the financial statements for the year ended 31 December 2019 in respect of this indemnity as the directors believe that the possibility of an outflow of resources in relation to this indemnity is remote.

28.1.2 Indemnity provided by Trencor in relation to Halco's mislaid Textainer share certificates

On 11 May 2018, Trencor, jointly with Textainer and Halco, provided an indemnity in favour of, *inter alia*, Computershare Trust Company, the share transfer agent of Textainer, and Computershare Inc (collectively "Computershare") in relation to Halco's mislaid share certificates of 5 503 556 common shares in Textainer (the "Computershare indemnity"). Furthermore, Trencor, jointly with Halco, provided an indemnity in favour of Textainer in relation to the Computershare indemnity (the "Textainer indemnity"). Both the Computershare indemnity and the Textainer indemnity became effective from the time that Trencor was registered as the holder of Halco's entire holding of common shares in Textainer. In December 2019, the Textainer indemnity was amended such that Halco was no longer a party thereto (Halco having been liquidated in the course of 2018) and such that Textainer indemnifies Trencor against any loss or related costs incurred by Trencor as a result of any claim brought under the Computershare indemnity.

No contingent liability has been disclosed in the financial statements for the year ended 31 December 2019 in respect of the Computershare indemnity as the directors believe that the possibility of an outflow of resources in relation to this indemnity is remote. Trencor has recourse to the Textainer indemnity in terms of which Trencor may recover from Textainer any losses incurred by Trencor as a result of any claim by Computershare under the Computershare indemnity.

28.1.3 Indemnity provided by TAC in relation to the disposal of LAPCO

On 2 December 2019, TAC, being a wholly-owned subsidiary of Trencor, entered into a stock purchase agreement ("SPA") with Textainer Limited, in terms of which TAC sold to Textainer Limited (a wholly-owned subsidiary of Textainer) all of the issued ordinary shares held by TAC in its wholly-owned subsidiary, LAPCO, together with rights to certain dividends, for US$65,5 million. The SPA became unconditional on 31 December 2019. In terms of the SPA, TAC indemnifies Textainer Limited and its affiliates, as is common in a sales transaction of this nature, against losses which may be incurred by those parties, including losses arising out of a breach of any representation or warranty made by TAC as the seller.

28. Indemnities and warranties (continued)

28.1 Indemnities (continued)

28.1.3 Indemnity provided by TAC in relation to the disposal of LAPCO **(continued)**

The potential exposure under the indemnity provisions of the SPA is determined with reference to the nature of the indemnified claim. The maximum potential exposure in terms of these indemnity provisions is capped at an amount equal to the sales price of US$65,5 million save in relation to claims on account of fraud, wilful misconduct or wilful misrepresentation. Warranty claims, other than for fundamental warranties and tax, are limited to US$6,6 million. As the representations and warranties and the indemnification obligations under the SPA expire on 30 June 2021, any claims under the indemnity provisions of the SPA must be made on or before 30 June 2021.

An amount of US$16,6 million is currently held in accordance with the terms of an escrow agreement by an independent escrow agent in an interest-bearing escrow account in the USA for purposes of the indemnity obligations under the SPA (refer to note 9). The escrow balance will be so held until 30 June 2021. No contingent liability has been disclosed in the financial statements for the year ended 31 December 2019 in respect of this indemnity as the directors believe that the possibility of an outflow of resources in relation to this indemnity is remote.

28.2 Warranties

The company has warranted the performance and obligations of certain subsidiary companies in connection with a number of partnership agreements entered into with third parties. The partnerships were established for the purposes of purchasing and selling marine cargo containers manufactured by a subsidiary company in South Africa. The last manufactured containers were sold into the export market in 1999. All amounts attributable to third parties in terms of these arrangements had been settled by 31 December 2017. No contingent liability has been disclosed in the financial statements for the year ended 31 December 2019 in respect of these warranties as the directors believe that the possibility of an outflow of resources in relation to these warranties is remote.

29. 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:

29.1 No control of or significant influence over Textainer (refer to note 6.6)

Following the entering into of the VLD 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 10 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 approximately 46,6% of the equity shares in Textainer prior to the distribution of the assets *in specie* on 17 December 2019, Trencor was neither in control of nor had significant influence over Textainer for purposes of IFRS 10. Therefore, Textainer was not consolidated nor equity accounted, but had been classified under IFRS 9 as an investment in equity shares measured at fair value through profit or loss.

29.2 **Disposal of LAPCO** (refer to note 4)

On 2 December 2019, the TAC board of directors 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. Management determined the held for sale date in terms of IFRS 5 to be 29 November 2019.

Trencor management engaged with their legal advisors and transaction sponsor in the determination of the applicability of shareholder approval for this transaction in terms of the JSE Listings Requirements and the Companies Act of South Africa. Such transaction sponsor advice confirmed that this transaction was classified as a Category 2 transaction in terms of section 9 of the JSE Listings Requirements and that no Trencor shareholder approval was required. Furthermore, such legal advice confirmed that for this transaction there had not been a disposal of all or the greater part of the assets or undertaking as contemplated in section 112(2) of the Companies Act of South Africa, or any other type of affected transaction, and that no Trencor shareholder approval was required.

TAC's board of directors engaged with their legal advisors as to the applicability of shareholder approval for this transaction. Such legal advice confirmed that no TAC shareholder approval was required for this transaction in terms of the Bermuda Companies Act.

29.3 **IFRS 16 *Leases*** (refer to note 23)

IFRS requires the lessee to utilise its incremental borrowing rate to measure the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. At the time of initial application of IFRS 16, management considered the cost of borrowings to fund the remainder of the term of the head office lease to determine the incremental borrowing rate.

29.4 **Marine cargo containers** (refer to note 5)

The accounting estimates and judgements pertaining to the marine cargo containers were applied up to the 29 November 2019 when the container fleet was classified as held for sale.

29.4.1 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 2019.

Due to the fact that the resale prices of containers at the end of their useful lives (i.e. residual value) represent a significant proportion of their original cost (i.e. resale prices have shown to be 50 to 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 2019 or 2018.

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

29.4 **Marine cargo containers** (continued)

29.4.2 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.

30. 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 2019, the company's current liabilities exceeded its current assets by R185 million (2018: R9 million). The company, however, has access to cash reserves throughout the group to ensure that the company can meet its financial obligations. The dividends tax liability (refer to note 20.1) was settled on 31 January 2020.

Neither the COVID-19 shutdown period (refer to note 31.2) nor the discontinuance of the leasing segment in November 2019 (refer to note 4) will have a material effect on Trencor's ability to continue as a going concern. Trencor is currently invested in cash and other liquid assets. At the close of business on 17 April 2020 the quoted price of a Textainer share on the JSE was R140,00, equating 100,6% of its quoted price at 31 December 2019.

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.

31. Events after the reporting period

31.1 Dividends tax

The distribution of the unbundled shares (refer to note 7) constituted a distribution of an asset *in specie* as such term is used for purposes of the dividends tax provisions contained in the Income Tax Act. Thus, as distinct from a cash dividend declared by a company, pursuant to the Income Tax Act, Trencor is liable for any dividends tax levied in respect of the distribution of the unbundled shares.

Trencor's liability for dividends tax on the *in specie* distribution of the unbundled shares may only be reduced to the extent that it has timeously received the requisite forms of declaration and undertaking from the beneficial owners of shares who qualify for an exemption from dividends tax, or a reduced rate of dividends tax in terms of an applicable agreement for the avoidance of double taxation entered into by South Africa.

At 31 December 2019, the company had accrued an amount of R178 million in respect of dividends tax due on the distribution. Subsequent to the year-end and prior to the payment of the dividends tax, further declaration forms were received from beneficial owners of shares who qualified for an exemption from, or reduction of, dividends tax. In accordance with IAS 10 *Events After the Reporting Period,* the accrual has been reduced by R4 million to R174 million as a result of such declaration forms being received. Further declaration forms were received up to the finalisation of this report, however, there was no material impact on the amount paid on 31 January 2020.

31.2 COVID-19

At present, the impact of COVID-19 is not expected to have any material effect on the going concern status of Trencor. The situation will continue to be monitored and responded to, as necessary. Appropriate measures are in place to ensure a safe working environment and that Trencor remains operational during any shutdown period ordered in combating COVID-19.

31.3 Dividend declaration

A final dividend of 185 cents per share in respect of the financial year ended 31 December 2019 (2018: nil) has been declared. Dividends withholding tax at the rate of 20% is applicable to shareholders who are not exempt from this tax and not subject to such tax at a reduced rate, which results in a net dividend of 148 cents per share to these shareholders.

31.4 Other

The directors are not aware of any other matters or circumstances arising since the end of the financial year, which will have a material impact on the financial position as at 31 December 2019.