Unaudited Interim Results

for the six months ended 30 June 2020

TRENCOR

Trencor Limited
(Incorporated in the Republic of South Africa)

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

COMMENTARY

GROUP

- Basic earnings for the six months ended 30 June 2020 amounted to 12 cents per share (2019: 3 cents per share).
- Headline earnings for the six months ended 30 June 2020 amounted to 12 cents per share (2019: headline loss 9 cents per share).
- The SA rand to US dollar exchange rate at 30 June 2020 was R17,25 (2019: R14,13). The average SA rand to US dollar exchange rate for the six months was R16,57 (2019: R14,19).
- Following the unbundling of the bulk of Trencor's shareholding in Textainer Group Holdings Limited ("Textainer") to shareholders in December 2019 at a value of R3 597 million, Trencor unbundled its remaining 3 000 158 shares in Textainer to shareholders on 15 June 2020 by way of a distribution of assets *in specie*, for an additional value of R433 million. The indicated values of the respective distributions were based on the ruling price of a Textainer share on the JSE on the last business day prior to the implementation of the unbundling concerned.
- Trencor incurred a liability of R22 million for dividends tax on the 15 June distribution. A R5 million refund of dividends tax paid in respect of the unbundling in December 2019 was deducted from the said R22 million liability and the resultant net liability for dividends tax of R17 million was settled in full on 31 July 2020. The unbundling on 15 June 2020 contributed to the reduction in Trencor's net asset value ("NAV") during this reporting period reflected in the table below.
- The results of TAC, reporting under US GAAP, are converted to IFRS for inclusion in the results of Trencor, which is required to report under IFRS. The results under both accounting conventions are identical given the limited activities of TAC.
- No cash dividend declared (2019: nil).
- Based on the listed share price of Textainer on 31 December 2019 and the relevant spot exchange rates, the NAV of Trencor at the dates below was as follows:

	12 August 2020	**30 June 2020**	31 December 2019
Textainer share price	N/A	**N/A**	R139,12
Spot exchange rate US$1	R17,45	**R17,25**	R14,09
	R million	**R million**	R million
Textainer interest (fair market value)	–	**–**	417
TAC (book NAV)	1 148	**1 135**	1 026
Cash (excluding in TAC)	494	**515**	871
Other net liabilities	(16)	**(36)**	(188)
Total NAV	1 626	**1 614**	2 126
	R per share	**R per share**	R per share
Textainer interest (fair market value)	–	**–**	2,40
TAC (book NAV)	6,62	**6,54**	5,91
Cash (excluding in TAC)	2,84	**2,97**	5,02
Other net liabilities	(0,09)	**(0,21)**	(1,08)
Total NAV per share	9,37	**9,30**	12,25

Notes:

1. The values at a reporting period-end are actual values converted at the applicable exchange rate. At 12 August 2020, other than for the cash outside of TAC which is recorded at actual, all other components of the NAV are at the actual values prevailing at the end of the previous reporting date adjusted for the current exchange rate where applicable.
2. Included in the book NAV of TAC at 12 August 2020 are cash deposits of US$66,0 million (31 December 2019: US$73,3 million). The reduction in these cash deposits is mainly due to a cash dividend of US$7,0 million paid by TAC to Trencor in March 2020.
3. The fair market value of the Textainer interest at 31 December 2019 was measured with reference to the Textainer share price listed on the JSE, as Trencor was invested in the JSE inward secondary listed Textainer share. Refer to the distribution of assets *in specie* mentioned above.
4. The major movements in cash (excluding in TAC) for the period below are:

	Rm
Cash balance at 31 December 2019	871
Dividend received from TAC	112
Exchange difference on translation of foreign cash (excluding in TAC)	58
Dividends tax paid relating to both *in specie* distributions of assets	(191)
Cash dividend paid	(321)
Other net cash outflows	(35)
Cash balance at 12 August 2020	494

COVID-19

The impact of COVID-19 has not and is not expected to have any material effect on the going concern status of Trencor. The situation continues 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 lockdown period imposed in combating COVID-19.

DIVIDEND

For the reasons outlined in the Joint Report by the Chairman and Chief Executive Officer in Trencor's 2019 integrated annual report, no dividend has been declared.

SIMPLIFICATION OF INTERESTS AND COST CONTAINMENT

The board continues to pursue the further simplification of Trencor's interests and cost containment measures envisaged in the Joint Report by the Chairman and Chief Executive Officer included in the 2019 integrated annual report. Cost containment measures to date include the substantial downsizing of Trencor's office premises, a reduction in the board and staff complement and the phased outsourcing and cost reductions of required IT services. The benefit of these and other cost saving measures implemented will materialise going forward. Discussions continue regarding the potential curtailment of the prescribed period and/or amount of the respective indemnities.

PREPARATION OF FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements have been prepared by management under the supervision of the financial director, Ric Sieni CA(SA), and have not been audited or reviewed by Trencor's external auditors. The directors take full responsibility for the preparation of the interim results.

RETIREMENT OF DIRECTORS

At the annual general meeting held on 4 June 2020, Jimmy McQueen and Herman Wessels retired as non-executive directors. No directors were appointed in their stead.

On behalf of the board
Hennie van der Merwe
Chief Executive Officer

17 August 2020

Directors: David Nurek (Chairman), Eddy Oblowitz, Ric Sieni* (Financial), Roddy Sparks, Hennie van der Merwe* (CEO) (*Executive)
Secretaries: Trencor Services Proprietary Limited
Registered office: 13th Floor, The Towers South, Heerengracht, Cape Town 8001
Transfer Secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (Private Bag X9000 Saxonwold 2132)
Sponsor: Investec Bank Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020

	Unaudited 30 June 2020 Rm	Unaudited 30 June 2019 Rm	Audited 31 December 2019 Rm
ASSETS			
Property, plant and equipment	**–**	2 868	2
Investment in equity shares (note 3)	**–**	3 885	417
Deferred tax assets	**–**	2	1
Restricted cash (note 7)	**584**	240	476
Total non-current assets	**584**	6 995	896
Inventories	**–**	23	–
Trade and other receivables	**2**	131	9
Cash and cash equivalents	**1 069**	1 014	1 428
Total current assets	**1 071**	1 168	1 437
Total assets	**1 655**	8 163	2 333
EQUITY			
Share capital	**1**	1	1
Reserves	**1 613**	6 210	2 125
Total equity attributable to shareholders of the company	**1 614**	6 211	2 126
LIABILITIES			
Interest-bearing borrowings	**–**	1 655	–
Derivative financial instruments	**–**	15	–
Deferred tax liabilities	**11**	–	–
Total non-current liabilities	**11**	1 670	–
Trade and other payables	**12**	30	31
Current tax liabilities	**18**	11	175
Current portion of interest-bearing borrowings	**–**	241	1
Total current liabilities	**30**	282	207
Total liabilities	**41**	1 952	207
Total equity and liabilities	**1 655**	8 163	2 333
Ratio to total equity:			
Total liabilities (%)	**3**	31	10
Interest-bearing borrowings (%)	**–**	31	**–**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020

	Unaudited Six months ended 30 June 2020 Rm	Unaudited Six months ended 30 June 2019 Rm	Audited Year ended 31 December 2019 Rm
Cash flows from operating activities			
Cash (utilised by)/generated from operations	**(50)**	209	420
Finance income received	**16**	30	53
Finance expenses paid	**–**	(49)	(94)
Dividends paid	**(321)**	–	–
Income tax paid			
Normal tax	**–**	(3)	(7)
Dividends tax	**(174)**	–	–
Net cash (outflow)/inflow from operating activities	**(529)**	187	372
Cash flows from investing activities			
Decrease in cash on disposal of subsidiary	**–**	–	626
Increase in restricted cash	**–**	(240)	(477)
Net cash (outflow)/inflow from investing activities	**–**	(240)	149
Cash flows from financing activities			
Interest-bearing borrowings repaid	**(1)**	(206)	(360)
Shares repurchased by the company	**–**	–	(5)
Net cash outflow from financing activities	**(1)**	(206)	(365)
Net (decrease)/increase in cash and cash equivalents before exchange rate fluctuations	**(530)**	(259)	156
Cash and cash equivalents at the beginning of the period	**1 428**	1 280	1 280
Effects of exchange rate fluctuations on cash and cash equivalents	**171**	(7)	(8)
Cash and cash equivalents at the end of the period	**1 069**	1 014	1 428

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020

	Unaudited Six months ended 30 June 2020 Rm	Restated Six months ended 30 June 2019 Rm	Audited Year ended 31 December 2019 Rm
Continuing operations			
Other operating income	**54**	–	–
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	**–**	–	36
Employee benefits expense	**(11)**	(11)	(23)
Depreciation	**(2)**	(1)	(2)
Other operating expenses	**(26)**	(33)	(61)
Fair value adjustment of investment in equity shares (note 3)	**16**	(25)	104
Operating profit/(loss) before finance income	**31**	(70)	54
Finance income	**18**	26	51
Profit/(Loss) before tax	**49**	(44)	105
Income tax expense (note 4)	**(29)**	(3)	(182)
Profit/(Loss) for the period from continuing operations	**20**	(47)	(77)
Discontinued operation			
Profit/(Loss) from discontinued operation, net of tax	**–**	53	(379)
Profit/(Loss) for the period	**20**	6	(456)
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation gains/(losses)	**222**	(26)	(13)
Accumulated foreign currency translation gains recycled from other comprehensive income on liquidation of subsidiaries	**–**	–	(36)
Total comprehensive income/(loss) for the period	**242**	(20)	(505)
Earnings/(Loss) per share - Entity as a whole			
Basic earnings/(loss) per share (cents)	**12**	3	(263)
Diluted earnings/(loss) per share (cents)	**12**	3	(263)
Earnings/(Loss) per share - Continuing operations			
Basic earnings/(loss) per share (cents)	**12**	(27)	(44)
Diluted earnings/(loss) per share (cents)	**12**	(27)	(44)
Number of shares in issue (million)	**173,5**	173,7	173,5
Weighted average number of shares in issue (million)	**173,5**	173,7	173,7
Period-end rate of exchange:			
SA rand to US dollar	**17,25**	14,13	14,09
Average rate of exchange for the period:			
SA rand to US dollar	**16,57**	14,19	14,46

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020

Unaudited	Share capital Rm	Foreign currency translation reserve Rm	Retained income Rm	Total Rm
Six months ended 30 June 2020				
Balance at 1 January 2020	**1**	**295**	**1 830**	**2 126**
Total comprehensive income for the period				
Profit for the period	**–**	**–**	**20**	**20**
Other comprehensive income for the period				
Foreign currency translation differences	**–**	**222**	**–**	**222**
Total other comprehensive income for the period	**–**	**222**	**–**	**222**
Total comprehensive income for the period	**–**	**222**	**20**	**242**
Transactions with shareholders, recorded directly in equity				
Distributions to shareholders				
Dividends paid	**–**	**–**	**(754)**	**(754)**
Total distributions to shareholders	**–**	**–**	**(754)**	**(754)**
Balance at 30 June 2020	**1**	**517**	**1 096**	**1 614**
Six months ended 30 June 2019				
Balance at 1 January 2019	1	344	5 886	6 231
Total comprehensive (loss)/income for the period				
Profit for the period	–	–	6	6
Other comprehensive loss for the period				
Foreign currency translation differences	–	(26)	–	(26)
Total comprehensive (loss)/income for the period	–	(26)	6	(20)
Balance at 30 June 2019	1	318	5 892	6 211

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2020

1. The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the Financial Reporting Guides and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the consolidated annual financial statements for the year ended 31 December 2019. The comparative amounts in the statement of profit or loss and other comprehensive income for the six months ended 30 June 2019 have been restated to show the discontinued operation separately from continuing operations as if the operation had been discontinued from 1 January 2019 (refer to note 2).

2. **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 classified as a discontinued operation under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* The sale was concluded and became effective on 31 December 2019 when the proceeds were received and all the conditions precedent were met.

	Unaudited Six months ended 30 June 2020 Rm	Restated Six months ended 30 June 2019 Rm	Audited Year ended 31 December 2019 Rm
2.1 Results of the discontinued operation			
Revenue (note 2.2)	–	270	513
Other operating income	–	1	1
Cost of containers sold	–	(85)	(165)
Depreciation	–	(70)	(113)
Other operating expenses	–	(13)	(32)
Impairment of property, plant and equipment (note 2.3)	–	21	(448)
Operating profit/(loss) before net finance expenses	–	124	(244)
Net finance expenses	–	(71)	(114)
Finance expenses:			
Interest expense	–	(51)	(99)
Realised and unrealised losses on derivative financial instruments	–	(24)	(21)
Finance income: Interest income	–	4	6
Profit/(Loss) before tax	–	53	(358)
Income tax	–	–	–
Profit/(Loss) for the period	–	53	(358)
Loss on disposal of subsidiary, net of tax	–	–	(21)
Profit/(Loss) from discontinued operation, net of tax	–	53	(379)
Basic earnings/(loss) per share (cents)	–	30	(218)
Diluted earnings/(loss) per share (cents)	–	30	(218)
2.2 Revenue			
Goods sold	–	96	168
Leasing income	–	174	345
	–	270	513
2.3 Impairment loss of property, plant and equipment			
Container leasing equipment:			
Held for sale impairment	–	–	(435)
Value in use impairment recovery	–	32	–
Impairment loss recognised in respect of containers on operating leases not recovered from defaulting customers	–	(11)	(13)
	–	21	(448)
2.4 Cash flows from discontinued operation			
Net cash inflow from operating activities	–	207	406
Net cash inflow from investing activities	–	–	392
Net cash outflow from financing activities	–	(205)	(356)
Net cash inflow for the period	–	2	442

	Unaudited Six months ended 30 June 2020 Rm	Unaudited Six months ended 30 June 2019 Rm	Audited Year ended 31 December 2019 Rm
3. Investment in equity shares			
Fair value at the beginning of the period	417	3 910	3 910
Distribution to shareholders	(433)	–	(3 597)
Fair value adjustment	16	(25)	104
Fair value at the end of the period	–	3 885	417

On 15 June 2020, Trencor unbundled to its shareholders, by way of a distribution of assets *in specie*, 3 000 158 shares it held in Textainer Group Holdings Limited ("Textainer"). Textainer has a primary listing on the New York Stock Exchange and an inward secondary listing on the JSE. The distribution amounted to R433 million on which an amount of R22 million was accrued in respect of dividends tax, payable within one month of the period end (refer to note 4). During 2019, 24 278 802 Textainer shares, amounting to R3 597 million, were unbundled to Trencor shareholders by way of a distribution of assets *in specie*.

	Unaudited Six months ended 30 June 2020 Rm	Unaudited Six months ended 30 June 2019 Rm	Audited Year ended 31 December 2019 Rm
4. Income tax expense			
Normal tax	–	3	7
Deferred tax	12	–	1
Dividends tax	17	–	174
	29	3	182

Dividends tax of R17 million comprises a R22 million charge in respect of the June 2020 unbundling, less refunds of R5 million claimed in respect of the dividends tax paid of R174 million on the December 2019 unbundling.

	Unaudited Six months ended 30 June 2020 Rm	Unaudited Six months ended 30 June 2019 Rm	Audited Year ended 31 December 2019 Rm
5. Headline earnings/(loss)			
Profit/(Loss) attributable to shareholders	20	6	(456)
(Impairment recovery)/Impairment loss of property, plant and equipment	–	(21)	448
Loss on disposal of subsidiary	–	–	21
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	–	–	(36)
Compensation recovery from third party in respect of impairment of property, plant and equipment	–	(1)	(1)
Headline earnings/(loss)	20	(16)	(24)
Weighted average number of shares in issue (million)	173,5	173,7	173,7
Headline earnings/(loss) per share (cents)	12	(9)	(14)
Diluted headline earnings/(loss) per share (cents)	12	(9)	(14)
6. Segmental reporting			
Revenue			
Reportable segment			
Containers – owning and leasing (discontinued operation)	–	270	513
	–	270	513
Profit/(Loss) before tax			
Reportable segment			
Containers – owning and leasing (discontinued operation)	–	53	(358)
	–	53	(358)
Loss on disposal of subsidiary, net of tax	–	–	(21)
Fair value adjustment of investment in equity shares (note 3)	16	(25)	104
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	–	–	36
Exchange gain/(loss) on restricted cash related to the Halco Trust escrow account	54	–	(5)
Unallocated	(21)	(19)	(30)
	49	9	(274)
Reconciliation profit/(loss) before tax			
Continuing operations	49	(44)	105
Discontinued operation – profit/(loss)	–	53	(358)
Discontinued operation – loss on disposal	–	–	(21)
	49	9	(274)

	Unaudited	Unaudited	Audited
	Six months ended		Year ended
	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
7. Restricted cash			
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	**297**	240	242
The escrow account in relation to the disposal of LAPCO will be held until the indemnity terminates on 30 June 2021	**287**	–	234
	584	240	476

	Unaudited 30 June 2020		Unaudited 30 June 2019		Audited 31 December 2019	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
8. Financial instruments						
The carrying amounts and fair values of financial assets and financial liabilities are as follows:						
Assets:						
Financial assets carried at fair value through profit or loss:						
Investment [1]	**–**	**–**	3 885	3 885	417	417
Financial assets carried at amortised cost:						
Restricted cash	**584**	**584**	240	240	476	476
Trade and other receivables	**–**	**–**	116	116	1	1
Cash and cash equivalents	**1 069**	**1 069**	1 014	1 014	1 428	1 428
	1 653	**1 653**	5 255	5 255	2 322	2 322
Liabilities at amortised cost:						
Liabilities at amortised cost:						
Interest-bearing borrowings (excluding debt issuance costs)	**–**	**–**	1 929	1 929	1	1
Trade and other payables	**12**	**12**	30	30	31	31
Financial liabilities carried at fair value through profit or loss:						
Derivative financial instruments [2]	**–**	**–**	15	15	–	–
	12	**12**	1 974	1 974	32	32

[1] Level 1 or [2] level 2 of the fair value hierarchy. The value of the interest rate swaps included in level 2 of the fair value hierarchy were based on a discounted cash flow analysis utilising forecasted interest rate yield curves.

The group has assessed the potential impairment on restricted cash and cash and cash equivalents due to the negative impact of COVID-19 on financial institutions. The deposits are short-term in nature comprising mainly of current accounts, money market and call deposits. 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 and the significant actions taken by central banks to maintain liquidity. The expected credit loss allowance for these financial assets is therefore considered to be nil.

9. Use of estimates and judgements

Judgements and estimates are consistent with those in the consolidated annual financial statements as at and for the year ended 31 December 2019.

10. Financial risk management

The group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial statements as at and for the year ended 31 December 2019.

11. Indemnities and warranties

In respect of the indemnities and warranties disclosed below, no contingent liability has been disclosed in the financial statements for the six months ended 30 June 2020 as the directors believe that the possibility of an outflow of resources in relation to the indemnities and warranties is remote.

11.1 Indemnities

11.1.1 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 shareholder 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 shareholder of such trustee, their respective successors in title, and the directors and shareholders of such shareholder 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 7). 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.

11.1.2 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.

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.

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

On 2 December 2019, TAC, a wholly-owned subsidiary of Trencor, entered into a stock purchase agreement ("SPA") with Textainer Limited (a wholly-owned subsidiary of Textainer), in terms of which TAC sold to Textainer Limited 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.

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 7). The escrow balance will be so held until 30 June 2021.

11.2 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.

12. COVID-19

The impact of COVID-19 has not and is not expected to have any material effect on the going concern status of Trencor. The situation continues 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 lockdown period imposed in combating COVID-19.