

Notes to the Financial Statements

for the year ended 31 December 2020

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 2020 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 year ended 31 December 2020, the group held cash and for the year ended 31 December 2019, 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 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 31 March 2021.

2.2 Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for the investment in equity shares which is measured at fair value on each reporting date.

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 is a foreign operation 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 24.

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.

3.1 Basis of consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date in accordance with IFRS 3 *Business Combinations*. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the group.

The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date that control ceases.

In the case of the company, investments in subsidiaries are carried at cost, less accumulated impairment losses. The investment in TAC Limited (“TAC”) is a SA rand based investment.

3.1.3 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. 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.

3. Significant accounting policies (continued)**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 23.1). 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 money-market instruments, term and call deposits and bank balances. 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.

Trade receivables

Trade receivables are subsequently measured at amortised cost less expected credit losses ("ECLs").

Trade and other payables

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

Borrowings

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

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

Cash 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 are measured at cost less accumulated depreciation (refer to note 3.6.3) and accumulated impairment losses (refer to note 3.7.2). 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. Right-of-use assets for leased premises are included in property, plant and equipment (refer to note 3.8).

Gains and losses on disposal of an item of property, plant and equipment (other than containers in the leasing fleet) are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in profit or loss. When containers in the leasing fleet cease to be rented or become held for sale they are transferred to inventory at their carrying amounts. On disposal, the proceeds on the sale of these assets are recognised in revenue in accordance with IFRS 15 *Revenue* (refer to note 3.9.2) and the carrying value is included in changes in inventories.

3.6.2 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 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
Other equipment	3 – 10

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3.7 Impairment

3.7.1 Financial assets

The group recognises loss allowances for ECLs on financial assets measured at amortised cost. 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.

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).

3. Significant accounting policies (continued)**3.7.2 Non-financial assets**

At each reporting date, the carrying amounts of non-financial assets (other than 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.

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").

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.

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.

3.8 Leases

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.

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 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.

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. These leases are treated as operating leases between the group entity and the equipment manager in terms of the management agreements.

3.9 Revenue

In prior years, the group generated revenue primarily from the leasing and sale of marine cargo containers. Other sources of revenue include dividends received from the investment in equity shares.

3.9.1 Leasing income

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

3.9.2 Goods sold

The equipment managers are responsible for the sale of containers when they reach the end of their useful lives or when it is financially viable to do so. Revenue 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.

3.9.3 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.

3.10 Finance income and finance expenses**3.10.1 Interest income**

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

3.10.2 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.

3.11 Employee benefits**3.11.1 Short-term employee benefits**

The cost of all short-term employee benefits is recognised during the year in which the employee renders the related service. The accruals for employee entitlements to remuneration and annual leave represent the amount which a group entity has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current remuneration rates.

3.11.2 Retirement benefits

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.

3.12 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. Significant accounting policies (continued)**3.13 Earnings per share**

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the company by the weighted average number of shares outstanding during the 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 Listings Requirements of the JSE Limited ("JSE") and is calculated in accordance with Circular 1/2019 *Headline Earnings*, as issued by the South African Institute of Chartered Accountants.

3.14 Accounting standards and interpretations effective from 1 January 2020

A number of new standards and amendments to standards and interpretations were effective from 1 January 2020.

None of the of the new standards or interpretations, listed below, had an impact on the group's consolidated financial statements.

- 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 IAS 39, IFRS 7 and IFRS 9).

3.15 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 2021, 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 2021:*

- Interest Rate Benchmark Reform – Phase 2 (IAS 39, IFRS 7, IFRS 9 and IFRS 16).

*Effective for the financial year commencing**1 January 2022:*

- Annual Improvements to IFRS Standards (2018 – 2020);
- Reference to the Conceptual Framework (IFRS 3);

- Property, Plant and Equipment: Proceeds before Intended Use (IAS 16); and
- Onerous Contracts: Cost of Fulfilling a Contract (IAS 37).

*Effective for the financial year commencing**1 January 2023:*

- Classification of liabilities as current or non-current (IAS 1).

	Group			
	Right-of-use asset Rm	Container leasing equipment Rm	Other equipment Rm	Total Rm
4. Property, plant and equipment				
Cost				
2019				
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 17.3)	–	(3 419)	–	(3 419)
Balance at 31 December 2019	4	–	6	10
2020				
Additions	1	–	–	1
Disposals	(4)	–	(5)	(9)
Balance at the end of the year	1	–	1	2
Accumulated depreciation and impairment losses				
2019				
Balance at 1 January 2019	–	839	6	845
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 17.3)	–	(1 146)	–	(1 146)
Balance at 31 December 2019	2	–	6	8
2020				
Depreciation for the year	2	–	–	2
Disposals	(4)	–	(5)	(9)
Balance at the end of the year	–	–	1	1
Carrying amounts:				
At 1 January 2019	4	3 058	–	3 062
At 31 December 2019	2	–	–	2
At 31 December 2020	1	–	–	1

	Group	
	2020 Rm	2019 Rm
Container leasing equipment impairment		
Fair value less cost to sell impairment	–	435
Impairment recognised in respect of containers on operating leases not recovered from defaulting customers	–	13
	–	448

In the prior year, the container leasing equipment was impaired in terms of IAS 36 *Impairment of Assets* (“IAS 36”) to its fair value less cost to sell in terms of the value in the sale agreement (refer to note 17) and thereafter classified as held for sale in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (“IFRS 5”). An impairment loss of R435 million was recognised. The fair value determination was categorised as level 2 of the fair value hierarchy (refer to note 21.7.1).

5. Investment in subsidiaries

	Company	
	2020 Rm	2019 Rm
Ordinary shares at cost	1 069	1 448
Preference shares	1 013	1 013
Investment in subsidiaries before impairment loss (refer to note 5.3)	2 082	2 461
Accumulated impairment loss	(350)	(366)
Investment in subsidiaries	1 732	2 095
Amount due to subsidiary – non-current	(1 291)	(907)
	441	1 188

- 5.1 Amount due to subsidiary is unsecured and interest free and is repayable at 367 days' notice (refer to note 22.2).
- 5.2 Income earned from subsidiaries during the year included in profit or loss:
Dividends received (refer to notes 14.1 and 22.2)
- 5.3 Decrease in investment in subsidiaries, including exchange gain of R60 million (refer to note 22.2)
- 5.4 The reduction of R16 million in the current year in the impairment loss is as a result of the fluctuation in the SA rand US dollar exchange rate. The impairment loss of R366 million, in the prior year, arose on the write-down of the carrying value of TAC to its net asset value on the disposal of Leased Assets Pool Company Limited ("LAPCO") in 2019.

	Company		
	Country of incorporation	2020 %	2019 %
5.5 List of material subsidiaries			
TAC Limited	Bermuda	100	100
Trencor Services Proprietary Limited	Republic of South Africa	100	100

	Group
	2019 Rm
5.6 Loss on disposal of subsidiary (refer to note 17)	
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. Investment in equity shares

Investment in Textainer Group Holdings Limited (“Textainer”) measured at fair value through profit or loss:

During the year, the Trencor board approved the unbundling of the remaining 3 000 158 inward secondary listed shares on the JSE that Trencor held in Textainer. On 15 June 2020, Trencor unbundled the shares by way of a distribution of assets *in specie*. During the prior year, 24 278 802 of the Textainer shares held by Trencor were unbundled to its shareholders by way of a distribution of assets *in specie* on 17 December 2019 in terms of the approval obtained in a general meeting held on 18 October 2019. The distribution made by the company in 2020 amounted to R433 million (2019: R3 597 million) on which an amount of R17 million (2019: R174 million) was paid in respect of dividends tax net of refunds (refer to note 16.5).

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Inward listed on the JSE (2019: 3 000 158 shares at R139,12)	–	417	–	417
Reconciliation of investment in equity shares:				
Fair value at the beginning of the year	417	3 910	417	3 910
Distribution to shareholders	(433)	(3 597)	(433)	(3 597)
Fair value adjustment (refer below)	16	104	16	104
Fair value at the end of the year	–	417	–	417
Fair value adjustment of investment in equity shares is made up as follows:				
Increase in fair value due to movement in share price	16	37	16	37
Increase in fair value due to movement in exchange rate	–	67	–	67
	16	104	16	104

Group					
Assets		Liabilities		Net	
2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm

7. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Restricted cash	–	–	(2)	–	(2)	–
Trade and other payables	1	1	–	–	1	1
Tax losses carried forward	1	–	–	–	1	–
Deferred tax assets/(liabilities)	2	1	(2)	–	–	1

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	Balance at the end of the year Rm
2020				
Restricted cash	–	(2)	–	(2)
Trade and other payables	1	–	–	1
Tax losses carried forward	–	1	–	1
	1	(1)	–	–
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

7. Deferred tax assets/(liabilities) (continued)

- 7.1 Deferred tax assets of R2 million (2019: R1 million) relate to temporary differences and estimated taxable losses. It is probable that future taxable profits of the group entity will be available against which the assets can be utilised.
- 7.2 On the disposal of LAPCO (refer to note 17), 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.
- 7.3 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 (2019: nil).
- 7.4 In the case of the company, the deferred tax liability of R2 million relates to temporary timing differences arising on the restricted cash balances (refer to note 8).

Group		Company	
2020 Rm	2019 Rm	2020 Rm	2019 Rm

8. Restricted cash

The escrow account in relation to the Halco Trust indemnitees will be held until the indemnity terminates or otherwise falls away prior to 31 December 2024 (refer to note 23.1.1)

252	242	252	242
------------	-----	------------	-----

The escrow account in relation to the disposal of LAPCO was held until the indemnity terminated in September 2020 (refer to note 23.1.3)

–	234	–	–
---	-----	---	---

252	476	252	242
------------	-----	------------	-----

9. Trade and other receivables

Prepayments	3	8	1	1
Other receivables	–	1	–	–
	3	9	1	1

10. Cash and cash equivalents

Bank balances	5	707	–	–
Money market instruments and call and term deposits	890	721	5	–
	895	1 428	5	–

10.1 At 31 December 2019, the proceeds received on the sale of LAPCO were held in the bank account of TAC. During January 2020, these funds were transferred into various money market instruments, managed on platforms by two reputable banking institutions, in order to maximise returns on such cash.

10.2 Refer to indemnity provided by Trencor in relation to the Halco Trust indemnitees in note 23.1.1.

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
11. Capital and reserves				
Share capital				
Authorised				
Ordinary shares of 0,5 cent each 200 000 000 (2019: 200 000 000)	1	1	1	1
Issued				
Ordinary shares of 0,5 cent each 173 534 676 (2019: 173 534 676)	1	1	1	1

	Group		Company	
	2020 '000	2019 '000	2020 '000	2019 '000
11.1 Number of ordinary shares in issue				
Shares in issue at the beginning of the year	173 535	173 678	173 535	173 678
Shares repurchased by the company	–	(143)	–	(143)
Shares in issue at the end of the year	173 535	173 535	173 535	173 535

There was no change in share capital during the year. In the prior year 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.

11.2 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.

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

11.4 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.

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
11.5 Dividends				
Dividends declared and paid during the year are as follows:				
Final dividend in respect of the financial year 2019 – 185 cents per share (2019 final dividend in respect of the financial year 2018 – nil cents per share)	321	–	321	–
Unbundling dividend of assets <i>in specie</i> – 249 cents per share (2019: 2 073 cents per share) (refer to note 6)	433	3 597	433	3 597
Special dividend – 160 cents per share (2019: nil)	278	–	278	–
Dividends unclaimed for more than three years, reversed	–	(2)	–	(2)
	1 032	3 595	1 032	3 595

12. Leases

Leases as lessee

During the year, Trencor Services entered into a new lease with the landlord for a greatly reduced area. The lease is for a period of three years with an option to extend the lease for a further period of one year. It is not reasonably expected that management will extend the lease when it expires. On expiry of the previous lease, the right-of-use asset relating to the lease was derecognised (refer to note 4).

		Group		
		Interest rate 31 December 2020 % p.a.	2020 Rm	2019 Rm
12.1	Lease liability			
	Total lease liability	8,46	1	1
	Current portion included in current liabilities		-	(1)
			1	-
12.2	Amounts recognised in profit or loss			
	Interest on lease liability		0,1	0,2
	Depreciation		2,0	2,0
12.3	Amounts recognised in statement of cash flows			
	Total cash outflow for leases		1,0	3,0

Group		Company	
2020 Rm	2019 Rm	2020 Rm	2019 Rm

13. Trade and other payables

Trade payables	1	-	1	-
Accrued expenses	6	30	1	11
Other payables	1	1	1	-
	8	31	3	11

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

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

14.1	Revenue				
	Capital distribution from the Halco Trust	-	-	-	239
	Income distribution from the Halco Trust	-	-	-	5
	Dividends received	-	-	15	4
14.2	Other operating income				
	Realised and unrealised exchange gains	8	-	68	-
14.3	Expenses				
	Auditors' remuneration	2	7	2	5
	Audit fee				
	Current year	1	7	1	5
	Under provision prior year	1	-	1	-
	Directors' remuneration and benefits	13	14	3	3
	Executive directors				
	Short-term employee benefits	10	11	-	-
	Non-executive directors				
	Remuneration	3	3	3	3
	Unrealised foreign exchange loss	-	5	-	-
	Retirement benefit contributions included in employee benefits expense	1	1	-	-

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
15. Finance income – continuing operations				
Interest income				
Cash and cash equivalents	21	47	1	–
Restricted cash	2	4	2	4
	23	51	3	4
16. Income tax				
16.1 Income tax paid				
Amounts payable at the beginning of the year	175	11	175	–
Recognised in profit or loss				
South African normal	–	7	–	3
South African dividends tax	17	174	17	174
Derecognised on disposal of subsidiary (refer to note 17.3)	–	(10)	–	–
Amounts payable at the end of the year	(1)	(175)	–	(175)
Amounts paid during the year	191	7	192	2
16.2 Income tax expense				
South African normal	–	7	–	3
Current	1	6	1	2
Adjustment for prior years	(1)	1	(1)	1
South African deferred				
Origination and reversal of temporary differences	1	1	2	–
South African dividends tax	17	174	17	174
	18	182	19	177

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
16. Income tax (continued)				
16.3 Income tax expense reconciliation				
(Loss)/Profit before tax – continuing operations	(20)	105	83	(62)
Loss before tax – discontinued operations (refer to note 17.1)	–	(358)		
Loss on disposal of subsidiary (refer to note 17.1)	–	(21)		
(Loss)/Profit before tax	(20)	(274)	83	(62)
The income tax expense is reconciled as follows:				
Income tax (credit)/expense at applicable rate of 28% (2019: 28%)	(6)	(77)	23	(18)
Operating losses not recognised	–	12	–	–
(Over)/Under provided in prior years	(2)	1	(1)	1
Foreign loss inclusion differential	–	96	–	–
Non-taxable income – capital distribution from trust	–	–	–	(67)
Non-deductible expenses in relation to capital distribution from trust	–	7	–	7
Non-taxable income – dividends received	–	–	(4)	(1)
Non-deductible expenses in relation to dividends received	13	–	9	–
Fair value adjustment of investment in equity shares	(4)	(29)	(4)	(29)
Non-taxable income	–	–	(16)	–
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	–	(10)	–	–
(Impairment reversal)/Impairment loss – investment in subsidiary	–	–	(5)	103
Other non-deductible expenses	–	8	–	7
Dividends tax (refer to note 6)	17	174	17	174
Income tax expense at effective tax rate	18	182	19	177
16.4 Foreign loss inclusion differential				
In prior years, 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 was accordingly subject to US federal income tax. Since only a portion of the profit/loss was taxed at the US federal income tax rate, the portion not included was either not taxable or not deductible.				
16.5 Dividends tax				
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 (refer to note 6).				

17. Discontinued operation

At the end of November 2019, the container owning and leasing segment was discontinued when LAPCO, a wholly-owned subsidiary of 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.

The operation was classified as a discontinued operation under 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 (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
17.1 Results of the discontinued operation	
Revenue	513
Other operating income	1
Cost of containers sold	(165)
Depreciation	(113)
Other operating expenses	(32)
Impairment of property, plant and equipment (refer to note 4)	(448)
Operating loss before net finance expenses	(244)
Net finance expenses	(114)
Finance expenses: Interest expense	(99)
Realised and unrealised losses on derivative financial instruments	(21)
Finance income: Interest income	6
Loss before tax	(358)
Income tax	-
Loss for the year	(358)
Loss on disposal of subsidiary, net of tax	(21)
Loss from discontinued operation, net of tax	(379)
Basic loss per share (cents)	(218)
Diluted loss per share (cents)	(218)
17.2 Cash flows from discontinued operation	
Net cash inflow from operating activities	406
Net cash inflow from investing activities (see below)	392
Net cash outflow from financing activities	(356)
Net cash inflow for the year	442
17.3 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 (see above)	392

		Group	
		2020	2019
18. Loss per share			
18.1	Weighted average number of shares in issue (million)	173,5	173,7
18.2	Loss per share		
	Entity as a whole		
	Basic loss per share (cents)	(22)	(263)
	Diluted loss per share (cents)	(22)	(263)
	Continuing operations		
	Basic loss per share (cents)	(22)	(44)
	Diluted loss per share (cents)	(22)	(44)
	Discontinued operations		
	Basic loss per share (cents)	-	(218)
	Diluted loss per share (cents)	-	(218)
18.3	Headline loss attributable to shareholders of the company (Rm)	(38)	(24)
	Headline loss per share (cents)	(22)	(14)
	Diluted headline loss per share (cents)	(22)	(14)
18.4	Reconciliation between loss for the year and headline loss		
		Group	
		Gross	Net of tax
		2020	
		2019	
		Rm	Rm
	Loss for the year attributable to shareholders of the company		(456)
	Impairment of property, plant and equipment	-	(38)
	Loss on disposal of subsidiary	-	448
	Compensation recovery from third party in respect of impairment of property, plant and equipment	-	21
	Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	-	(1)
		-	(1)
		-	(36)
	Headline loss attributable to shareholders of the company	(38)	(24)

Group		Company	
2020 Rm	2019 Rm	2020 Rm	2019 Rm

19. Notes to cash flow

19.1 Cash (utilised by)/generated from operations

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

(Loss)/Profit for the year	(38)	(456)	64	(239)
Adjusted for:				
Finance expenses	-	120	-	-
Finance income	(23)	(57)	(3)	(4)
Dividend income	-	-	(15)	-
Loss on disposal of subsidiary	-	21	-	-
Realised and unrealised exchange losses	(8)	5	(68)	5
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	-	(36)	-	-
Depreciation	2	115	-	-
Carrying value of container leasing equipment disposed	-	152	-	-
Write-down of container leasing equipment held for sale	-	13	-	-
(Impairment reversal)/Impairment losses	-	448	(16)	366
Fair value adjustment of investment in equity shares	(16)	(104)	(16)	(104)
Income tax expense	18	182	19	177
Operating (loss)/profit before working capital changes	(65)	403	(35)	201
Working capital changes	(18)	17	(8)	4
Decrease in trade and other receivables	7	3	-	-
(Decrease)/Increase in trade and other payables	(25)	14	(8)	4
Cash (utilised by)/generated from operations	(83)	420	(43)	205

Company		
Amount due to subsidiary Rm	Retained income Rm	Total Rm

19. Notes to cash flow (continued)

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

Balance at 1 January 2019	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
Changes from financing cash flows			
Amounts advanced by subsidiary	384	–	384
Total changes from financing cash flows	384	–	384
Equity related changes	–	(968)	(968)
Balance at 31 December 2020	1 291	693	1 984

	Group					Total Rm
	Interest-bearing borrowings Rm	Lease liability Rm	Debt issuance costs Rm	Derivative financial instruments Rm	Retained income Rm	
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 and lease liability	(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 5.6)	(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
Changes from financing cash flows						
Repayment of lease liability	–	(1)	–	–	–	(1)
Total changes from financing cash flows	–	(1)	–	–	–	(1)
Recognition of new lease	–	1	–	–	–	1
Equity related changes	–	–	–	–	(1 070)	(1 070)
Balance at 31 December 2020	–	1	–	–	760	761

20. Segment reporting**Business segments**

- 20.1 In prior years there was one operating segment (i.e. strategic business unit) namely container owning and leasing, which was discontinued as a result of the sale of LAPCO (refer to note 17). The executive committee (regarded as the chief operating decision-maker) reviewed internal management reports on at least a quarterly basis.
- 20.2 Information regarding the results of the reportable segment is recorded below. Performance was 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 was used to measure performance as management believes that such information was 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		Unallocated		Consolidated	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Revenue	-	513	-	-	-	513
Goods sold	-	168	-	-	-	168
Leasing income	-	345	-	-	-	345
(Loss)/Profit before net finance expenses and income tax	-	(244)	(43)	54	(43)	(190)
Finance income	-	6	23	51	23	57
Finance expenses	-	(120)	-	-	-	(120)
Depreciation and amortisation	-	(113)	(2)	(2)	(2)	(115)
Income tax expense	-	-	18	182	18	182
Other material non-cash items:						
Impairment losses incurred:						
Property, plant and equipment	-	(448)	-	-	-	(448)
Loss on disposal of subsidiary, net of tax	-	(21)	-	-	-	(21)
Write-down of container leasing equipment held for sale	-	(13)	-	-	-	(13)
Assets	-	-	1 153	2 333	1 153	2 333
Liabilities	-	-	12	207	12	207

	Group			
	Assets		Liabilities	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Property, plant and equipment	1	2		
Investment in equity shares	-	417		
Deferred tax assets/liabilities	2	1	2	-
Restricted cash	252	476		
Income tax liabilities			1	175
Trade and other receivables/payables	3	9	8	31
Lease liability			1	1
Cash and cash equivalents	895	1 428		
	1 153	2 333	12	207

The following is an analysis of the unallocated assets and liabilities:

Property, plant and equipment	1	2		
Investment in equity shares	-	417		
Deferred tax assets/liabilities	2	1	2	-
Restricted cash	252	476		
Income tax liabilities			1	175
Trade and other receivables/payables	3	9	8	31
Lease liability			1	1
Cash and cash equivalents	895	1 428		
	1 153	2 333	12	207

21. Financial instruments and risk management**21.1 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
2020					
Financial assets					
Restricted cash	–	252	–	252	252
Cash and cash equivalents	–	895	–	895	895
	–	1 147	–	1 147	1 147
Financial liabilities					
Lease liability	–	–	1	1	1
Trade and other payables	–	–	8	8	8
	–	–	9	9	9
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
Company					
2020					
Financial assets					
Restricted cash	–	252	–	252	252
Cash and cash equivalents	–	5	–	5	5
	–	257	–	257	257
Financial liabilities					
Amount due to subsidiary	–	–	1 291	1 291	1 246
Trade and other payables	–	–	3	3	3
	–	–	1 294	1 294	1 249
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

* The fair values of the financial assets and financial liabilities, other than the amount due to subsidiary and the investment in equity shares, 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 3,5% (2019: 6,5%) as the loan is interest free. The loan was discounted over 367 days (refer to note 5.1). The fair value of the investment in equity shares has been measured according to level one in the hierarchy table (refer to note 21.7.1).

21.2 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.

21.3 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.

21.3.1 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	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Financial assets at amortised cost:				
Restricted cash	252	476	252	242
Trade and other receivables	–	1	–	–
Cash and cash equivalents	895	1 428	5	–
	1 147	1 905	257	242

Credit risk arises principally from restricted cash and cash and cash equivalents.

Restricted cash and cash and cash equivalents

Funds on deposit are 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 which have a S&P Global Ratings long-term and short-term rating on the South Africa national scale of zaAA/zaA-1+.

21. Financial instruments and risk management (continued)21.3 **Credit risk** (continued)

21.3.2 Impairment

Restricted cash and 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 these restricted cash and cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties, therefore the ECL allowance for these financial assets is nil.

21.4 **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 cash resources 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.

	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
Group					
2020					
Non-derivative financial liabilities					
Lease liability	1	1	–	1	–
Trade and other payables	8	8	8	–	–
	9	9	8	1	–
2019					
Non-derivative financial liabilities					
Lease liability	1	1	1	–	–
Trade and other payables	31	31	31	–	–
	32	32	32	–	–
Company					
2020					
Non-derivative financial liabilities					
Amount due to subsidiary	1 291	1 291	–	1 291	–
Trade and other payables	3	3	3	–	–
	1 294	1 294	3	1 291	–
2019					
Non-derivative financial liabilities					
Amount due to subsidiary	907	907	–	907	–
Trade and other payables	11	11	11	–	–
	918	918	11	907	–

21.5 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		Company	
2020 Rm	2019 Rm	2020 Rm	2019 Rm

21.5.1 Equity prices

Financial assets carried at fair value through profit or loss:

	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Investment in equity shares	-	417	-	417

A change of R1,00 in the JSE listed share price of Textainer at the date of distribution would have increased or decreased the loss for the year by R3 million. This analysis assumed that all other variables remained constant.

21.5.2 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					
	2020			2019		
	SA rand Rm	US\$ Rm	Total Rm	SA rand Rm	US\$ Rm	Total Rm
Assets						
Investment in equity shares	-	-	-	417	-	417
Restricted cash	-	252	252	-	476	476
Trade and other receivables	-	-	-	1	-	1
Cash and cash equivalents	179	716	895	628	800	1 428
	179	968	1 147	1 046	1 276	2 322
Liabilities						
Lease liability	1	-	1	1	-	1
Trade and other payables	8	-	8	20	11	31
	9	-	9	21	11	32

The following exchange rates applied during the year:

Year-end rate US\$1	R14,58	R14,09
Average rate US\$1	R16,42	R14,46

Other than the restricted cash of R252 million held by the company (2019: investment in equity shares and restricted cash of R242 million), the US dollar denominated financial instruments 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 R252 million, (2019: restricted cash of R242 million and investment in equity shares) the financial instruments are all rand denominated.

For the year ended 31 December 2020, a change of 1% in the foreign currency exchange rate used to translate the US dollar escrow account balance would have increased or decreased the loss for the year by R2 million.

21. Financial instruments and risk management (continued)21.5 **Market Risk** (continued)

21.5.3 Interest rate risk

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.

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 were structured according to anticipated movements in interest rates. All borrowings were US dollar denominated.

At 31 December, the interest rate profile of interest-bearing financial instruments was:

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Variable rate instruments				
Financial assets	1 147	1 904	257	242
Financial liabilities	(1)	(1)	-	-
	1 146	1 903	257	242

Based on SA Rand denominated non-derivative financial asset balances at 31 December 2020, it is estimated that a 100 basis points increase/decrease in interest rates would result in an increase/decrease in interest income after tax of R3 million (2019: R5 million). This analysis assumes that all other variables remain constant. For US dollar based non-derivative financial asset balances at 31 December in 2020, the sensitivity relating to interest income is immaterial as a result of the interest rate environment prevailing for US dollar deposits.

For the prior year, based on derivative and non derivative assets and liabilities of TAC held during the 2019 year 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 R16 million and an increase/decrease in interest expense after tax on interest rate swap derivative instruments of R16 million.

21.6 **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 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.

21.7 Fair values

The fair values of financial instruments (refer to note 21.1) have been arrived at after taking into account current market conditions. All of the fair value measurements are recurring in nature.

21.7.1 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 2019, 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
Assets				
Investment in equity shares	417	–	–	417

	Company	
	2020 Rm	2019 Rm

22. Related parties**22.1 Identity of related parties**

The company has related party relationships with its subsidiaries (refer to note 5.5 and below) and directors.

22.2 Intra-group transactions and balances

Amount due to Trencor Services Proprietary Limited (refer to note 5.1)	1 291	907
Administration fee paid to Trencor Services Proprietary Limited	14	6
Capital and income distributions from the Halco Trust (refer to note 14.1)	–	244
Decrease in investment in subsidiaries (refer to note 5.3)	439	–
TAC including exchange gain of R60 million	388	–
Trencor Container Holdings Proprietary Limited	51	–
Dividends received from subsidiaries (refer to notes 5.2 and 14.1)	15	4
Trencor Container Holdings Proprietary Limited	15	–
Mobile Acceptances Proprietary Limited	–	1
Trenprop Investments Proprietary Limited	–	2
Trenprop Investments Midrand Proprietary Limited	–	1

22. Related parties (continued)**22.3 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 2020 and 2019 was as follows:

	Company		
	Direct	Indirect *	Total
2020			
David Nurek	–	10 000	10 000
Eddy Oblowitz	10 000	–	10 000
Roddy Sparks	–	4 000	4 000
	10 000	14 000	24 000
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

* Indirect interest represents holdings by associates.

There have been no changes in the above interests between the financial year-end and the date of this report.

The remuneration paid to the directors during the years ended 31 December 2020 and 2019 was as follows:

	Group				
	Guaranteed remuneration	Contributions to		Retention compensation	Total remuneration
		Medical aid	Retirement fund		
R'000	R'000	R'000	R'000	R'000	
2020					
Non-executive directors					
Jimmy McQueen	142	–	–	–	142
David Nurek	1 098	–	–	–	1 098
Eddy Oblowitz	597	–	–	–	597
Roddy Sparks	511	–	–	–	511
Herman Wessels	281	–	–	–	281
	2 629	–	–	–	2 629
Executive directors					
Ric Sieni	4 592	77	332	–	5 001
Hennie van der Merwe	3 971	35	417	1 000	5 423
	8 563	112	749	1 000	10 424
Aggregate remuneration 2020	11 192	112	749	1 000	13 053
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

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

23. Indemnities and warranties

In respect of the indemnities and warranties disclosed below, no contingent liability has been disclosed in the financial statements for the year ended 31 December 2020 as the directors believe that the possibility of an outflow of resources in relation to the indemnities and warranties, other than for costs and expenses, is remote.

23.1 Indemnities

23.1.1 Indemnity provided by Trencor in relation to the Halco Trust indemnitees

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, Trencor was required to provide an indemnity in a negotiated amount of US\$62 million, *inter alia*, to the trustee of the Halco Trust, *in lieu* of the indemnity the trustee enjoyed under the Deed of Settlement of the Halco Trust at the time.

In terms of this indemnity, Trencor indemnifies the indemnitees detailed below against certain events, which include the incurrence of liabilities by the indemnitees, and against the incurrence of costs and expenses by the indemnitees in connection with the indemnity and the processes thereunder. The indemnity extends to liabilities, costs and expenses incurred 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, liabilities, costs and expenses by the directors and shareholder of the corporate trustee of the Halco Trust associated with the aforementioned liabilities and other liabilities, costs and expenses incurred by the indemnitees pursuant to any joint matter in terms of the indemnity. 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 (2019: US\$62 million), for which an amount of US\$17 million (2019: US\$17 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 8). The escrow balance will be so held until the indemnity terminates or otherwise falls away prior to 31 December 2024. 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, in effecting any distribution or corporate reorganisation. Restricted cash of US\$17 million (2019: US\$17 million) (refer to note 8) and cash and cash equivalents in TAC of US\$45 million (2019: US\$45 million) (refer to note 10.2) have been currently earmarked against any such maximum potential exposure.

23.1.2 Indemnity provided by Trencor in relation to Halco’s mislaid Textainer share certificates

In respect of the 11 May 2018 indemnity in relation to Halco’s mislaid Textainer share certificates of 5 503 556 common shares, provided to, *inter alia*, Computershare Trust Company, N.A. and Computershare Inc (collectively “Computershare”) by Trencor, jointly with Textainer and Halco, and with Trencor counter-indemnified by Textainer against any liability under such joint indemnity, shareholders were advised on 28 September 2020 that the relevant mislaid share certificates had been located in the Isle of Man. The process with Computershare for the formal release of the indemnitors from this indemnity is underway, but has been delayed due to COVID-19 restrictions hindering the safe physical delivery of the located share certificates to Computershare in the United States of America by a trusted non-courier person from the Isle of Man. No cash resources had been earmarked against this indemnity and the release of this indemnity will accordingly not make available additional cash for distribution by Trencor. However, once finalised, the release will obviate the need to report on this indemnity and counter-indemnity in Trencor’s future results.

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

During September 2020, TAC successfully completed a transaction with Textainer Limited for the total release of TAC from all warranties, representations and indemnities given by TAC in respect of the sale of its subsidiary, LAPCO, and for the early release (previously scheduled for 30 June 2021) of the US\$16.6 million lodged in escrow in support thereof, in exchange for a consideration to Textainer Limited of two percent of the principal amount in escrow. The net funds released from escrow were received by TAC. This release has obviated the need to report on this indemnity in Trencor’s future results.

23. Indemnities and warranties (continued)**23.2 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.

24. 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:

24.1 IFRS 16 Leases (refer to note 12)

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 entering into the head office lease, management considered the cost of borrowings to fund the lease to determine the incremental borrowing rate.

24.2 No control of or significant influence over Textainer (refer to note 6)

Following the entering into of the VLD by Textainer and Halco on 1 January 2018, shareholder voting rights in Textainer 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 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.

24.3 Disposal of LAPCO (refer to note 17)

On 2 December 2019, TAC entered into an agreement to dispose of its 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.

24.4 Marine cargo containers (refer to note 4)

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.

24.4.1 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.

24.4.2 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.

25. 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.

As Trencor is currently invested only in cash and other liquid assets, the impact of COVID-19 has not and is not expected to have any material effect on the going concern status of Trencor. 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. The situation continues to be monitored and responded to, as necessary.

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 forecasts;
- the performance of underlying business assets 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.

26. Events after the reporting period

The directors are not aware of any 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 2020.