TRENCOR

INTEGRATED ANNUAL REPORT 2019

Contents

Group Profile

Trencor Limited is an investment holding company listed on the JSE.

This profile may change upon further simplification of Trencor's interests as envisaged in the Joint Report by the Chairman and Chief Executive Officer.

Group Chart

at 31 December 2019

TRENCOR

5,3% TEXTAINER	100% TAC	100% TRENCOR SERVICES
Primary listing on the NYSE, with an inward secondary listing on the JSE, the Textainer group owns, leases, manages and trades marine cargo containers worldwide	Cash holding	Corporate administration and cash holding

Financial Summary

		2019	2018
Operating (loss)/profit before net finance expenses *	Rm	**(211)**	2 879
(Loss)/Profit before tax *	Rm	**(274)**	2 857
Headline loss	Rm	**(24)**	(3 215)
Headline loss per share	SA cents	**(14)**	(1 818)
Assets *in specie* dividend per share	SA cents	**2 073**	–
Cash dividend per share	SA cents	**185**	50
Consolidated net asset value ("NAV") per share (refer to table below)	SA cents	**1 225**	3 587
Ratio of interest-bearing borrowings to total equity	%	**–**	34

* Amounts include discontinued operation.

NAV Table

Based on the listed share price of Textainer and the relevant spot exchange rate, the NAV of Trencor at the dates below was as follows:

	17 April 2020	**31 December 2019**	31 December 2018
Textainer share price	R140,00	**R139,12**	US$9,96
Spot exchange rate US$1	R18,68	**R14,09**	R14,39
	Rm	**Rm**	Rm
Textainer interest (fair market value)	420	**417**	3 910
TAC (book NAV)	1 227	**1 026**	1 704
TAC (IFRS adjustments)	–	**–**	(285)
Cash (excluding in TAC)	871	**871**	914
Other net liabilities	(329)	**(188)**	(12)
Total NAV	2 189	**2 126**	6 231
	R per share	**R per share**	R per share
Textainer interest (fair market value)	2,42	**2,40**	22,51
TAC (book NAV)	7,07	**5,91**	9,81
TAC (IFRS adjustments)	–	**–**	(1,64)
Cash (excluding in TAC)	5,02	**5,02**	5,26
Other net liabilities	(1,89)	**(1,08)**	(0,07)
Total NAV per share	12,62	**12,25**	35,87

Notes:

1. The values at a reporting year-end are actual values converted at the applicable exchange rate. At 17 April 2020, other than for Textainer and the cash outside of TAC which are recorded at actual as at 17 April 2020, 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 17 April 2020 are cash deposits of US$66,1 million (31 December 2019: US$73,3 million). The reduction in 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 values of Textainer at 31 December 2019 and at 17 April 2020 have been measured with reference to the Textainer share price listed on the JSE, as with effect from 11 December 2019 Trencor is invested in the JSE inward secondary listed Textainer share. At 31 December 2018, Trencor held its shares in Textainer through the NYSE. On 17 December 2019, Trencor distributed *in specie* to its shareholders the bulk of its shareholding in Textainer.
4. The major movements on cash (excluding in TAC) are:

	Rm
Cash balance at 31 December 2019	871
Dividend received from TAC	112
Exchange differences on translation of foreign cash (excluding in TAC)	78
Dividends tax paid relating to *in specie* distribution of assets	(174)
Other net cash outflows	(16)
Cash balance at 17 April 2020	871

5. At 17 April 2020, the cash dividend declared by Trencor on 31 March 2020 amounting to R321 million is included in other net liabilities and was paid on 28 April 2020. At 31 December 2019, the dividends tax payable by Trencor amounting to R174 million on the *in specie* distribution of the Textainer shares is included in other net liabilities and was paid on 31 January 2020.

Joint Report by the Chairman and Chief Executive Officer

We are pleased to present Trencor's 2019 integrated annual report.

In this joint report of the chairman and chief executive officer, we focus on updating stakeholders on further progress to date on the simplification of Trencor's interests. In addition, we provide an envisaged road map towards distributing to Trencor's shareholders all remaining assets or, where assets are to be monetised, the net proceeds thereof. Shareholders are cautioned that steps described and statements included in this report, by their nature, involve uncertainties, are best estimates of how we envisage matters unfolding, and that actual future events or results may differ materially from such estimates.

For detailed information on Trencor's 2019 financial results and related matters, stakeholders are referred to the financial statements and other reports contained in this annual report.

With the simplification of interests having reached a stage where the company effectively is a cash company with no operational activities, it would serve little purpose and not be cost effective to include in this annual report all of the information that one would expect in relation to a listed company with ongoing operations. Thus, this annual report provides only such relevant information as we deem to be of value to stakeholders, and should be viewed in such context.

FURTHER SIMPLIFICATION OF INTERESTS

Considerable progress has been made in relation to the simplification of Trencor's interests in the period under review. Several of the major milestones achieved were made possible by events which occurred in prior periods, which are described below for the context of those events and any future simplification.

Following the distribution by the Halco Trust to Trencor in February 2018 of the Halco Trust's 100% interest in Halco Holdings Inc, Trencor held 100% of the issued shares of Halco Holdings. At that time, Halco Holdings in turn held 47,8% of the issued shares of Textainer Group Holdings Limited and 100% of the issued share capital of TAC Limited. Textainer, a company with a primary listing on the New York Stock Exchange (NYSE: TGH), owns, leases, manages and trades marine cargo containers worldwide.

Prior to this distribution in February 2018, Trencor was required to provide the Halco Trust indemnity (refer to note 28.1.1 to the financial statements) (the "Halco Trust indemnity"). The provision of this indemnity was a prerequisite to enabling the simplification process to continue, culminating in the distributions by Halco Holdings to Trencor in May 2018 (including the distributions of the shares held by Halco Holdings in Textainer and TAC), the Textainer inward secondary listing on the JSE in December 2019 and Trencor's subsequent unbundling of the vast majority of its Textainer inward listed shares, all as described more fully below. In entering into this indemnity, Trencor's board took and considered extensive in-country foreign, as well as local, professional advice and exercised its best judgment in considering the interests of Trencor and its shareholders.

The initial maximum potential exposure under the Halco Trust indemnity was for the full value of the capital so distributed (being the combined value of Halco Holdings' cash resources and its entire equity holdings in both Textainer and TAC at the time). This left the trustee of the Halco Trust (the "trustee") in the same economic position as it enjoyed under the Deed of Settlement of the Halco Trust at the time. Such maximum potential exposure under the Halco Trust indemnity was subsequently reduced from the said full value of the capital distributed to US$62 million, which was the considerably smaller compromise number reached as the outcome of a commercial negotiation between Trencor and the trustee. According to its terms, the Halco Trust indemnity terminates on 31 December 2024.

It is important to note that, had Trencor not so provided the Halco Trust indemnity, and had the Halco Trust indemnity not been so reduced, none of the major milestones in the simplification process achieved in the period under review, including the unlocking of value to Trencor's shareholders through the *in specie* distribution of Textainer shares to the value of R3 597 million, would have been possible.

In May 2018 Halco Holdings distributed its shareholding in Textainer to Trencor together with all other assets held by Halco Holdings by declaring three dividends to Trencor, namely (i) a distribution of 47,8% of the shares in Textainer, (ii) a distribution of 100% of the shares in TAC and (iii) a cash distribution in the amount of US$8 million. Following these distributions by Halco Holdings, Trencor held 47,8% of the issued share capital of Textainer and 100% of the issued share capital of TAC.

These distributions by Halco Holdings in May 2018 enabled the implementation of several further steps in relation to the simplification of Trencor's interests in the course of 2019. Significant progress was achieved on 11 December 2019 with Textainer's inward secondary listing on the JSE main board and Trencor's unbundling on 17 December 2019 of all but 3 000 158 of its inward secondary listed shares in Textainer (these retained shares comprising 5,3% of the Textainer shares in issue) to Trencor's shareholders (in accordance with unanimous shareholder approval) as a dividend *in specie* (the "unbundling"). Effective 31 December 2019, TAC unconditionally disposed of its wholly-owned subsidiary, Leased Assets Pool Company Limited ("LAPCO"), to Textainer Limited, a wholly-owned subsidiary of Textainer, for US$65,5 million (the "LAPCO disposal").

As at 31 December 2019, following the unbundling and the LAPCO disposal, Trencor was left with the 5,3% inward secondary listed shareholding in Textainer then fair valued at approximately R417 million and total cash (i.e. local and foreign) of approximately R1 904 million (refer to the tables below for details of the current amounts and currencies of the cash resources). Trencor continues to hold 100% of the issued share capital of TAC, whose only asset is cash.

Trencor considered alternative ways of vesting in its shareholders the value of the retained shares in Textainer. In Trencor's 2019 reviewed results, mention was made of a potential direct purchase by a third party of all these retained shares in a single transaction. Such a transaction was viewed by Trencor as the most expedient manner of monetising these shares and distributing the proceeds to its shareholders, provided that the transaction would not be classified by the JSE as a Category 1 transaction in terms of the Listings Requirements of the JSE. Whilst the JSE has confirmed that the potential transaction would not be a Category 1 transaction, the third party has since withdrawn its interest in this transaction. Trencor will now pursue one or more of the alternative ways of vesting in its shareholders the value of the retained shares in Textainer as expeditiously as practically possible.

The Trencor board continues to pursue the further simplification of Trencor, and further developments will be publicly reported or announced to all shareholders as and when appropriate. The broad parameters and potential timeframes envisaged in such further simplification are discussed below.

CASH FLOW AND DIVIDEND CONSIDERATIONS

Post the implementation of the unbundling and the LAPCO disposal, Trencor's assets consist mainly of cash and/or liquid assets which can be turned into cash (for example, cash proceeds from any disposal of the retained Textainer shares). At the appropriate time and as a final step in the simplification process Trencor envisages being able to distribute its remaining cash resources to its shareholders and thereafter take steps to delist from the JSE and wind up. Trencor is not currently in a position to do so and will not be in a position to do so until its cash resources become commercially available.

For additional information in relation to the indemnities and the related escrow cash accounts, reference can be had to the indemnities note 28.1 and the restricted cash note 9 to the financial statements. The commercial availability of Trencor's cash resources is affected by the Halco Trust indemnity provisions and its related escrow arrangements in terms of which Trencor is contractually required to retain sufficient cash and other liquid assets equal to the full face value of the maximum potential exposure under this indemnity, as well as by the indemnity provisions of the stock purchase agreement concluded between TAC (as seller) and Textainer Limited (as buyer) in respect of the LAPCO disposal (refer to note 28.1.3 to the financial statements) (the "LAPCO disposal indemnity") and its related escrow arrangements.

At 17 April 2020, restricted cash in an aggregate amount of approximately US$34 million is held in two independently administered escrow accounts for the respective purposes of the Halco Trust indemnity and the LAPCO disposal indemnity. Trencor has to date retained assets and liquidity sufficient to cover the maximum potential exposure under the Halco Trust indemnity and until such time as this indemnity terminates or falls away prior to its scheduled termination date, must continue to do so. In addition to the amount of US$17 million in escrow under the Halco Trust indemnity, non-restricted cash in an aggregate amount of approximately US$45 million is earmarked for this purpose. Trencor has continued to seek a solution acceptable to both Trencor and the indemnitees in terms of which Trencor's potential exposure under the Halco Trust indemnity could be substituted. The indemnitees, however, have indicated that they prefer to maintain their *status quo* position under the arrangements relating to this indemnity.

Non-restricted cash resources in the amount of approximately R33 million have been earmarked by the board for operating expenses of the company for the remainder of 2020 (refer to the "Rand deposits" table below). Further non-restricted cash resources of approximately R21 million per annum on average have been earmarked for projected ongoing annual operating expenses of the company for 2021 until and including 2024 (refer to the "Rand deposits" table below). Interest income will contribute towards the funding of such projected expenses. In addition, the balance of free cash resources of approximately R181 million (or US$10 million) has been reserved as a prudent cash buffer against unforeseeable future events and expenses, which have not otherwise been catered for in connection with the abovementioned indemnities and ongoing operating requirements.

The tables below reflect the current amounts of cash resources, the currencies in which these are denominated and the envisaged application thereof:

US$ deposits	Release date	US$m
Deposits 17 April 2020:		
TAC (including the LAPCO disposal indemnity escrow account in USA of US$16,6 million, being restricted cash)		66
Halco Trust indemnity escrow account in Liechtenstein, being restricted cash		17
Total US$ deposits		83
Earmarked US$ cash resources:		
LAPCO disposal indemnity escrow amount, being restricted cash	30 June 2021 *	(17)
Halco Trust indemnity escrow amount, being restricted cash	31 December 2024 *	(17)
Earmarked for balance of Halco Trust indemnity	31 December 2024 *	(45)
Estimated TAC ongoing operating expenses for 2020 to 2024		(2)
Estimated free US$ deposits not earmarked for the above		**2**

* It is important to note that the ultimate distributable balances on the escrow accounts and on the amount earmarked for the balance of the Halco Trust indemnity, will form part of the funds available for distribution to Trencor's shareholders once these funds become commercially available subsequent to the respective release dates above. It is the intention of the board that funds thus becoming available for distribution will be distributed to shareholders as soon as practically possible after each respective release date and with due regard to the circumstances at the time.

Rand deposits	**Rm**
Deposits 17 April 2020:	
Trencor and its SA subsidiaries	550
Earmarked rand cash resources:	
Dividends in April 2020	(321)
Estimate of ongoing operating expenses for years ending 31 December:	
2020 (remainder)	(33)
2021 to 2024 (average ongoing annual operating expenses of around R21 million p.a.)	(82)
Estimated interest income over 2020 to 2024 *	30
Estimated free rand deposits not earmarked for the above	**144**

Summary of estimated free cash resources not earmarked in the tables above **	**Rm**	**US$m**
US$ deposits	37	2
Rand deposits	144	8
Total	**181**	**10**

* Assuming the current deposit interest rate is decreased by one percent in 2021 and prevails for the period until the end of 2024.

** Assuming the current exchange rate of R18,68 to US$1,00 prevails for the period until the end of 2024.

The abovementioned envisaged average ongoing annual operating expenses of approximately R21 million per annum from 1 January 2021 to 31 December 2024 are based on the following material assumptions:

- remaining, for the benefit and protection of shareholders, a listed entity as a cash company (refer to the listing status on page 12) throughout this period necessitating adherence to and compliance with the Listings Requirements of the JSE;
- restructuring the board to a 'fit for purpose' board by not replacing two retiring directors, resulting in only three non-executive directors (being the minimum number required under the provisions of the Companies Act relating to audit committees) and the CEO and FD becoming part time employees as soon as practically possible;
- retaining only two full time employees from March 2021, with the remaining current full time employees either retiring or being retrenched in the months leading up to such date;
- securing 'fit for purpose' and more cost effective premises, once the current lease expires on 30 June 2020;
- re-aligning the IT functions and/or relocating the IT servers, already managed by a third party, in a cost effective manner; and
- reducing the audit fees going forward, due to the change in nature of the company's activities, as the complex consolidation process will be simplified substantially and US GAAP to IFRS conversion is no longer required due to the alignment of US GAAP and IFRS when reporting for TAC as a cash company.

In view of the above considerations, the board in March 2020 declared a gross cash dividend of 185 cents per share.

COVID-19

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

APPRECIATION

The unwavering dedication and energy of the Trencor team, during a time when most of their effort was directed at corporate actions that will ultimately lead to the termination of their employment with Trencor, have been and remain truly remarkable. For that, and for the successes they have achieved, we thank them.

We thank our colleagues on the board for their unwavering attention to directing and pursuing Trencor's objectives during the further simplification of Trencor's interests.

The support of our shareholders throughout the simplification and the actions outlined in this report is greatly valued.

A special word of appreciation to Jimmy McQueen and Herman Wessels, both of whom have decided to retire from the Trencor board at the upcoming annual general meeting. Jimmy spent virtually his entire working life with Trencor and served as non-executive director following his retirement as CEO in 2017. During his tenure as non-executive director, Jimmy's contributions to the deliberations of the board were as unstinting and valuable as his input during his many years in the service of the group. Herman joined the board in 2011 and we benefited greatly from his contributions as member of the board and its committees, particularly the audit committee.

David Nurek
Chairman

Hennie van der Merwe
Chief Executive Officer

30 April 2020

Review of Investments

Trencor benefitted during the year under review from investments in operations that focus on the provision, management and integration of equipment and services to facilitate the movement of goods by customers. These operations are engaged in owning, leasing, managing and trading of marine cargo containers worldwide.

TEXTAINER

(The amounts presented in this Textainer review are in accordance with US GAAP.)

Textainer Group Holdings Limited is, through its subsidiaries, primarily engaged in owning, leasing, managing and trading standard dry freight, special dry freight, tank and refrigerated marine cargo containers to global transportation and other enterprises. Textainer has a primary listing on the New York Stock Exchange (NYSE: TGH) and an inward secondary listing on the JSE (JSE: TXT). From 1 January 2018 Textainer was accounted for by Trencor as an investment measured at fair value through profit or loss. At 31 December 2019, Trencor held 5,3% of the issued TXT shares in Textainer (2018: 47,5% of TGH shares).

Further information regarding Textainer and its businesses can be accessed on its website at www.textainer.com.

Salient information

	2019	2018
Financial (US$ million)		
Lease rental income		
Owned fleet	**517,9**	501,4
Managed fleet	**101,9**	111,3
Income before income tax and non-controlling interest	**58,5**	56,3
Net income attributable to common shareholders	**56,7**	50,4
Operational		
Average fleet utilisation %	**97,4**	98,1
Fleet under management (TEU'000s) at 31 December	**3 501**	3 355
Owned	**2 990**	2 646
Managed	**511**	709

TAC

(The amounts presented in this TAC review are in accordance with US GAAP.)

Effective 31 December 2019, TAC unconditionally disposed of Leased Assets Pool Company Limited ("LAPCO"), its wholly-owned subsidiary engaged in the container owning and leasing industry, to Textainer Limited, a wholly-owned subsidiary of Textainer, for US$65,5 million. As a result, TAC is no longer invested in marine cargo containers and at 31 December 2019 TAC was invested solely in cash.

The results of TAC are converted from US GAAP into IFRS for consolidation into the results of Trencor. It is anticipated that going forward the results under both accounting conventions will be identical, given the limited activities of TAC.

Salient information

	2019	2018
Financial (US$ million)		
Leasing income	**23,9**	26,5
Net (loss)/income	**(45,6)**	0,6

Included in the net loss figure for 2019 is an impairment to the container fleet of US$44,9 million as a result of LAPCO being classified as a discontinued operation and its assets transferred to held for sale at fair value less cost to sell.

Corporate Governance

Trencor endorses the principles underlying the King IV Report on Corporate Governance ("the Code" or "the King Report"). Ongoing enhancement of corporate governance principles is a global movement, supported by the board which, together with senior management, will continue to follow and adopt, as appropriate, existing and new principles and practices which advance good practical corporate governance and add value to the company.

The principles recommended by the King Report have been assessed and the disclosure on how these have been applied is contained in a register available on the company's website.

Save as may be indicated in that register and in this report, the board is not aware of any non-compliance with the Code during the year under review.

The salient features of corporate governance as applied in the group are set out below.

BOARD OF DIRECTORS

COMPOSITION

The names and brief résumés of the directors appear on page 73.

The board comprises seven directors, two of whom are executive (chief executive officer and financial director) and five non-executive, four of whom qualify as independent non-executive directors in terms of the King Report.

The board is satisfied that there is a clear balance of power and authority at board level and that no one individual director or block of directors has undue influence on decision-making. The directors have considerable experience and an excellent understanding of the business and are accountable through the board charter, code of ethics and prevailing legislation.

Board effectiveness reviews are undertaken on an annual basis and the board is satisfied with the results of this process.

Nominations for appointment to the board are formal and transparent and submitted by the nomination committee to the full board for consideration.

CHAIRMAN/LEAD INDEPENDENT

The chairman of the board is an independent non-executive director and a lead independent non-executive has also been appointed.

The appointment of the chairman is reviewed on an annual basis.

BOARD DIVERSITY

Trencor recognises the benefits of a diverse board and the board has adopted a formal diversity policy. In view of possible further simplification of the corporate interests as detailed elsewhere in this annual report, it is not practical to set voluntary targets or bring aboard new directors in order to further diversity aims.

PROFESSIONAL ADVICE

All directors have access to the company secretary and management and are entitled to obtain independent professional advice at the company's expense if required.

COMPANY SECRETARY

The company secretary is Trencor Services Proprietary Limited, a wholly-owned subsidiary of the company, which is mainly responsible for corporate administration of the company's corporate office functions. Based on the outcome of an annual assessment conducted by the executive committee, the board is satisfied that the specific individual employed by Trencor Services Proprietary Limited to carry out the duties of a secretary of a public company has the requisite competence, knowledge and experience to effectively perform the role as the gatekeeper of good governance, and is independent of the board.

MEETINGS

The board meets on a scheduled quarterly basis and at such other times as circumstances may require. During the year ended 31 December 2019, four meetings were held and these were attended by all directors save for Roddy Sparks who attended three meetings.

Board papers are timeously issued to all directors prior to each meeting and contain relevant detail to inform members of the financial position and activities of the company. When appropriate, strategic matters and developments are addressed.

The chairman meets with non-executive directors, either individually or collectively, on an *ad hoc* basis to apprise them of any significant matters that may require their input and guidance. In addition, the non-executive directors may hold separate meetings as and when they deem it appropriate.

The board is satisfied that it has fulfilled its responsibilities in accordance with its charter.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract. Executive directors have engagement letters which provide for a notice period of between one and three months to be given by either party. Refer to page 9 regarding retention compensation.

In terms of the memorandum of incorporation, not less than one-third of the directors are required to retire by rotation at each annual general meeting of the company and may offer themselves for re-election. New directors appointed during the year are required to retire at the next annual general meeting, but may offer themselves for re-election.

DIRECTORS' INTERESTS

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

	Beneficial		
	Direct	Indirect *	Total
Jimmy McQueen	49 649	102 133	151 782
David Nurek	–	10 000	10 000
Eddy Oblowitz	10 000	–	10 000
Ric Sieni	–	–	–
Roddy Sparks	–	4 000	4 000
Hennie van der Merwe	–	–	–
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 directors' interests between the financial year-end and the date of this report.

AUDIT COMMITTEE

The audit committee, appointed by shareholders at each annual general meeting, comprises three independent non-executive directors. The committee normally meets at least twice a year, prior to and for purposes of the finalisation of the group's interim and annual results, and at such other times as may be required. The committee is primarily responsible for assisting the board in carrying out its duties in regard to accounting policies, internal controls and audit, financial reporting, identification and monitoring of risk, and the relationship with the external auditors.

In addition to the committee members, the other members of the board and certain other group executives are normally invited to attend meetings of the committee. The external auditors attend meetings and have direct and unrestricted access to the audit committee at all times. In addition, the committee chairman meets separately with the external auditors on an *ad hoc* basis.

During the year, the committee met on two occasions. The meetings were attended by all members.

The audit committee is satisfied as to the expertise and experience of the financial director, and of the finance function as a whole, and that the external auditors are independent in the discharge of their duties. The use of the services of the external auditors for non-audit services requires prior approval by the audit committee chairman.

BOARD TERMS OF REFERENCE

The board is ultimately accountable and responsible for the performance and affairs of the company. In essence, it provides strategic direction, monitors and evaluates operational performance and executive management, determines policies and processes to ensure effective risk management and internal controls, determines policies regarding communication and is responsible for ensuring an effective composition of the board.

COMMITTEES OF THE BOARD

Several committees of the board exist, each with specific terms of reference, to assist the board in discharging its responsibilities. The terms of reference are reviewed on an annual basis. Each committee is satisfied that it has fulfilled its responsibilities in accordance with the committee's terms of reference. The composition of these committees is reviewed on an ongoing basis. The names of the members of the committees appear on page 72.

NOMINATION COMMITTEE

The nomination committee comprises three independent non-executive directors and identifies and recommends to the board suitable competent candidates for appointment as directors.

The committee meets on an *ad hoc* basis. During the year, the committee held one meeting which was attended by all members.

Directors' independence

The nomination committee has conducted the necessary annual assessment and is satisfied as to the independence of each of the independent non-executive directors of the company and, in particular, those who have been in office for more than nine years, having regard to the requirements of the King Report and the provisions of the Companies Act of South Africa.

Succession planning

The nomination committee and the board are satisfied that appropriate succession plans are in place.

EXECUTIVE COMMITTEE

The executive committee comprises two executive directors and met formally on a regular basis throughout the year and informally as and when required. During the year, ten formally scheduled meetings were held which were attended by both members. The minutes of these meetings are distributed to non-executive directors after each meeting.

This committee has the authority of the board, which is subject to annual review, to take decisions on matters involving financial risk management and matters requiring immediate action (subject to the approval of the committee chairman or his nominee) and passing of enabling resolutions, which:

- do not have major policy implications;
- have been discussed with and the support obtained from a majority of board members, save that any dissenting director has the right to call a board meeting; or
- if requiring significant capital expenditure, are in the normal course of business.

REMUNERATION COMMITTEE

The remuneration committee reports directly to the board and comprises three independent non-executive directors. The committee's task is to review the compensation of executive and non-executive directors and senior management of the company. The chief executive officer is usually invited to attend meetings of the committee, but does not participate in any discussion relating to his own remuneration.

During the year, the committee held one meeting which was attended by all members.

The committee, in assessing base salaries and other forms of guaranteed remuneration, takes into account appropriate benchmarking including, where required, input from independent remuneration consultants.

Remuneration policies and practices

Trencor seeks to employ persons of superior ability who will adequately meet the needs of our stakeholders and believes remuneration should be commensurate with that of similarly qualified people in comparable positions.

- Executive directors

Executive directors are paid a guaranteed amount on a cost to company basis, which includes salaries as well as medical aid and retirement fund contributions.

- Members of management who are not executive directors

The company's policy in respect of these executives is that their guaranteed pay, determined on a cost to company basis, should be attractive compared to levels paid in equivalent positions in other companies. The policy is on the same terms as for executive directors.

- Incentive bonus arrangements for executives and senior management

There are no incentive bonus arrangements due to the activities of the group being such that the contributions of executives to the results or profitability of the company are no longer specifically measurable.

- Retention compensation

In order to retain the services of one executive director and a senior manager, retention compensation was agreed with such persons whereby amounts will become payable on specified future vesting dates subject to certain terms and conditions. The committee sought advice from leading external remuneration consultants as to the structure and quantum of each of the retention amounts. In the opinion of these external consultants, the quantum of the retention amounts is fair and reasonable.

The retention compensation amounts are as follows:

	Paid		Payable
	30 June 2018	31 December 2019	31 December 2020
	R'000	R'000	R'000
Executive directors			
Ric Sieni	3 400	1 000	–
Hennie van der Merwe	–	2 000	1 000
Senior managers	7 600	3 100	1 000
Total	11 000	6 100	2 000

These amounts may be paid earlier, based on the finalisation of the management tasks underlying the retention compensation.

- Non-executive directors

The remuneration committee recommends the fees payable to non-executive directors to the board which, in turn, proposes such fees to shareholders for approval.

Shareholders will be asked at the forthcoming annual general meeting to approve the proposed annual remuneration payable to non-executive directors in their capacities as such from 1 July 2020, which represents a decrease in total remuneration of approximately 44%, which decrease follows the simplification of Trencor's interests, including the number of non-executive directors reducing from five to three.

Remuneration benchmarking

In 2017, the committee commissioned external consultants to conduct a job evaluation and a total remuneration benchmarking exercise for selected executive directors and senior management positions. Overall, the results indicated that remuneration paid in respect of the selected positions is in line with the market. In view of the ongoing simplification of the company's interests, no benchmarking exercise has been conducted since the 2017 evaluation.

Directors' remuneration

No fees are paid to executive directors for services as directors. The remuneration paid to directors during the year ended 31 December 2019 and 2018 was as follows:

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

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

Engagement with shareholders regarding the company's remuneration policy and implementation report

In the event that either the remuneration policy or implementation report or both are voted against by 25% or more of the voting rights exercised at an annual general meeting, then a shareholder engagement process will be undertaken to ascertain the reasons for the dissenting votes. All legitimate and reasonable objections or concerns will be appropriately addressed and full disclosure of the process followed will be included in following year's remuneration report.

At the request of certain shareholders, in April 2019 the Chairman of the remuneration committee held discussions with these shareholders on aspects of Trencor's remuneration policies and implementation report. Their questions centred mainly around retention compensation payable to executive directors and senior management instead of some form of incentive based on aspects over which management had influence. The chairman of the committee explained that the key drivers of Trencor's performance were Textainer's share price and the R/US$ exchange rate, over which Trencor's management has no influence. The chairman explained that at this stage of Trencor's life cycle, retention of key personnel was the main consideration of the remuneration committee.

At the annual general meeting held on 25 June 2019, non-binding advisory vote number 1 relating to the endorsement of the company's remuneration policy and non-binding advisory vote number 2 relating to the endorsement of the remuneration implementation report received less than 75% support from shareholders. An announcement published on the Stock Exchange News Service, requested shareholders who voted against these non-binding advisory votes or abstained from voting thereon, to provide their details to the company in order for the company to arrange engagement with the respective shareholders to ascertain the reasons for their votes. The response was very limited and did not result in any meaningful discussion.

Remuneration implementation report

The workforce in South Africa comprises the employees of Trencor Services Proprietary Limited at Trencor's corporate office currently consisting of only 11 people, thus not meriting a detailed analysis of implementation against our remuneration policy. The committee continues to ensure that competent staff adequate for the company's current needs are retained. The committee is satisfied that the payroll administrator, under the supervision of the financial director, correctly implemented all remuneration payments.

The Trencor Share Option Plan

In terms of The Trencor Share Option Plan, options were previously granted to certain executive directors and employees. All of these options have been exercised and there are no options currently outstanding.

There is currently no intention to grant further options. Accordingly, no authority is sought from shareholders at this stage to place the unissued shares reserved for the Plan under the control of the directors and to authorise the directors to issue such shares.

GOVERNANCE COMMITTEE

The governance committee comprises three independent non-executive directors. The committee is responsible for making recommendations to the board in all matters relating to the development, evaluation and monitoring of the company's corporate governance processes, policies and principles; the development and implementation of and monitoring compliance with the company's code of ethics and making recommendations to the board on revisions thereto from time to time as appropriate.

During the year, the committee held one meeting which was attended by all members.

Restriction on trading in shares

A formal policy prohibits directors, officers and employees from dealing in the company's shares from the end date of an interim reporting period until after the interim results have been published and similarly from the end date of the financial year until after the reviewed results have been published. Directors and employees are reminded of this policy prior to the commencement of any restricted period.

In addition, no dealing in the company's shares is permitted by any director, officer or employee whilst in possession of information which could affect the price of the company's shares and which is not in the public domain.

Directors of the company and of its major subsidiaries are required to obtain clearance from Trencor's chairman (and in the case of the chairman, or in the absence of the chairman, from the chairman of the audit or remuneration committee) prior to dealing in the company's shares, and to timeously disclose to the company full details of any transaction for notification to and publication by the JSE.

SOCIAL AND ETHICS COMMITTEE

Given the nature of the company's focus as an investment holding company and the envisaged further simplification of the group, the activities of this committee are limited in scope.

The social and ethics committee comprises three independent non-executive directors and two executive directors.

During the year, the committee held one meeting which was attended by all members.

The main objective of the committee is to assist the board in monitoring the company's performance as a good and responsible corporate citizen by monitoring sustainable development practices.

The committee is responsible for developing and reviewing policies with regard to the commitment, governance and reporting of sustainable development performance and for making recommendations to the board in this regard.

Its role also includes the monitoring of any relevant legislation, other legal requirements or prevailing codes of best practice, specifically with regard to matters relating to social and economic development, good corporate citizenship, ethical conduct, the environment, health and public safety, consumer relationships, as well as labour and employment. Refer to the sustainability report on page 14.

Code of ethics

The board, management and staff agreed a formal code of ethical conduct which seeks to ensure high ethical standards. All directors and employees are expected to strive at all times to adhere to this code, and to enhance the reputation of the company. This code is signed by all directors, managers and employees on an annual basis.

Any transgression of this code is required to be brought to the attention of the board. There were no transgressions during the year under review.

RISK COMMITTEE

The risk committee comprises all of the directors. During the year, two committee meetings were held, which were attended by all members.

In addition to the committee members, members of senior management are invited to attend meetings of the committee, as appropriate.

Responsibility for overseeing the management of risk lies ultimately with the board. The risk committee and executive committee assist the board in discharging its responsibilities in this regard by identifying, monitoring and managing risk on an ongoing basis and within the authority conferred upon them by the board. The identification and mitigation of risk are key responsibilities of management and the executive committee.

The following significant risk exposures have been identified:

- **Exchange rate fluctuations**

The investment in TAC is US dollar-based and, accordingly, changes in the R/US$ exchange rate can and do significantly affect the translation of assets, liabilities, income and expenditures into South African rand for reporting purposes.

In addition, Trencor reports a US$17,2 million deposit in respect of restricted cash in an account in Liechtenstein.

The following US$ denominated indemnities have been provided, refer to note 28 to the financial statements:

– Indemnity provided by Trencor in relation to the Halco Trust;
– Indemnity provided by Trencor in relation to Halco's mislaid Textainer share certificates; and
– Indemnity provided by TAC in relation to the disposal of LAPCO.

Sufficient US dollars have been retained in offshore US dollar accounts as a currency hedge against any possible currency exposure under these indemnities.

- **Investment in Textainer**

Trencor is exposed to the risk resulting from adverse movements in the prevailing listed share price of Textainer and thus market value risk.

The operational and other risks pertaining to Textainer and its operations are detailed in its latest annual report which can be accessed on its website www.textainer.com.

- **Investment in TAC**

TAC, after the sale of LAPCO, is a cash company. The day-to-day administration and management of the company has been outsourced by the TAC board to Continental Management Limited, a Bermudan entity. This arrangement came into effect from 1 April 2020.

- **Indemnities**

The indemnities referred to above under exchange rate fluctuations are more fully dealt with in note 28 to the financial statements.

- **Credit risk**

Other than the investment of 5,3% in Textainer, Trencor's only interests are in cash and cash equivalents and restricted cash.

At 17 April 2020, Trencor's local cash deposits are with two major South African banks. In addition, Trencor also reports a US$17,2 million deposit in an escrow bank account in Liechtenstein. US$49,0 million of the cash in TAC is invested in money market instruments and the remaining US$0,4 million in bank accounts in Bermuda. In addition, TAC also reports a US$16,6 million deposit in an escrow bank account in the USA.

The institutions in which funds are deposited and the amounts placed with each institution are monitored and assessed in order to mitigate and diversify risk.

- **Listing status**

As previously reported, in light of the progress in the further simplification of Trencor's interests, the JSE deferred any decision regarding Trencor's compliance with the applicable Listings Requirements (following the JSE's view that the effect of the Voting Limitation Deed in relation to Textainer reported on in 2018 had rendered Trencor non-compliant). The *in specie* distribution of Textainer shares to Trencor's shareholders on 17 December 2019 resolved this matter.

Prior to the LAPCO disposal, Trencor updated the JSE on further progress made in respect of the simplification and sought a dispensation to remain listed as a cash company on the JSE, notwithstanding the standard six months limitation allowed by the JSE, for the full indemnity period expiring on 31 December 2024. Such request for a dispensation was based on the benefits to shareholders of remaining listed and the fact that certain cash was not as yet commercially available for distribution to shareholders due to the indemnities. The JSE advised that it is firmly of the opinion that there will be sufficient grounds for Trencor to remain listed as a cash company for the period up to 31 December 2024.

Trencor has submitted written representations to the JSE and is in the process of augmenting same. Trencor remains of the view that such dispensation will be granted, as originally indicated by the JSE.

- Service provider

Trencor has a contract with a key dependency service provider in the field of IT. This contract was concluded with due diligence considered prior to the service provider being selected. Should the contract terminate, other competent service providers in the particular field of expertise are available as a replacement, with minimal disruption to operational efficiency.

- Staff retention

As a consequence of Trencor's stated intention of streamlining its corporate structure and the simplification of Trencor's interests, appropriate measures are necessary to ensure the retention of the required knowledge base in the company for as long as may be necessary to complete these processes.

INFORMATION RESOURCES MANAGEMENT

Trencor, like other organisations, is reliant on information and technology to effectively and efficiently conduct its business. The IT systems, policies and procedures are reviewed on an ongoing basis to ensure that effective internal controls are in place to manage risk and promote efficiencies, and to comply with universally accepted standards and methods. Attention is continuously focused on maximising the benefits whilst minimising the risks associated with all aspects of the IT portfolio as they apply to business operations.

Security policies and procedures for employees and the use of technologies such as enterprise and personal firewalls, antivirus systems, intrusion monitoring and detection are applied, as well as frequent application of software security updates issued by vendors as and when vulnerabilities are discovered.

Trencor has established business continuity procedures that when invoked enable a complete recovery of Trencor's IT network and business systems within specified time limits.

STAKEHOLDER COMMUNICATION

Members of the executive committee or, occasionally, members of the board meet on an *ad hoc* basis with institutional investors, investment analysts, individuals and members of the financial media. Discussions at such meetings are restricted to matters that are in the public domain.

Shareholders are informed, by means of announcements on the Stock Exchange News Service, press announcements and releases in South Africa and/or printed matter sent to such shareholders, of all relevant corporate matters and financial reporting as required in terms of prevailing legislation. In addition, such announcements are communicated via a broad range of channels in both the electronic and print media. The company maintains a corporate website (www.trencor.net) containing financial and other information, including interim, reviewed and annual results.

Sustainability Report

Trencor is an investment holding company listed on the JSE.

BUSINESS STRATEGY

Trencor's strategy is to ultimately distribute all of its assets to its shareholders.

Considerable progress has been made towards the simplification of Trencor's interests. Subsequent to disposing of the remaining 3 000 158 shares Trencor holds in Textainer, Trencor's only interests will be in cash and cash equivalents and restricted cash, with no operational activities, and with the stated intention of distributing its cash resources to its shareholders as soon as circumstances permit (refer to details elsewhere in this integrated annual report). It follows that no specific actions towards sustainability can or need be taken or reported.

EMPLOYEES

Trencor has a succession plan approved by the corporate governance and nomination committees, as well as by the board.

Details of the employee benefits provided by Trencor are disclosed in the notes to the financial statements included in this integrated annual report.

The aim is to maintain an open and productive work environment that is responsive to the needs and concerns of the employees. We believe that communication is the key to building successful relationships. The aim is to foster an environment of mutual respect and confidence in which employees can develop their skills and talents.

The company is committed to a policy of non-discrimination. Employees with a disability or life-threatening illness will be allowed to continue working as long as they are able to meet the company's performance standards, and their work does not present a direct threat to their own health or safety, or that of others.

REMUNERATION

The company's remuneration practices and policies are described in the corporate governance section of this integrated annual report.

EMPLOYMENT EQUITY

The workforce at 31 December 2019 comprised the employees of Trencor Services Proprietary Limited at Trencor's corporate office consisting of 11 people: two white male executive directors, three white males in senior management, one white disabled and one coloured male and one white female in junior management, one white and two coloured semi-skilled females.

REGULATORY MATTERS

Trencor and other remaining group entities are subject to rules and regulations established and monitored by the regulatory bodies in the jurisdictions in which these entities are registered, listed and/or operate. All group entities are in compliance with these rules and regulations, save for the listing status identified in the corporate governance report on page 12.

COVID-19

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

COMMUNITY

During the year under review, monetary assistance in terms of a donations programme was granted to the Community Chest Western Cape, an organisation which provides assistance to various community and welfare organisations, which the group has supported since 1974. Financial support was also provided to The Red Cross War Memorial Children's Hospital, a highly specialised children's health care facility in the Cape well known for its excellence in healthcare and treatment on the African continent. Other organisations supported included St. Luke's Hospice, Afrika Tikkun, The Darling Trust, Cape Philharmonic Orchestra, SmartStart, Sparklekids and the Abagold Development Trust. In addition, donations were made to the University of the Western Cape, Stellenbosch University, University of Cape Town and the Cape Peninsula University of Technology.

In view of the further simplification of Trencor's interests, the donations programme has now been discontinued.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("B-BBEE")

Trencor's B-BBEE verification certificate is available on the above company's website.

EXTERNAL ASSURANCE

No external assurance has been sought on any of the elements of this report. The board confirms, to the best of its knowledge and belief, the accuracy and integrity of the information provided in this report.

Annual Financial Statements

Trencor Limited and subsidiaries

DIRECTORS' RESPONSIBILITY STATEMENT

The board of directors ("the board" or "directors") is responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Trencor Limited, which comprise the statements of financial position at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, as well as the directors' report.

The directors are responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these annual financial statements.

The directors have assessed the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that these businesses will not be going concerns in the year ahead (refer to note 30 to the financial statements).

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

These annual financial statements have been prepared by management under the supervision of the financial director, Ric Sieni CA(SA), and have been audited in accordance with the requirements of the Companies Act of South Africa.

APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Trencor Limited, as identified in the first paragraph of the directors' responsibility statement, approved by the board of directors, are attached:

Signed on behalf of the board

David Nurek
Chairman

Eddy Oblowitz
Chairman of the audit committee

Cape Town
30 April 2020

Declaration by the Company Secretary

It is hereby certified that for the year ended 31 December 2019, the company has lodged with the Companies and Intellectual Property Commission all returns as are required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

Trencor Services Proprietary Limited
Secretaries
Per Guy Norval
Company Secretary

Cape Town
30 April 2020

Directors' Report

GENERAL REVIEW

The nature of the company's interests is described on page 3. The financial results are reflected in the financial statements on pages 24 to 69.

The (loss)/profit attributable to equity holders of the company from the various classes of businesses was as follows:

	2019 Rm	2018 Rm
Textainer		
Fair value adjustment	**104**	(3 345)
Gain on deconsolidation	**–**	5 767
Dividends tax on distribution of shares to Trencor shareholders	**(174)**	–
Container operations		
Net loss (2018: includes goodwill written-off)	**(358)**	(73)
Loss on disposal of subsidiary	**(21)**	–
Interest and other corporate items	**(7)**	499
	(456)	2 848

FIVE-YEAR REVIEW

As a result of the considerable progress made in the simplification of Trencor's interests, the five-year review is no longer of relevance and, as such, has not been included in the integrated annual report.

DIRECTORS AND SECRETARY

The names of the directors appear on page 72 and that of the secretary on page 82.

In terms of the memorandum of incorporation David Nurek, Eddy Oblowitz and Herman Wessels retire by rotation at the forthcoming annual general meeting. David Nurek and Eddy Oblowitz, being eligible, offer themselves for re-election. Herman Wessels has elected to retire and to not make himself available for re-election. Jimmy McQueen has advised his retirement from the board at the annual general meeting. The board recommends the re-election of David Nurek and Eddy Oblowitz as directors.

Brief résumés of the directors are presented on page 73.

DIRECTORS' INTERESTS

The aggregate of the direct and indirect beneficial interests of the directors in the issued shares of the company at 31 December 2019 was 0,1% (2018: 0,1%).

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

CASH DIVIDEND

	Payment number	Record date	Payment date	Cents per share (gross)	Total Rm
Final	106	24/04/20	28/04/20	185	321

ASSETS *IN SPECIE* DIVIDEND

On 11 December 2019, Textainer completed its inward secondary listing on the JSE and, on 17 December 2019, Trencor unbundled to its shareholders by way of a distribution of assets *in specie*, the bulk of its shares in Textainer.

	Record date	Payment date	Cents per share (gross)	Total Rm
Textainer unbundling	13/12/19	17/12/19	2 073	3 597

ISSUED SHARE CAPITAL AND SHARE REPURCHASE

As a result of the odd-lot offer and the specific offer to repurchase shares during 2019, the issued share capital of the company was reduced from R868 389 comprising 173 677 833 ordinary shares of 0,5 cent each to R867 673 comprising 173 534 676 ordinary shares of 0,5 cent each.

CONVERTING US GAAP RESULTS OF TAC TO IFRS

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. Differences in accounting treatment between US GAAP and IFRS, in the areas of impairment testing and a revision of the residual values of the container fleets, cause significant differences in financial results reported under the respective accounting conventions. It is anticipated that going forward the results under both conventions will be identical given the limited activities of TAC.

Reconciliation of TAC US GAAP results to IFRS for the year ended 31 December:

	2019 US$m	2018 US$m
US GAAP (loss)/profit attributable to Trencor	**(45,6)**	0,6
Adjustments:		
IFRS non-cash reduction/(increase) in impairment loss	**15,3**	(3,8)
IFRS reduction in depreciation	**3,9**	8,2
IFRS tax effect of the above, and other	**0,7**	0,8
IFRS (loss)/profit attributable to Trencor	**(25,7)**	5,8

FURTHER SIMPLIFICATION OF INTERESTS

Considerable progress has been made during the 2019 financial year in relation to the simplification of Trencor's interests. For more detail, refer to the joint report by the chairman and chief executive officer on pages 3 to 5 and the listing status identified in the corporate governance report on page 12.

INTEREST IN SIGNIFICANT SUBSIDIARIES

	Currency	Share capital and premium	Effective interest 2019 %	Effective interest 2018 %	Shares at cost 2019 Rm	Shares at cost 2018 Rm	Amount owing to company 2019 Rm	Amount owing to company 2018 Rm
TAC Limited (Incorporated in Bermuda) Owned marine cargo containers *	US$m	93	**100**	100	**1 392**	1 392	**–**	–
Trencor Services Proprietary Limited (Incorporated in the Republic of South Africa) Corporate administration and cash holding	Rm	1 012	**100**	100	**1 017**	1 017	**(907)**	(862)
					2 409	2 409	**(907)**	(862)
Aggregate of all other subsidiaries					**52**	404	**–**	–
					2 461	2 813	**(907)**	(862)
Impairment loss					**(366)**	(351)	**–**	–
					2 095	2 462	**(907)**	(862)

* Effective 31 December 2019, TAC unconditionally disposed of its container fleet owning subsidiary and now holds cash.

A list of subsidiary companies is available on request. The interest of the company in their aggregate profits and losses after tax is as follows:

	2019 Rm	2018 Rm
Profits	**12**	749
Losses	**(383)**	–
	(371)	749

SPECIAL RESOLUTIONS

At the annual general meeting held on 25 June 2019, shareholders passed special resolutions to approve the following:

- the provision of financial assistance, as contemplated in section 45 of the Companies Act, by the company to related or inter-related companies;
- the non-executive directors' remuneration, in their capacities as directors of the company, from 1 July 2019; and
- general authority granted to the company for the acquisition by the company or any of its subsidiaries of shares issued by the company. This authority is valid until the earlier of the next annual general meeting or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that it shall not extend beyond fifteen months from the date of passing of the resolution.

At the general meeting of shareholders held on 18 October 2019, shareholders passed special resolutions to approve the following:

- an odd-lot offer to shareholders holding fewer than 100 shares in the company;
- a specific offer to repurchase shares from shareholders holding 100 shares or more but fewer than 635 shares; and
- the unbundling by the company of the greater part of its shareholding in Textainer to Trencor shareholders by way of a distribution *in specie*.

SPECIAL RESOLUTIONS OF SUBSIDIARIES

During the year under review, no special resolutions were passed by the company's South African subsidiaries. No shareholder resolutions of material interest were passed by the company's non-South African subsidiaries other than those to give effect to the simplification of Trencor's interests.

ANALYSIS OF SHAREHOLDERS

An analysis of shareholders and a list of the holders who held 5% or more of the issued shares at 31 December 2019 is presented on page 71.

Audit Committee Report

Membership

The audit committee, comprising three independent non-executive directors, was appointed by shareholders at the previous annual general meeting and the board of directors appointed Eddy Oblowitz as chairman of the committee for the 2019 financial year.

Shareholders will be requested to vote on and approve the appointment of the members of the audit committee for the 2020 financial year at the forthcoming annual general meeting.

The committee's operation is guided by its detailed terms of reference that are principally informed by the Companies Act of South Africa, the JSE Listings Requirements and the King IV Report and approved by the board.

The committee met with the external auditors on two occasions. In addition, the chairman of the committee met from time to time with the auditors, with and without management being present.

Purpose

The primary purpose of the committee is to:

- assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- meet with the external auditors at least on an annual basis;
- review the company and group annual financial statements and reports as well as reports from subsidiary companies; and
- conduct reviews of the committee's work and terms of reference and make recommendations to the board to ensure that the committee operates at maximum effectiveness.

Execution of functions

The audit committee has executed its duties and responsibilities during the financial year in accordance with its terms of reference as they relate to the group's accounting, internal control and financial reporting practices.

During the year under review:

- In respect of the external auditor and the external audit, the committee amongst other matters:
  - nominated KPMG Inc. to the shareholders for appointment as external auditor for the financial year ended 31 December 2019, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor. The committee undertook the relevant procedures to enable it to confirm that the auditor is accredited by the JSE and that the designated auditor is not on the JSE list of disqualified auditors;
  - approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditor;
  - reviewed the relevant auditor communications detailing their audit process and the implementation thereof, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures;
  - obtained an annual written statement from the auditor confirming that its independence was not impaired throughout the conduct of the audit; and
  - determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services undertaken.
- In respect of the financial statements, the committee amongst other matters:
  - considered and satisfied itself that adequate financial reporting procedures were in place to ensure accurate preparation of the financial statements, free from material error and that these procedures were operating as intended;
  - confirmed the going concern status as the basis of preparation of the interim and annual financial statements;
  - examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to the public, prior to submission and approval by the board;
  - ensured that the interim and annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the group were determined to be going concerns;
  - considered accounting treatments, significant unusual transactions and accounting judgements and estimates;
  - considered the appropriateness of the accounting policies adopted and changes thereto;
  - reviewed the external auditor's audit report;
  - considered any issues identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements;
  - considered the JSE report for 2019 on proactive monitoring of financial statements; and
  - met separately with management and the external auditor.

- In respect of other matters:
  - satisfied itself as to the competence, expertise and experience of the financial director and the finance function as a whole;
  - received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof; and
  - based on the above, formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and maintaining effective material control systems.

Suitability of audit firm and designated auditor

As required by section 3.84(g)(iii) of the JSE Listings Requirements, the committee obtained information listed in paragraph 22.15(h) of the JSE Listings Requirements in respect of the appointment of the external auditors, KPMG Inc. and satisfied itself that the external auditor and the audit partner, GS Kolbé, have the necessary accreditation and are suitable for appointment.

Independence of external auditor

The audit committee is satisfied that KPMG Inc. is independent of the group.

Annual financial statements

Having achieved its objectives, the committee recommended the audited financial statements for the year ended 31 December 2019 for approval by the board. The board subsequently approved the integrated annual report including the financial statements, which will be open for discussion at the forthcoming annual general meeting.

Independent Auditor's Report

to the shareholders of Trencor Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

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

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

1. Unbundling of Textainer Group Holdings Limited shares

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

Key audit matter	How the matter was addressed in our audit
At 31 December 2018, Trencor had a 47,8% shareholding in Textainer Group Holdings Limited ("Textainer"), held as an investment in equity shares at fair value through profit or loss. Trencor issued a circular to shareholders on 18 September 2019 informing shareholders of the intent of Textainer to have an inward secondary listing on the main board of the JSE Limited ("JSE"), and the intent of Trencor to subsequently unbundle its shareholding in Textainer to the Trencor shareholders by way of a distribution of assets *in specie*. Approval was obtained by Trencor at a general meeting held on 18 October 2019. Textainer completed its inward secondary listing on the JSE on 11 December 2019 and on 17 December 2019 the inward secondary listed shares were distributed to Trencor shareholders subsequent to the repurchase of odd lot offer and specific offer shares by Trencor. Trencor considered the requirements in terms of the Income Tax Act in respect of the dividends tax consequences related to the distribution of the unbundled shares. Significant audit effort was required on the accounting treatment of the odd lot and specific offer share repurchases of Trencor shares, the unbundling of Textainer and the associated dividends tax due to the significance of the investment in Textainer to the Trencor group prior to the unbundling. As a result, this was considered a key audit matter in our audit of the consolidated and separate financial statements.	We performed the following audit procedures: • We evaluated the appropriateness of the accounting entries to recognise the repurchase of the odd lot offer and specific offer of Trencor shares. • We evaluated the appropriateness of the accounting entries to recognise the unbundling transaction of the bulk of Trencor's shares in Textainer and evaluated the appropriateness of the disclosures made in respect of the transaction. • We assessed the accounting and tax treatment of the dividends tax on the asset *in specie* distribution in line with the Income Tax Act No. 58 of 1962, IAS 12 *Income Taxes* and IAS 10 *Events After Reporting Period.*

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

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

Key audit matter	How the matter was addressed in our audit
Trencor holds an investment in a consolidated subsidiary, TAC Limited ("TAC"), which had a 100% interest in its subsidiary Leased Assets Pool Company Limited ("LAPCO"). On 2 December 2019, TAC signed an agreement to dispose of their shareholding in LAPCO subject to the fulfilment or waiver of certain key conditions precedent. The stock purchase agreement was successfully completed and closed on 31 December 2019. The directors determined the held for sale date in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* ("IFRS 5") to be 29 November 2019. Trencor engaged their legal advisors and transaction sponsor in the determination of the shareholder approval requirements in terms of the JSE Limited Listings Requirements ("Listings Requirements") and the Companies Act of South Africa ("Companies Act"). Significant audit effort was required in the confirmation of the categorisation of the LAPCO disposal in terms of the Listings Requirements, as well as whether shareholder approval of the disposal was required by the Trencor shareholders in terms of the Companies Act. In addition, significant judgement was involved in the determination of the held for sale date as defined in IFRS 5. As a result, the disposal of the shareholding in LAPCO was considered a key audit matter in our audit of the consolidated financial statements.	We performed the following audit procedures: • We involved experienced members on the audit team, including our own technical and legal specialists, to assess management's categorisation of the LAPCO disposal in terms of the Listings Requirements as a Category 2 transaction and to evaluate management's conclusions reached as to whether Trencor shareholder approval was required in relation to TAC's disposal of LAPCO in terms of the Companies Act. • We utilised our accounting specialists in the assessment of: – The accuracy of the accounting treatment of the initial held for sale position of LAPCO, as at 29 November 2019 in terms of IFRS 5; and – Assessed the appropriateness of the accounting treatment for the subsequent disposal of LAPCO at 31 December 2019 in terms of IFRS 5. • We evaluated the appropriateness of the disclosures of LAPCO, as a discontinued operation, in terms of IFRS 5.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

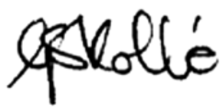
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

KPMG Inc.
Registered Auditor



Per GS Kolbé	The Halyard
Chartered Accountant (SA)	4 Christiaan Barnard Street
Registered Auditor	Cape Town
Director	8000

30 April 2020

Statements of Financial Position

at 31 December 2019

	Notes	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Assets					
Property, plant and equipment	5	**2**	3 058	**–**	–
Investment in subsidiaries	6	**–**	–	**2 095**	2 462
Investment in equity shares	7	**417**	3 910	**417**	3 910
Derivative financial instruments	16	**–**	9	**–**	–
Deferred tax assets	8	**1**	2	**–**	–
Restricted cash	9	**476**	–	**242**	–
Total non-current assets		**896**	6 979	**2 754**	6 372
Inventories	10	**–**	19	**–**	–
Trade and other receivables	11	**9**	127	**1**	1
Cash and cash equivalents	12	**1 428**	1 280	**–**	–
Total current assets		**1 437**	1 426	**1**	1
Total assets		**2 333**	8 405	**2 755**	6 373
Equity					
Issued capital	13	**1**	1	**1**	1
Reserves		**2 125**	6 230	**1 661**	5 500
Equity attributable to shareholders of the company		**2 126**	6 231	**1 662**	5 501
Liabilities					
Interest-bearing borrowings	14	**–**	1 622	**–**	–
Amount due to subsidiary	6	**–**	–	**907**	862
Total non-current liabilities		**–**	1 622	**907**	862
Trade and other payables	15	**31**	29	**11**	10
Current tax liabilities	20.1	**175**	11	**175**	–
Current portion of interest-bearing borrowings	14	**1**	512	**–**	–
Total current liabilities		**207**	552	**186**	10
Total liabilities		**207**	2 174	**1 093**	872
Total equity and liabilities		**2 333**	8 405	**2 755**	6 373

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

		Group		Company	
		2019	2018	**2019**	2018
	Notes	**Rm**	Restated Rm	**Rm**	Rm
Continuing operations					
Revenue	18	**–**	–	**248**	7 078
Other operating income		**–**	18	**–**	–
Gain on deconsolidation of subsidiary	6.6	**–**	5 767	**–**	–
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries		**36**	526	**–**	–
Employee benefits expense		**(23)**	(23)	**–**	–
Depreciation	5	**(2)**	–	**–**	–
Impairment of goodwill	17	**–**	(137)	**–**	–
Other operating expenses		**(61)**	(75)	**(52)**	(48)
Impairment of investment in subsidiary	6.3	**–**	–	**(366)**	–
Fair value adjustment of investment in equity shares	7	**104**	(3 345)	**104**	(1 567)
Operating profit/(loss) before finance income	18	**54**	2 731	**(66)**	5 463
Finance income	19	**51**	58	**4**	–
Profit/(Loss) before tax		**105**	2 789	**(62)**	5 463
Income tax expense	20.2	**182**	10	**177**	1
(Loss)/Profit for the year from continuing operations		**(77)**	2 779	**(239)**	5 462
Discontinued operation					
(Loss)/Profit from discontinued operation, net of tax	4.1	**(379)**	69	**–**	–
(Loss)/Profit for the year		**(456)**	2 848	**(239)**	5 462
Other comprehensive loss					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		**(13)**	237	**–**	–
Accumulated foreign currency translation gains recycled from other comprehensive income on deconsolidation and liquidation of subsidiaries		**(36)**	(3 714)	**–**	–
Total comprehensive (loss)/income for the year		**(505)**	(629)	**(239)**	5 462
(Loss)/Earnings per share – Entity as a whole	21				
Basic (loss)/earnings per share (cents)		**(263)**	1 610		
Diluted (loss)/earnings per share (cents)		**(263)**	1 610		
(Loss)/Earnings per share – Continuing operations	21				
Basic (loss)/earnings per share (cents)		**(44)**	1 571		
Diluted (loss)/earnings per share (cents)		**(44)**	1 571		

Statements of Changes in Equity

for the year ended 31 December 2019

Group	Notes	Attributable to shareholders				of the company				
		Share capital Rm	Share premium Rm	Foreign currency translation reserve Rm	Share-based payment reserve Rm	Net gain on changes in ownership interests in subsidiaries Rm	Retained income Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 January 2018		1	43	3 821	439	482	2 262	7 048	5 387	12 435
Total comprehensive loss for the year										
Profit for the year		–	–	–	–	–	2 848	2 848	–	2 848
Other comprehensive loss for the year										
Foreign currency translation differences		–	–	237	–	–	–	237	–	237
Foreign currency translation differences recycled to profit or loss		–	–	(3 714)	–	–	–	(3 714)	–	(3 714)
Total other comprehensive loss for the year		–	–	(3 477)	–	–	–	(3 477)	–	(3 477)
Total comprehensive (loss)/income for the year		–	–	(3 477)	–	–	2 848	(629)	–	(629)
Transactions with owners, recorded directly in equity										
Distributions to owners										
Shares repurchased by the company	13.1, 14.4	–	(43)	–	–	–	(57)	(100)	–	(100)
Dividends paid	13.5	–	–	–	–	–	(88)	(88)	–	(88)
Total distributions to owners		–	(43)	–	–	–	(145)	(188)	–	(188)
Changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	(5 387)	(5 387)
Total transactions with owners		–	(43)	–	–	–	(145)	(188)	(5 387)	(5 575)
Transfer of reserves										
Transfer to retained income		–	–	–	(439)	(482)	921	–	–	–
Balance at 31 December 2018		1	–	344	–	–	5 886	6 231	–	6 231
Total comprehensive loss for the year										
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(456)**	**(456)**	**–**	**(456)**
Other comprehensive loss for the year										
Foreign currency translation differences		**–**	**–**	**(13)**	**–**	**–**	**–**	**(13)**	**–**	**(13)**
Foreign currency translation differences recycled to profit or loss		**–**	**–**	**(36)**	**–**	**–**	**–**	**(36)**	**–**	**(36)**
Total other comprehensive loss for the year		**–**	**–**	**(49)**	**–**	**–**	**–**	**(49)**	**–**	**(49)**
Total comprehensive loss for the year		**–**	**–**	**(49)**	**–**	**–**	**(456)**	**(505)**	**–**	**(505)**
Transactions with owners, recorded directly in equity										
Distributions to owners										
Shares repurchased by the company	13.1, 14.4	**–**	**–**	**–**	**–**	**–**	**(5)**	**(5)**	**–**	**(5)**
Dividends paid	13.5	**–**	**–**	**–**	**–**	**–**	**(3 595)**	**(3 595)**	**–**	**(3 595)**
Total distributions to owners		**–**	**–**	**–**	**–**	**–**	**(3 600)**	**(3 600)**	**–**	**(3 600)**
Total transactions with owners		**–**	**–**	**–**	**–**	**–**	**(3 600)**	**(3 600)**	**–**	**(3 600)**
Balance at 31 December 2019		**1**	**–**	**295**	**–**	**–**	**1 830**	**2 126**	**–**	**2 126**

Company	Notes	Share capital Rm	Share premium Rm	Share-based payment reserve Rm	Retained income Rm	Total Rm
Balance at 1 January 2018		1	43	2	181	227
Total comprehensive income for the year						
Profit for the year		–	–	–	5 462	5 462
Transactions with owners, recorded directly in equity						
Distributions to owners						
Shares repurchased by the company	13.1	–	(43)	–	(57)	(100)
Dividends paid	13.5	–	–	–	(88)	(88)
Total distributions to owners		–	(43)	–	(145)	(188)
Transfer of reserves						
Transfer to retained income		–	–	(2)	2	–
Balance at 31 December 2018		1	–	–	5 500	5 501
Total comprehensive loss for the year						
Loss for the year		**–**	**–**	**–**	**(239)**	**(239)**
Transactions with owners, recorded directly in equity						
Distributions to owners						
Shares repurchased by the company	13.1	**–**	**–**	**–**	**(5)**	**(5)**
Dividends paid	13.5	**–**	**–**	**–**	**(3 595)**	**(3 595)**
Total distributions to owners		**–**	**–**	**–**	**(3 600)**	**(3 600)**
Balance at 31 December 2019		**1**	**–**	**–**	**1 661**	**1 662**

Statements of Cash Flows

for the year ended 31 December 2019

	Notes	Group 2019 Rm	Group 2018 Rm	Company 2019 Rm	Company 2018 Rm
Cash flows from operating activities					
Cash generated from operations	22	**420**	351	**205**	152
Increase in container leasing equipment		**–**	(399)	**–**	–
Finance income received		**53**	62	**–**	–
Finance expenses paid		**(94)**	(79)	**–**	–
Dividends paid to shareholders of the company		**–**	(88)	**–**	(88)
Income tax paid	20.1	**(7)**	(12)	**(2)**	(2)
Net cash inflow/(outflow) from operating activities		**372**	(165)	**203**	62
Cash flows from investing activities					
Proceeds on disposal of property, plant and equipment		**–**	26	**–**	–
Increase in restricted cash		**(477)**	–	**(243)**	–
Net cash flow on disposal of subsidiary	4.3	**626**	–	**–**	–
Decrease in cash on deconsolidation of subsidiary	6.6	**–**	(1 701)	**–**	–
Net cash inflow/(outflow) from investing activities		**149**	(1 675)	**(243)**	–
Cash flows from financing activities					
Interest-bearing borrowings repaid	14.4	**(360)**	–	**–**	–
Shares repurchased by the company	13.1, 14.4	**(5)**	(100)	**(5)**	(100)
Amounts advanced by subsidiary		**–**	–	**45**	38
Net cash (outflow)/inflow from financing activities		**(365)**	(100)	**40**	(62)
Net increase/(decrease) in cash and cash equivalents before exchange rate fluctuations		**156**	(1 940)	**–**	–
Cash and cash equivalents at the beginning of the year		**1 280**	3 134	**–**	–
Effect of exchange rate fluctuations on cash and cash equivalents		**(8)**	86	**–**	–
Cash and cash equivalents at the end of the year	12	**1 428**	1 280	**–**	–

Notes to the Financial Statements

for the year ended 31 December 2019

1. Reporting entity

Trencor Limited ("Trencor" or "the company") is a company incorporated in the Republic of South Africa. The address of the company's registered office is 13th Floor, The Towers South, Heerengracht, Cape Town, 8001. The consolidated financial statements of the company as at and for the year ended 31 December 2019 comprise the company and its subsidiaries, as defined by IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), together referred to as the "group" and individually as "group entity/ies. For the years ended 31 December 2019 and 2018, the group was engaged in the owning and leasing of marine cargo containers.

2. Basis of preparation

2.1 Statement of compliance

The consolidated and separate financial statements or otherwise referred to as "group" and "company" financial statements have been prepared in accordance with the framework concepts and the measurement, recognition, presentation and disclosure requirements of International Financial Reporting Standards ("IFRS") and the South African Institute of Chartered Accountants *Financial Reporting Guides* as issued by the Accounting Practices Committee and *Financial Pronouncements* as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The financial statements were approved by the board of directors on 30 April 2020.

2.2 Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

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

2.3 Functional and presentation currency

These consolidated and separate financial statements are presented in South African rand ("SA rand"), which is the company's functional currency. Although there are foreign operations transacting in foreign currency, the group has elected the presentation currency to be SA rand. All financial information has been rounded to the nearest million, unless otherwise indicated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 29.

2.5 Adoption of new accounting standards

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

2.5.1 IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives and* SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application being 1 January 2019. Therefore, the comparative information for 2018 is reported under IAS 17 *Leases* and not comparable to the information presented for 2019. In using the modified retrospective approach, the group excluded initial direct costs in measuring the right-of-use asset.

2.6 Comparative information

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

3. Significant accounting policies

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

3.1 Basis of consolidation

3.1.1 Business combinations

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

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

3. Significant accounting policies (continued)

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the group.

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

In the case of the company, investments in subsidiaries are carried at cost, less accumulated impairment losses.

3.1.3 Changes in control

Changes in the group entity's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. Accordingly, gains or losses which arise from acquisitions or disposals of non-controlling interests, calculated based on the carrying value of the assets and liabilities of the subsidiary, are recognised in equity. When the relative interests of the parent and non-controlling interest change, the equity reserves are reallocated between the parent and the non-controlling interest to reflect the new ownership interests. When there is a loss of control by the group over a subsidiary, the assets and liabilities and any related non-controlling interest and other components of equity of the subsidiary are derecognised. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.4 Non-controlling interests

Non-controlling interests are measured at fair value at date of acquisition.

3.1.5 Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency gains or losses on monetary items are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

3.2.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into SA rand at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into SA rand at the rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve.

When a foreign operation is disposed of, partially or in its entirety, such that control or significant influence is lost, the related cumulative amount in the foreign currency translation reserve is reclassified to profit or loss as part of the gain or loss on disposal.

3.3 Financial instruments

3.3.1 Non-derivative financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial assets – Classification

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

- amortised cost; or
- FVTPL.

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

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

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

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

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

Financial assets – Classification of financial assets
The following information is considered by the group in determining the classification of financial assets:
- The group's business model for managing financial assets; and
- The contractual cash flow characteristics of the financial assets.

The business model assessment of the financial assets is based on the group's strategy and rationale for holding the financial assets. When considering the strategy, the following is considered:
- whether the financial assets are held to collect contractual cash flows;
- whether the financial assets are held for sale; or
- whether the financial assets are held for both collecting contractual cash flows and to be sold.

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

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or at FVTPL. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Debt issuance costs are capitalised and amortised over the term of the debt as required by application of the effective interest method.

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

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents are subsequently measured at amortised cost which is deemed to be fair value as they have a short-term maturity.

Investment in equity shares
The investment in equity shares comprises listed shares and is measured at FVTPL, and is accounted for at fair value, with fair value adjustments subsequent to initial recognition recognised in profit or loss. The fair value of listed investments is based on quoted bid prices.

Profit or loss realised when the investment is sold is recognised in profit or loss.

Trade receivables
Trade receivables are subsequently measured at amortised cost less expected credit losses.

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

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

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

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

3. Significant accounting policies (continued)

Transaction costs are capitalised and amortised over the term of the debt as required by application of the effective interest method.

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

3.3.2 Derecognition

Financial assets

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

Financial liabilities

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

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

3.3.3 Derivative financial instruments

The group may from time to time establish currency and/or interest rate financial instruments to protect underlying cash flows. Derivative financial instruments are initially recognised at fair value and subsequently remeasured to their fair value with changes therein recognised in profit or loss.

3.3.4 Offsetting

Financial assets and liabilities are off-set and the net amount presented in the statement of financial position when a group entity has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

3.3.5 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

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

3.4 Discontinued operation

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

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

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

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

3.5 Assets held for sale

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

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

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

3.6 Property, plant and equipment

3.6.1 Recognition and measurement

Items of property, plant and equipment, which include improvements made to leasehold premises are measured at cost less accumulated depreciation (refer to note 3.6.3) and accumulated impairment losses (refer to note 3.9.2). Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment (other than containers in the leasing fleet) are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in profit or loss. When containers in the leasing fleet cease to be rented or become held for sale they are transferred to inventory at their carrying amounts. On disposal, the proceeds on the sale of these assets are recognised in revenue in accordance with IFRS 15 *Revenue* (refer to note 3.11.2) and the carrying value is included in changes in inventories.

3.6.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to a group entity and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.6.3 Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment. Right-of-use assets and leasehold improvements are depreciated over the lease term. The estimated useful lives are as follows for the current and comparative years:

	Years
Container leasing equipment:	
Non-refrigerated containers other than open top and flat rack containers	13 – 14
Refrigerated containers	12
Tank containers	20
Open top and flat rack containers	14 – 16
Plant and machinery	9
Other equipment	3 – 10

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

3.7 Goodwill

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

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

3.9 Impairment

3.9.1 Financial assets

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

3.9.2 Non-financial assets

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

3. Significant accounting policies (continued)

Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Such losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 Leases

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

Policy applicable from 1 January 2019

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

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

As a lessee

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

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

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

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

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

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

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

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

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

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

Policy applicable before 1 January 2019

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

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

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

As a lessor
The management agreements convey to the equipment managers the right to control the managed fleet, therefore meeting the definition of a lease. The management agreements are accordingly deemed to be leases between the group entity and its equipment managers. The majority of the containers are on long-term operating leases between the equipment managers and the shipping lines, which are typically for five or more years. Some of the containers are on finance leases between the equipment managers and the shipping lines. The finance leases are treated as operating leases between the group entity and the equipment manager in terms of the management agreements.

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

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

3.11.2 Goods sold
The equipment managers are responsible for the sale of containers when they reach the end of their useful lives or when it is financially viable to do so. Revenue recognised from the sale of marine cargo containers is the amount of consideration the entity expects to be entitled to in exchange for the containers transferred to the customer.

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

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

3.12 Finance income and finance expenses

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

3.12.2 Interest expense
Interest expense comprises the effective interest expense on financial liabilities measured at amortised cost. Capitalised debt issuance costs which are amortised over the term of the debt are included in interest expense as required by application of the effective interest method.

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

3.13 Employee benefits

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

3. Significant accounting policies (continued)

3.13.2 Retirement benefits

A group entity contributes to a defined contribution retirement fund. A defined contribution fund is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the fund is recognised in profit or loss in the period during which services are rendered by employees.

3.14 Income tax

Income tax comprises current, deferred and dividends tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the estimated taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are off-set if there is a legally enforceable right to off-set current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.15 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the company by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit or loss attributable to shareholders of the company by the weighted average number of shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares.

Headline earnings per share

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

3.16 Accounting standards and interpretations in issue but not yet effective

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

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

Effective for the financial year commencing 1 January 2020:

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

4. Discontinued operation

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

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

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

	Group				
	Leasehold improvements and right-of-use asset Rm	Container leasing equipment Rm	Plant and machinery Rm	Other equipment Rm	Total Rm
5. Property, plant and equipment					
Cost					
2018					
Balance at 1 January 2018	27	64 366	2	142	64 537
Additions	–	399	–	–	399
Effect of movements in exchange rates	–	553	–	–	553
Transfer to container inventory	–	(498)	–	–	(498)
Disposals	(6)	–	(2)	–	(8)
Derecognised on deconsolidation of subsidiary	(21)	(60 923)	–	(136)	(61 080)
Balance at 31 December 2018	–	3 897	–	6	3 903
2019					
Recognition of right-of-use asset on initial application of IFRS 16 (refer to note 23.1)	**4**	**–**	**–**	**–**	**4**
Adjusted balance at 1 January 2019	**4**	**3 897**	**–**	**6**	**3 907**
Effect of movements in exchange rates	**–**	**(71)**	**–**	**–**	**(71)**
Transfer to container inventory	**–**	**(407)**	**–**	**–**	**(407)**
Derecognised on disposal of subsidiary (refer to note 4.3)	**–**	**(3 419)**	**–**	**–**	**(3 419)**
Balance at the end of the year	**4**	**–**	**–**	**6**	**10**
Accumulated depreciation and impairment losses					
2018					
Balance at 1 January 2018	19	19 605	1	119	19 744
Depreciation for the year	–	103	–	–	103
Effect of movements in exchange rates	–	119	–	–	119
Impairment loss for the year	–	108	–	–	108
Transfer to container inventory	–	(384)	–	–	(384)
Disposals	(1)	–	(1)	–	(2)
Derecognised on deconsolidation of subsidiary	(18)	(18 712)	–	(113)	(18 843)
Balance at 31 December 2018	–	839	–	6	845
2019					
Depreciation for the year	**2**	**113**	**–**	**–**	**115**
Effect of movements in exchange rates	**–**	**(36)**	**–**	**–**	**(36)**
Impairment loss for the year	**–**	**448**	**–**	**–**	**448**
Transfer to container inventory	**–**	**(218)**	**–**	**–**	**(218)**
Derecognised on disposal of subsidiary (refer to note 4.3)	**–**	**(1 146)**	**–**	**–**	**(1 146)**
Balance at the end of the year	**2**	**–**	**–**	**6**	**8**
Carrying amounts:					
At 1 January 2018	8	44 761	1	23	44 793
At 31 December 2018	–	3 058	–	–	3 058
At 31 December 2019	**2**	**–**	**–**	**–**	**2**
Net book value of assets encumbered as security for interest-bearing borrowings (refer to note 14):					
At 31 December 2018	–	2 984	–	–	2 984
At 31 December 2019	**–**	**–**	**–**	**–**	**–**

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

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

In prior reporting periods, for the purposes of calculating the value-in-use impairment loss, the container fleets were grouped by CGU. CGUs were defined as containers grouped by container type, as cash flows for the same type of containers are independent of cash flows of different container types, and are interchangeable with any other container of the same type within the container fleet. At 31 December 2018, the recoverable amount of a CGU was calculated based on its value-in-use, using a discount rate of 7,44% to discount the future estimated cash flows.

Projected future cash flows were estimated using the assumptions that were part of the long-term planning forecasts. These projected future cash flow assumptions were determined with reference to the then market conditions. Some of the significant estimates and assumptions used to determine future expected cash flows were expected future lease rates, expected utilisation, remaining useful lives, remaining on-hire periods for expired fixed term leases, expected future lease rates, direct container expenses and expected disposal prices of containers. In performing the impairment analysis, assumptions used reflected the contractually stipulated *per diem* rates, with renewal based on the then market rates.

6. Investment in subsidiaries

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

6. Investment in subsidiaries (continued)

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

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

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

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

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

6.6 Gain on deconsolidation of subsidiary

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

	Group 2018 Rm
Property, plant and equipment	42 237
Intangible assets	145
Investment in equity accounted investee	114
Net investment in finance leases	481
Derivative financial instruments	93
Deferred tax assets	19
Restricted cash	1 104
Current assets (including cash and cash equivalents of R1 701 million)	3 832
Total assets	48 025
Interest-bearing borrowings	(33 180)
Deferred tax liabilities	(31)
Deferred revenue	(25)
Current liabilities	(4 726)
Total liabilities	(37 962)
Subsidiary net asset value	10 063
Non-controlling interests	(5 387)
Subsidiary net asset value attributable to shareholders	4 676
Investment in equity shares at fair value through profit or loss (refer to note 7)	7 255
Gain on deconsolidation of subsidiary before recycling accumulated foreign currency translation gains	2 579
Accumulated foreign currency translation gains transferred from other comprehensive income to profit or loss	3 188
Gain on deconsolidation of subsidiary	5 767

7. Investment in equity shares

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

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

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

The shares in Textainer were previously held by Halco Holdings Inc ("Halco"). On 11 May 2018, Halco declared to Trencor, all of the shares it previously held in Textainer. As a result, Trencor then acquired 47,8% of Textainer.

8. Deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

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

Movement in temporary differences during the year:

	Group				
	Balance at the beginning of the year Rm	Recognised in profit or loss Rm	Exchange adjustment in equity Rm	Derecognised on deconsolidation of subsidiary Rm	Balance at the end of the year Rm
2019					
Property, plant and equipment	**(11)**	**10**	**1**	**–**	**–**
Trade and other payables	**2**	**(1)**	**–**	**–**	**1**
Tax losses carried forward	**11**	**(10)**	**(1)**	**–**	**–**
	2	**(1)**	**–**	**–**	**1**
2018					
Property, plant and equipment	(239)	(2)	2	228	(11)
Inventories	(2)	–	–	2	–
Trade and other receivables	(8)	–	–	8	–
Trade and other payables	19	(1)	–	(16)	2
Share-based payments	9	–	–	(9)	–
Tax losses carried forward	212	2	(2)	(201)	11
	(9)	(1)	–	12	2

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

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

8.3 In the case of the company, there were no temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised (2018: nil).

9. Restricted cash

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

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

In terms of IAS 16 *Property Plant and Equipment*, when containers in the leasing fleet cease to be rented, they are transferred to inventory at carrying value. The containers are then written down to their net realisable values, which are the estimated selling prices in the ordinary course of business, less costs to sell. The net realisable values of containers are updated as selling prices of containers change. During the year there was a net write-down of containers of R13 million (2018: R3 million).

	Group		Company	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
11. Trade and other receivables				
Trade receivables	**–**	96	**–**	–
Prepayments	**8**	10	**1**	1
Insurance receivables	**–**	7	**–**	–
Other receivables	**1**	14	**–**	–
	9	127	**1**	1
12. Cash and cash equivalents				
Bank balances	**707**	336	**–**	–
Call and term deposits	**721**	944	**–**	–
	1 428	1 280	**–**	–
13. Capital and reserves				
Share capital				
Authorised				
Ordinary shares of 0,5 cent each				
200 000 000 (2018: 200 000 000)	**1**	1	**1**	1
Issued				
Ordinary shares of 0,5 cent each				
173 534 676 (2018: 173 677 833)	**1**	1	**1**	1

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

As a result of the odd-lot offer and the specific offer to repurchase shares, 143 157 ordinary shares, representing 0,08% of the company’s issued share capital, were repurchased on 8 November 2019. The total value of the shares repurchased amounted to R5 million at a price of R32,38 per share. The amount was charged against retained income. During 2018, in the aggregate 3 390 178 ordinary shares, representing 1,91% of the company’s issued share capital were repurchased in terms of the shareholders’ general authority granted. The total value of the shares repurchased amounted to R100 million at an average price of R29,50 per share, ranging between R27,66 and R31,00 per share. Share premium was reduced by R43 million and R57 million was charged against retained income.

13.2 Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company.

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

13.4 **Reserves**

Foreign currency translation reserve

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

Share-based payment reserve

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

Net gain on changes in ownership interests in subsidiaries

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

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

14. Interest-bearing borrowings

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

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

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

At 31 December 2018, LAPCO was in breach of the interest rate ratio covenant thereby triggering an early amortisation event. The revolving nature of the facility changed to a term facility until the breach was remedied or waived by the majority of the lenders. Accordingly, on that basis, US$35,6 million (R512 million) would have become payable in the 2019 financial year and was disclosed as the current portion of long-term borrowings.

On 2 April 2019, an amendment to the credit facility agreement was concluded whereby LAPCO obtained the consent of the lenders to exclude for the four consecutive quarters ending 30 September 2019, the impairment to the container fleet which resulted in the breach. This resulted in the facility reverting to a revolving credit facility.

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

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

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

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

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

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

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

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

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

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

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

The goodwill arose on the step-up to control for TAC as at 1 July 2013 and, for the purposes of impairment testing, was allocated to the container owning and leasing segment in line with synergies expected to be obtained from the business combination. As Textainer no longer forms part of the segment, the operational synergies expected from the combined segment were not likely to be obtained, goodwill was impaired in 2018.

	Group		Company	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
18. Operating profit/(loss) before finance income – continuing operations				
Operating profit/(loss) before finance income is arrived at after taking into account:				
Income				
Capital distribution from the Halco Trust	**–**	–	**239**	168
Income distribution from the Halco Trust	**–**	–	**5**	–
Dividends received	**–**	–	**4**	6 910
Expenses				
Auditors' remuneration	**7**	5	**5**	2
Audit fee				
Current year	**7**	9	**5**	6
Over provision prior year	**–**	(4)	**–**	(4)
Directors' remuneration and benefits	**14**	14	**3**	3
Executive directors				
Short-term employee benefits	**11**	11	**–**	–
Non-executive directors				
Remuneration	**3**	3	**3**	3
Unrealised foreign exchange loss	**5**	–	**–**	–
Retirement benefit contributions included in employee benefits expense	**1**	–	**–**	–
19. Finance income – continuing operations				
Interest income				
Cash and cash equivalents	**47**	58	**–**	–
Restricted cash	**4**	–	**4**	–
	51	58	**4**	–
20. Income tax				
20.1 **Income tax paid**				
Amounts payable at the beginning of the year	**11**	123	**–**	1
Effect of movement in exchange rates	**–**	2	**–**	–
Recognised in profit or loss				
South African normal	**7**	7	**3**	1
South African dividends tax	**174**	–	**174**	–
Foreign normal	**–**	1	**–**	–
Derecognised on deconsolidation of subsidiary	**–**	(110)	**–**	–
Derecognised on disposal of subsidiary (refer to note 4.3)	**(10)**	–	**–**	–
Amounts payable at the end of the year	**(175)**	(11)	**(175)**	–
Amounts paid during the year	**7**	12	**2**	2

20. Income tax (continued)

20.2 Income tax expense

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

20.3 Income tax expense reconciliation

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

20.4 Certain group entities are not subject to tax in their countries of incorporation. However, these entities are subject to tax in certain other jurisdictions due to the nature of their operations. These entities estimate the tax liability based upon their interpretation of the tax laws of the various jurisdictions in which they operate. Deferred income taxes reflect temporary differences attributable to various jurisdictions at the appropriate statutory tax rates.

20.5 **Foreign loss inclusion differential**

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

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

22. Cash generated from operations

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

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

23. Leases

Leases as lessee (IFRS 16)

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

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

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

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

24. Employee benefits

Retirement benefit funds

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

Up until 1 June 2014, eligible employees were members of the Trencor Pension Fund. This fund has no liability in respect of pensioners and currently holds unclaimed benefits in respect of untraced former members and is in the process of being liquidated.

25. Segment reporting

Business segments

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

25.2 Information regarding the results of the reportable segment is recorded below. Performance is measured based on segment (loss)/profit before net finance expenses and income tax, as included in the internal management reports. Segment profit before net finance expenses and income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries. There was no inter-segment activity.

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

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

26. Financial instruments and risk management

26.1 Classification and measurement of financial assets and financial liabilities

The carrying amounts and fair values of each category of financial assets and liabilities are as follows:
The analysis of financial assets and liabilities of the group's interests into their categories as defined in IFRS 9 *Financial Instruments* is set out in the tables below. Assets and liabilities outside the scope of the standards are excluded.

Group	Designated at fair value through profit or loss Rm	Financial assets at amortised cost Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm	Fair value * Rm
2019					
Financial assets					
Investment in equity shares	**417**	**–**	**–**	**417**	**417**
Restricted cash	**–**	**476**	**–**	**476**	**476**
Trade and other receivables	**–**	**1**	**–**	**1**	**1**
Cash and cash equivalents	**–**	**1 428**	**–**	**1 428**	**1 428**
	417	**1 905**	**–**	**2 322**	**2 322**
Financial liabilities					
Interest-bearing borrowings	**–**	**–**	**1**	**1**	**1**
Trade and other payables	**–**	**–**	**31**	**31**	**31**
	–	**–**	**32**	**32**	**32**
2018					
Financial assets					
Investment in equity shares	3 910	–	–	3 910	3 910
Derivative financial instruments	9	–	–	9	9
Trade and other receivables	–	117	–	117	117
Cash and cash equivalents	–	1 280	–	1 280	1 280
	3 919	1 397	–	5 316	5 316
Financial liabilities					
Interest-bearing borrowings	–	–	2 170	2 170	2 170
Trade and other payables	–	–	29	29	29
	–	–	2 199	2 199	2 199
Company					
2019					
Financial assets					
Investment in equity shares	**417**	**–**	**–**	**417**	**417**
Restricted cash	**–**	**242**	**–**	**242**	**242**
	417	**242**	**–**	**659**	**659**
Financial liabilities					
Amount due to subsidiary	**–**	**–**	**907**	**907**	**850**
Trade and other payables	**–**	**–**	**11**	**11**	**11**
	–	**–**	**918**	**918**	**861**
2018					
Financial assets					
Investment in equity shares	3 910	–	–	3 910	3 910
	3 910	–	–	3 910	3 910
Financial liabilities					
Amount due to subsidiary	–	–	862	862	805
Trade and other payables	–	–	10	10	10
	–	–	872	872	815

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

26. Financial instruments and risk management (continued)

26.2 Overview

The risks arising from the use of financial instruments include:

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

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

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

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

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

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

26.3 Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

26.3.1 Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk from financial assets at 31 December was as follows:

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

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

Restricted cash, cash and cash equivalents

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

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

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

Derivative financial instruments

Derivative financial instruments are entered into with reputable financial institutions. The fair value of interest rate swap contracts is derived from the discounting of future net cash flows utilising the US dollar swap curve and incorporating an appropriate credit risk adjustment.

Trade and other receivables

Credit risk with respect to trade and other receivables is mitigated by a customer base that comprise mainly international shipping lines and is managed by the container managers managing the container fleet. The credit policy relating to the trade receivables sets different maximum exposure limits for container lessees. Various credit criteria are used to set maximum exposure limits rather than a standardised internal credit rating. Credit criteria to set maximum exposure limits may include, but is not limited to, container lessee trade route, country, social and political climate, assessments of net worth, asset ownership, bank and trade credit references, credit bureau reports (i.e. from common credit reporting agencies used in the maritime sector), operational history and financial strength. The container lessees' performance and the group's exposures to the lessee are monitored on an ongoing basis, and the credit management processes are aided by the long payment experienced with most of the container lessees and the broad network of long-standing relationships in the shipping industry that provide current information about container lessees. At 31 December 2018, one customer accounted for 21% of trade receivables and no other customer exceeding 10% of the balance. There were no trade receivables at 31 December 2019 as a result of the discontinued operation.

26.3.2 Impairment

Restricted cash, cash and cash equivalents

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

Trade receivables

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

26. Financial instruments and risk management (continued)

26.3 Credit risk (continued)

26.3.2 Impairment losses (continued)

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

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

The group's historical credit loss experience does not show significantly different loss patterns for different customer segments since there is only one class of customer. The expected credit loss allowance is therefore calculated for each past due category without disaggregating into further risk profiles. The expected credit loss allowance was determined at 31 December 2018 as follows:

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

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

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

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

26.4 Liquidity risk

Liquidity risk is the risk that group entities will not be able to meet their financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking reputational damage.

The risk is managed through cash flow forecasts and ensuring that adequate borrowing facilities are maintained. In terms of the company's memorandum of incorporation, its borrowing powers are unlimited.

The following are the contractual maturities of financial liabilities including estimated interest payments.

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

26.5 Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Group entities buy and sell derivatives, and also incur financial liabilities, in order to manage market risks.

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

26. Financial instruments and risk management (continued)

26.5 Market risk (continued)

26.5.1 Equity prices

Financial assets carried at fair value through profit or loss:

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

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

26.5.2 Currency risk

Group entities are exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of those entities, primarily the US dollar and SA rand. The currency in which these transactions are primarily denominated is the US dollar.

The following is an analysis of the financial instruments in terms of the currencies in which they are held, expressed in SA rand at 31 December:

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

Other than the investment in equity shares at 31 December 2018, the financial instruments denominated in US dollars above, represent the financial assets and liabilities of foreign operations translated into SA rand and consequently no sensitivity analysis is disclosed in respect of these items.

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

For the year ended 31 December 2018, a change of R0,01 in the foreign currency exchange rate used to translate the US dollar listed share price of Textainer at 31 December 2018 would have increased or decreased profit for the year by R3 million. This analysis assumed that all other variables, in particular the share price, remained constant. There is no currency sensitivity on the Textainer share at 31 December 2019 as a result of Textainer's inward secondary listing on the JSE on 11 December 2019.

26.5.3 Interest rate risk

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

Group entities are exposed to interest rate risk as they place funds in the money market. This risk is managed by maintaining an appropriate mix of term and daily call deposits with registered financial institutions which are subject to compliance with the relevant regulatory bodies.

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

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

Based on the derivative and non-derivative financial asset and liability balances as at 31 December 2019, it is estimated that a 100 basis points increase/decrease in interest rates would result in an increase/decrease in net after tax interest expense on non-derivative financial assets and liabilities of R11 million (2018: R11 million) and a increase/decrease in interest expense after tax on interest rate swap derivative instruments of R16 million (2018: R15 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

26.6 **Capital management**

Capital is regarded as total equity. The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board determines dividends payable to shareholders.

The company may purchase its own shares on the market, if there are good grounds for doing so. In this regard, the directors will ensure the requirements of the Companies Act of South Africa including the performance of the solvency and liquidity test are satisfied and will take account of, *inter alia*, an appropriate capitalisation structure for the company, the long-term cash needs and the interests of the company.

There were no changes in the approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. Financial instruments and risk management (continued)

26.7 Fair values

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

26.7.1 Fair value hierarchy

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

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

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

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

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

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

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

27. Related parties

27.1 Identity of related parties

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

27.2 Intra-group transactions and balances

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

27.3 Transactions with directors

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

	Company		
	Direct	Indirect *	Total
2019			
Jimmy McQueen	**49 649**	**102 133**	**151 782**
David Nurek	**–**	**10 000**	**10 000**
Eddy Oblowitz	**10 000**	**–**	**10 000**
Roddy Sparks	**–**	**4 000**	**4 000**
Herman Wessels	**–**	**27 859**	**27 859**
	59 649	**143 992**	**203 641**
2018			
Jimmy McQueen	49 649	102 133	151 782
David Nurek	–	10 000	10 000
Eddy Oblowitz	10 000	–	10 000
Roddy Sparks	–	4 000	4 000
Herman Wessels	–	27 859	27 859
	59 649	143 992	203 641

* Indirect interest represents holdings by associates.

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

27. Related parties (continued)

27.3 Transactions with directors (continued)

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

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

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

28. Indemnities and warranties

28.1 Indemnities

28.1.1 Indemnity provided by Trencor in relation to the Halco Trust

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

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

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

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

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

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

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

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

28. Indemnities and warranties (continued)

28.1 Indemnities (continued)

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

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

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

28.2 Warranties

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

29. Accounting estimates and judgements

Management determines the development, selection and disclosure of critical accounting policies and estimates and the application of these policies and estimates. Certain critical judgements in applying these accounting policies are described below:

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

Following the entering into of the VLD on 1 January 2018, shareholder voting rights in Textainer now held by Trencor are limited or restricted, solely in respect of the appointment and/or removal of directors and then only to the extent necessary to ensure that Trencor would be regarded for purposes of IFRS 10 as being neither in control of nor having significant influence over Textainer. The corresponding relevant exercisable voting rights in Textainer are not equivalent to Trencor's percentage equity shareholding in Textainer.

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

An area of significant judgement is the assessment of whether the limitations or restrictions imposed by the VLD are substantive as the VLD is only valid for a defined timeframe up to and including 30 June 2022. The directors have applied their judgement in relation to all the relevant considerations and concluded that despite Trencor holding approximately 46,6% of the equity shares in Textainer prior to the distribution of the assets *in specie* on 17 December 2019, Trencor was neither in control of nor had significant influence over Textainer for purposes of IFRS 10. Therefore, Textainer was not consolidated nor equity accounted, but had been classified under IFRS 9 as an investment in equity shares measured at fair value through profit or loss.

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

On 2 December 2019, the TAC board of directors signed an agreement to dispose of their shareholding in LAPCO subject to the fulfilment or waiver of certain key conditions precedent. The stock purchase agreement was successfully completed and closed on 31 December 2019. Management determined the held for sale date in terms of IFRS 5 to be 29 November 2019.

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

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

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

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

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

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

29.4.1 Residual values and useful lives of containers

IFRS requires the reassessment of the residual values and useful lives of containers at each reporting period, which are then used to determine the amount by which containers are depreciated. In accordance with IFRS, residual values are determined using current market conditions and are therefore likely to fluctuate over time as market prices fluctuate (i.e. will reflect market volatility). IFRS defines the residual value of a container as the estimated amount that would currently be obtained from the disposal of a container, after deducting the estimated costs of disposal, as if the container were already of the age and in the condition expected at the end of its useful life. The resale values of containers can vary significantly depending on, among other factors, location at time of sale, the condition of the container, customer demand and overall market conditions. Recent average sales prices for containers were considered by major asset type and the residual values were adjusted accordingly at 30 June 2019.

Due to the fact that the resale prices of containers at the end of their useful lives (i.e. residual value) represent a significant proportion of their original cost (i.e. resale prices have shown to be 50 to 60% of original cost based on a 10-year historical average), the prospective depreciation charge is therefore highly sensitive to movements in residual values.

Useful lives are also reassessed at each reporting period with reference to the average age at disposal date according to historical internal sales data, by container type. No changes were made to useful lives of containers during 2019 or 2018.

29. Accounting estimates and judgements (continued)

29.4 Marine cargo containers (continued)

29.4.2 Impairment

Impairment exists when the estimated future discounted cash flows to be generated by a CGU are less than the net book value of that CGU. At each reporting date, management of the relevant operating entities assesses whether there is evidence that the containers held for use in the leasing operation are impaired. Such evidence would include a decline in the results of operations or the container residual values. In estimating the future discounted cash flows to be generated by a CGU, management uses assumptions that are part of the long-term planning forecasts of the entities concerned. Some of the significant estimates and assumptions used to determine future expected cash flows were expected future lease rates, expected utilisation, remaining useful lives, remaining on-hire periods for expired fixed term leases, direct container expenses and expected disposal prices of containers. In performing the impairment analysis, assumptions used reflected the contractually stipulated *per diem* rates, with renewal based on current market rates.

30. Going concern

The company's approach to managing liquidity by managing its working capital, capital expenditure and cash flows, is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Ultimate responsibility for liquidity risk management rests with the board of directors. Typically the company ensures that it has sufficient cash on hand to meet operational expenses, including the servicing of financial obligations. At 31 December 2019, the company's current liabilities exceeded its current assets by R185 million (2018: R9 million). The company, however, has access to cash reserves throughout the group to ensure that the company can meet its financial obligations. The dividends tax liability (refer to note 20.1) was settled on 31 January 2020.

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

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

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

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

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

31. Events after the reporting period

31.1 Dividends tax

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

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

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

31.2 COVID-19

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

31.3 Dividend declaration

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

31.4 Other

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

This page left intentionally blank

Analysis of Shareholders

at 31 December 2019

	Number of holders	% of holders	Number of shares	% interest
Size of shareholding				
1 – 1 000 shares	776	41,5	293 493	0,2
1 001 – 10 000 shares	587	31,3	2 244 656	1,3
10 001 – 100 000 shares	330	17,6	11 829 258	6,8
100 001 – 1 000 000 shares	146	7,8	43 150 209	24,9
1 000 001 shares and over	34	1,8	116 017 060	66,8
Total	1 873	100,0	173 534 676	100,0
Distribution of shareholders				
Mutual funds	184	9,8	72 539 788	41,8
Banks and insurance companies	73	3,9	23 159 480	13,3
Retirement funds	169	9,0	41 144 743	23,7
Other corporate bodies	185	9,9	16 977 406	9,8
Individuals	1 067	57,0	7 589 522	4,4
Nominee companies and trusts	194	10,3	12 123 537	7,0
Investment companies	1	0,1	200	0,0
Total	1 873	100,0	173 534 676	100,0
Shareholder spread				
Public shareholders	1 865	99,6	150 041 412	86,5
Non-public shareholders	8	0,4	23 493 264	13,5
Directors and associates	7	0,4	203 641	0,1
Strategic holdings (more than 10%)	1	0,0	23 289 623	13,4
Total	1 873	100,0	173 534 676	100,0

Major shareholders

The direct and indirect beneficial interests of shareholders who, in so far as is known, held 5% or more of the issued shares at 31 December 2019 was as follows:

	Number of shares	% interest
Government Employees Pension Fund	23 289 623	13,4
Old Mutual Symmetry Satellite Equity Fund No 3	11 639 289	6,7
Jowell family	10 241 431	5,9
Coronation Balanced Plus Fund	9 866 544	5,7
	55 036 887	31,7

Directors and Committees

Directors

David Nurek	Chairman/Independent
Jimmy McQueen	
Eddy Oblowitz	Independent
Ric Sieni *	Financial
Roddy Sparks	Lead Independent
Hennie van der Merwe *	Chief Executive Officer
Herman Wessels	Independent

* Executive

Executive committee

Hennie van der Merwe	Chairman
Ric Sieni	

Audit committee

Eddy Oblowitz	Chairman
Roddy Sparks	
Herman Wessels	

Remuneration committee

Roddy Sparks	Chairman
David Nurek	
Herman Wessels	

Nomination committee

David Nurek	Chairman
Roddy Sparks	
Herman Wessels	

Risk committee

Eddy Oblowitz	Chairman
Jimmy McQueen	
David Nurek	
Ric Sieni	
Roddy Sparks	
Hennie van der Merwe	
Herman Wessels	

Governance committee

Roddy Sparks	Chairman
David Nurek	
Herman Wessels	

Social and ethics committee

Roddy Sparks	Chairman
David Nurek	
Ric Sieni	
Hennie van der Merwe	
Herman Wessels	

Directorate: Brief Résumés

Ages at 31 December 2019

EXECUTIVE

RICARDO (RIC) ANTONIO SIENI (65)

BCom (UCT) CA(SA). Appointed as financial director and member of the executive committee on 1 March 2016. He serves on the social and ethics committee and the risk committee. He completed his articles at Deloitte before joining Trencor on 1 October 1982 where he served as group accountant and later as financial manager.

HENDRIK (HENNIE) ROUX VAN DER MERWE (72)

BA Law LLB (Stellenbosch) LLM (Tax) (Wits). Appointed as chief executive officer and chairman of the executive committee on 10 August 2017. He serves on the social and ethics committee and the risk committee. He joined Trencor on 1 July 1997 and was appointed to the board on 20 May 1998 and as managing director on 4 April 2003. In April 2011 his role changed to that of a part-time executive director and member of the executive committee, until his said appointment as chief executive officer. He initially practised as an attorney at law followed by various senior executive positions in the banking and industrial sectors, both locally and internationally. He serves on the boards of various listed and unlisted companies in a non-executive capacity. He is a non-executive director of Textainer Group Holdings Limited.

NON-EXECUTIVE

JAMES (JIMMY) ERNEST MCQUEEN (75)

BCom (UCT) CA(SA). Retired from all executive positions on 10 August 2017 but remained on the board of the company in a non-executive capacity. He was previously in charge of finance and chairman of the executive committee of the company. He is a member of the risk committee. He was appointed as an alternate director of the company on 18 April 1984 and as a full director on 15 May 1996. He retired as a non-executive director of Textainer Group Holdings Limited on 23 May 2018.

INDEPENDENT NON-EXECUTIVE

DAVID MORRIS NUREK (69)

Dip Law (UCT) Grad Dip Company Law (UCT) was an executive of Investec Bank Limited until his retirement on 31 August 2019. He was appointed as an alternate director of Trencor on 30 November 1992 and as a full director on 24 July 1995. On 5 August 2016, he was appointed as chairman of the board. Prior to joining Investec in June 2000, he practised as an attorney at law with Sonnenberg Hoffmann Galombik for 32 years. He is chairman of the nomination committee and a member of the social and ethics, risk, remuneration and governance committees and serves on the boards of a number of listed and unlisted companies in a non-executive capacity. He is a non-executive director of Textainer Group Holdings Limited.

EDWIN (EDDY) OBLOWITZ (62)

BCom (UCT) CA(SA) CPA (Isr) was appointed as a non-executive director on 3 March 2004 and is chairman of the audit and risk committees. He was previously an international partner of Andersens in South Africa and until recently served as the Executive Chairman of the Stonehage Fleming Group's operations in South Africa. He is the Principal at Contineo Financial Services, which provides fiduciary and specialist consulting services to high net worth families and corporates. He is a director of various listed and unlisted companies in a non-executive capacity and serves as a trustee of various trusts.

RODERICK (RODDY) JOHN ALWYN SPARKS (60)

BCom Hons (UCT) CA(SA) MBA (UCT) was appointed as a non-executive director on 27 July 2009. He is the lead independent director and is a member of the audit, risk and nomination committees and chairman of the governance, social and ethics, and remuneration committees. He was previously managing director of Old Mutual South Africa and Old Mutual Life Assurance Company (SA) and chairperson of Old Mutual Unit Trust, Old Mutual Specialised Finance and Old Mutual Asset Managers (SA). He is a director of various listed companies in a non-executive capacity.

HERMAN WESSELS (75)

BCom CTA CA(SA) was appointed as a non-executive director on 1 April 2011. He serves on the audit, risk, nomination, remuneration, social and ethics and governance committees. He is a financial consultant having previously been a partner of PricewaterhouseCoopers in South Africa. He is a director of various listed and unlisted companies in a non-executive capacity.

Notice to Shareholders

Trencor Limited
(Incorporated in the Republic of South Africa)
(Registration number 1955/002869/06)
("the company")
Share code: TRE
ISIN: ZAE000007506

Notice is hereby given that the sixty fourth annual general meeting of shareholders of the company ("the AGM") will be held at Trencor Limited, 13th Floor, The Towers South, Heerengracht, Cape Town on Thursday, 4 June 2020 at 10:00.

RECORD DATES

In terms of section 59 of the Companies Act, No 71 of 2008, as amended ("Companies Act") the record date for shareholders to be recorded in the register of members of the company in order to receive this notice of the AGM is Friday, 24 April 2020. The record date for shareholders to be recorded in the register of members of the company in order to be able to attend, participate and vote at the AGM is Friday, 29 May 2020, and the last day to trade in the company's shares in order to be recorded in the register of members of the company so as to be able to attend, participate and vote at the AGM is Tuesday, 26 May 2020.

ELECTRONIC PARTICIPATION IN THE AGM

The company intends to make provision for shareholders of the company, or their proxies, to participate in the AGM by way of electronic means. Should you wish to participate in the AGM by such means, you, or your proxy, will be required to contact info@trencor.net no later than 10:00 on Thursday, 28 May 2020, being five days (excluding Saturdays, Sundays and public holidays) before the AGM. Voting will not be possible via such facility and shareholders wishing to exercise their voting rights are required to be represented at the meeting in person, by proxy or by letter of representation.

BUSINESS OF THE MEETING

Each of the ordinary and special resolutions set out below may be proposed and passed, with or without modification or amendment, at the AGM or at any postponement or adjournment thereof.

The purpose of the AGM is for the following business to be transacted and for the following ordinary and special resolutions to be proposed:

1. To present and consider the audited financial statements, the directors' report and the audit committee report of the company and the Trencor group for the year ended 31 December 2019.

   In terms of the Companies Act, the audited financial statements will be presented to the shareholders together with the directors' report and the audit committee report. The audited financial statements, the directors' report and the audit committee report of the company and its subsidiaries, are set out on pages 16 to 69 of the integrated annual report of which this notice of AGM forms part ("the integrated annual report").

2. In terms of the company's memorandum of incorporation David Nurek, Eddy Oblowitz and Herman Wessels retire by rotation at the AGM. David Nurek and Eddy Oblowitz, being eligible, offer themselves for re-election. Herman Wessels will retire at the AGM.

   Brief résumés of the directors of the company are presented on page 73 of the integrated annual report.

   Accordingly, shareholders are requested to consider and, if deemed fit, to re-elect the directors named above by way of passing the separate ordinary resolutions set out below:

   Ordinary resolution number 1.1
   "Resolved that David Nurek is elected as a director of the company."

   Ordinary resolution number 1.2
   "Resolved that Eddy Oblowitz is elected as a director of the company."

   Explanatory note:
   The board recommends the election of David Nurek and Eddy Oblowitz as directors of the company. The election of each director who retires by rotation and makes himself available for re-election is required at the company's AGM. The election will be conducted by a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act.

   The minimum percentage of votes required for these resolutions to be adopted is 50% plus one of the votes cast on the resolution.

3. To table the remuneration policy and implementation report of the company (as set out on pages 9 to 11 of the integrated annual report) for consideration and submit same for separate non-binding advisory votes by the shareholders.

   Advisory vote 1:
   "Resolved that the remuneration policy of the company, as set out on pages 9 and 10 of the integrated annual report of which this notice of AGM forms part, is endorsed through a non-binding advisory vote."

   Advisory vote 2:
   "Resolved that the remuneration implementation report of the company, as set out on page 11 of the integrated annual report of which this notice of AGM forms part, is endorsed through a non-binding advisory vote."

Explanatory note:
In terms of the King IV principles and the Listings Requirements of the JSE Limited, the company's remuneration policy and the implementation report should be tabled to the shareholders of the company for separate non-binding advisory votes at the annual general meeting. Accordingly, the shareholders are requested to endorse the company's remuneration policy and the implementation report by way of separate non-binding advisory votes in the same manner as an ordinary resolution.

In the event that either the policy or implementation report or both are voted against by 25% or more of the voting rights exercised then a shareholder engagement process will be undertaken to ascertain the reasons for the dissenting votes. All legitimate and reasonable objections and concerns will be appropriately addressed and full disclosure of the process followed will be included in the following year's remuneration report.

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, to signify endorsement, the minimum percentage of votes required in favour of the remuneration policy is 50% plus one of the votes cast on the resolution.

4. To reappoint KPMG Inc. as independent auditor of the company for the ensuing year.

Ordinary resolution number 2:
"Resolved that KPMG Inc. is reappointed as the auditor of the company for the ensuing year."

Explanatory note:
In compliance with section 90(1) of the Companies Act, a public company must each year at its annual general meeting appoint an auditor.

Note that the audit committee recommends the reappointment of KPMG Inc. as auditor of the company. Section 94(9) of the Companies Act entitles a company to appoint an auditor at its annual general meeting, other than one nominated by the audit committee, but if such an auditor is appointed, the appointment is valid only if the audit committee is satisfied that the proposed auditor is independent of the company.

The minimum percentage of votes required for this resolution to be adopted is 50% plus one of the votes cast on the resolution.

5. To appoint an audit committee to conduct the duties and responsibilities as outlined in section 94(7) of the Companies Act.

Ordinary resolution number 3.1:
"Resolved that David Nurek is elected as a member of the audit committee of the company subject to his re-election as a director of the company in terms of ordinary resolution number 1.1."

Ordinary resolution number 3.2:
"Resolved that Eddy Oblowitz is elected as a member of the audit committee of the company, subject to his re-election as a director of the company in terms of ordinary resolution number 1.2."

Ordinary resolution number 3.3:
"Resolved that Roddy Sparks is elected as a member of the audit committee of the company."

Explanatory note:
In terms of the Companies Act, the audit committee is not a committee of the board but a committee elected by the shareholders at each AGM.

Section 94(2) of the Companies Act requires a public company, at each AGM, to elect an audit committee.

Section 94(4)(a) of the Companies Act requires, among other things, that each member of the audit committee must be a director of the company. Brief résumés of these directors are presented on page 73 of the integrated annual report. Each of the proposed nominees is an independent non-executive director of the company.

The minimum percentage of votes required for these resolutions to be adopted is 50% plus one of the votes cast on the resolution.

6. To provide financial assistance to related and/or inter-related companies.

Special resolution number 1:
"Resolved that in terms of and subject to the provisions of section 45 of the Companies Act, the shareholders of the company hereby approve of, as a general approval, the company providing (subject to the requirements of the company's memorandum of incorporation, the Companies Act and the Listings Requirements of the JSE Limited from time to time), at any time and from time to time, during the period of two years commencing on the date of passing of this special resolution, any direct or indirect financial assistance contemplated in the Companies Act to any one or more related and/or inter-related companies or corporations of the company on such terms and conditions as the board of directors of the company, or any one or more persons authorised by the board of directors of the company from time to time for such purpose, deems fit."

Explanatory note:
The reason for special resolution number 1 is to obtain approval from the shareholders for the company to provide financial assistance, when the need arises, in accordance with the provisions of section 45 of the Companies Act. The effect of special resolution number 1 is that the company will have the necessary authority to provide such financial assistance to any one or more related and/or inter-related companies or corporations of the company as contemplated in special

resolution number 1 as and when required to do so. The board of the company undertakes that, in so far as the Companies Act requires, it will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as required by section 45(3)(b)(ii) of the Companies Act. The proposed resolution does not authorise the provision of financial assistance to any director or executive of the company.

The minimum percentage of votes required for this resolution to be adopted is 75% of the votes cast on the resolution.

7. To resolve as a special resolution that the non-executive directors' annual remuneration, in their capacity only as directors of the company, from 1 July 2020 be approved.

Special resolution number 2:
"Resolved that the non-executive directors' annual remuneration, in their capacities only as directors of the company, from 1 July 2020 be paid in accordance with the following, plus such amount of Value-Added Tax ("VAT") as may be attributable thereto:

	Rand
For services as:	
Basic remuneration as a member of the board and its committees (other than the audit/risk committee)	300 000
In addition:	
Chairman of the board	430 000
Chairman of the audit/risk committee	70 000
Chairman of the audit/risk committee (additional remuneration)	75 000
Member of the audit/risk committee	50 000
Chairman of the remuneration committee	25 000
Chairman of the social and ethics committee	25 000"

Explanatory note:
In terms of sections 66(8) and (9) of the Companies Act, remuneration may only be paid to directors for their service as directors in accordance with a special resolution approved by the shareholders within the previous two years.

It is noted that the remuneration payable to non-executive directors in their capacities as such and for their services as directors, as set out in the above special resolution, reflects a decrease of approximately 44% from the prior year, recognising the simplification of the group, which includes the retirement of two directors. In the case of the chairman of the audit/risk committee, additional remuneration of R75 000 is proposed in respect of time and effort expended in the recent past beyond what would normally be expected. In addition to reducing board fees, the role and functions of the nomination and the corporate governance committees will revert to the board itself, retaining only the statutorily required audit and social and ethics committees, as well as the remuneration committee.

It is noted that the remuneration referred to in this resolution is only in respect of remuneration payable to non-executive directors of the company in their capacities as such.

The minimum percentage of votes required for this resolution to be adopted is 75% of the votes cast on the resolution.

8. To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

Special resolution number 3:
"Resolved that the company hereby approves, as a general approval contemplated in section 48 of the Companies Act, the acquisition by the company or any of its subsidiaries from time to time of the issued shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the memorandum of incorporation of the company, the provisions of the Companies Act and the Listings Requirements of the JSE Limited ("JSE Listings Requirements") as presently constituted and which may be amended from time to time, and provided that:

(a) any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);

(b) any such repurchase of shares is authorised by the company's memorandum of incorporation;

(c) at any point in time, the company may only appoint one agent to effect any repurchase(s) on its behalf;

(d) this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing of this special resolution;

(e) the board of directors pass a resolution authorising the repurchase, confirming that the company passes the solvency and liquidity test and that at the time that the test is done there are no material changes to the financial position of the company;

(f) a paid press announcement containing full details of the acquisitions will be published as soon as the company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis, 3% of the number of shares of that class in issue at the time of granting of this general authority, and for each 3% in aggregate of the initial number of that class acquired thereafter;

(g) acquisitions by the company and its subsidiaries of shares in the share capital of the company may not, in the aggregate, exceed in any one financial year 20% (or 10% where such acquisitions relate to the acquisition by a subsidiary) of the company's issued share capital of any class as at the beginning of the financial year;

(h) in determining the price at which the company's shares are acquired by the company or its subsidiaries in terms of this general authority, the maximum price at which such shares may be acquired may not be greater than 10% above the weighted average of the market price at which such shares are traded on the JSE, as determined over the five business days immediately preceding the date of the acquisition of such shares by the company or its subsidiaries;

(i) the company or its subsidiaries are not acquiring shares during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The company shall instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and

(j) any acquisitions are made subject to any Exchange Control approval required at that point in time."

Explanatory note:
The reason for this special resolution is to grant the company a general authority in terms of the Companies Act for the acquisition by the company or any of its subsidiaries of shares issued by the company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond fifteen months from the date of this AGM. The effect of the passing of this special resolution will be to authorise the company or any of its subsidiaries to acquire shares issued by the company. If relevant in the circumstances, compliance with section 48(8)(b) of the Companies Act will be required if the company is to acquire more than 5% of its shares.

The directors are of the opinion that it would be in the best interests of the company to extend the current authority for the repurchase of shares by the company or its subsidiaries, allowing the company or any of its subsidiaries to be in a position to repurchase or purchase, as the case may be, the shares issued by the company through the order book of the JSE, should the market conditions and price, as well as the financial position of the company, justify such action, as determined by the directors.

Repurchases or purchases, as the case may be, will only be made after careful consideration, where the directors consider that such repurchase or purchase, as the case may be, will be in the best interests of the company and its shareholders.

The minimum percentage of votes required for this resolution to be adopted is 75% of the votes cast on the resolution.

STATEMENT BY THE BOARD OF DIRECTORS OF THE COMPANY REGARDING SPECIAL RESOLUTION NUMBER 3

Pursuant to and in terms of the JSE Listings Requirements, the board of directors of the company hereby states that:

(a) the intention of the directors of the company is to utilise the general authority to acquire shares in the company if at some future date the cash resources of the company are in excess of its requirements and/or there are other good grounds for doing so. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and the interests of the company;

(b) in determining the method by which the company intends to repurchase its shares, the maximum number of shares to be acquired and the date on which such acquisition will take place, the directors of the company will only make the acquisition if at the time of the acquisition they are of the opinion that:

- the company and the group will be able to pay their debts as they become due in the ordinary course of business for the next twelve months after the date of the general repurchase;
- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will be in excess of the liabilities of the company and the group for the next twelve months after the date of the general repurchase;
- the issued share capital and reserves of the company and the group will be adequate for ordinary business purposes for the next twelve months after the date of the general repurchase; and
- the working capital available to the company and the group will be sufficient for ordinary business purposes for the next twelve months after the date of the general repurchase.

OTHER DISCLOSURES IN TERMS OF SECTION 11.26 OF THE JSE LISTINGS REQUIREMENTS

The integrated annual report to which this notice of this AGM is attached provides details of:

- the major shareholders of the company on page 71; and
- the share capital of the company in note 13 on page 44, and an analysis of the shareholders (including beneficial shareholders who hold 5% or more of the issued share capital of the company and of which the company is aware, but who are not registered shareholders) on page 71.

There have been no material changes to the company and the group's financial or trading position (other than as disclosed in the accompanying integrated annual report).

The directors, whose names are given on page 72 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the integrated annual report and this notice contains all information required by law and the JSE Listings Requirements.

9. To present and consider the report of the social and ethics committee of the company as set out on pages 11 and 12 of the integrated annual report of which this notice of AGM forms part.

10. To transact such other business as may be transacted at an annual general meeting.

GENERAL INSTRUCTIONS AND INFORMATION

All shareholders are encouraged to attend, speak and vote at the AGM. On a show of hands, every shareholder of the company present in person or represented shall have one vote only. On a poll, every shareholder present in person, by proxy or represented shall have one vote for every share held.

If you hold certificated shares (i.e. have not dematerialised your shares in the company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your Central Security Depository Participant ("CSDP") to hold your shares in your own name on the company's sub-register), then:

- you may attend and vote at the AGM; alternatively
- you may appoint a proxy (who need not also be a shareholder of the company) to represent you at the AGM by completing the attached form of proxy and, for administrative purposes, you are requested to return it to the office of the company's transfer secretaries not less than 24 hours before the time appointed for the holding of the AGM (excluding Saturdays, Sundays and public holidays). Any form of proxy not so lodged beforehand may be delivered to the company at any time before the AGM commences. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy as stipulated in section 58(3)(b) of the Companies Act. Any form of proxy must be so delivered before your proxy may exercise any of your rights as a shareholder at the AGM.

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Strate Limited ("Strate"), held through a CSDP or broker) and are not registered as an "own name" dematerialised shareholder, you are not registered as a shareholder of the company, but appear on the sub-register of the company held by your CSDP. Accordingly, in these circumstances subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to attend the AGM you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from them; alternatively
- if you are unable to attend the AGM but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish them with your voting instructions in respect of the AGM and/or request them to appoint a proxy. You must then not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by them.

CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strate should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, vote by either appointing a duly authorised representative to attend and vote at the AGM or by completing the attached form of proxy in accordance with the instructions thereon and returning it, for administrative purposes, to the office of the company's transfer secretaries by no later than 10:00 on Wednesday, 3 June 2020, being 24 hours before the time appointed for the holding of the AGM (excluding Saturdays, Sundays and public holidays). Any form of proxy not so lodged beforehand may be delivered to the company at any time before the AGM commences.

Shareholders of the company, other than natural persons, that wish to participate in the AGM, may authorise any person to act as their representative at the annual general meeting.

Section 63(1) of the Companies Act requires that a person wishing to participate in the AGM (including any representative or proxy) must provide satisfactory identification (such as valid identity documents, driver's licences or passports) before they may attend or participate at such meeting.

By order of the board

Trencor Services Proprietary Limited
Secretaries
Per Guy Norval

Cape Town
30 April 2020

Form of Proxy

Trencor Limited
(Incorporated in the Republic of South Africa)
(Registration number 1955/002869/06)
("the company")
Share code: TRE ISIN: ZAE000007506

For use at the annual general meeting of shareholders of the company to be held at Trencor Limited, 13th Floor, The Towers South, Heerengracht, Cape Town on Thursday, 4 June 2020 at 10:00 ("the AGM").

Not to be used by beneficial owners of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless they are recorded on the sub-register as "own name" dematerialised shareholders ("own name dematerialised shareholders"). Generally, you will not be an own name dematerialised shareholder unless you have specifically requested the CSDP to record you as the holder of the shares in your own name in the company's sub-register.

Only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the company's sub-register as the holder of dematerialised shares.

Each shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the AGM and any adjournment or postponement thereof.

Please note the following:

- the appointment of your proxy may be suspended at any time and to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the AGM;
- the appointment of the proxy is revocable;
- you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the company; and
- any shareholder of the company, other than natural persons, may authorise any person to act as its representative at the AGM. Please also note that section 63(1) of the Companies Act, No 71 of 2008, as amended, ("Companies Act") requires that persons wishing to participate in the AGM (including the aforementioned representative) provide satisfactory identification before they may attend or participate at such meeting.

Note that voting will be performed by way of a poll so that each shareholder present or represented by way of proxy will be entitled to vote the number of shares held or represented by them.

- My/our proxy may delegate to another person his/her authority to act on my/our behalf at the AGM, provided that my/our proxy:
- may only delegate his/her authority to act on my/our behalf at the AGM to a director of the company;
- must provide written notification to the transfer secretaries of the company, namely Computershare Investor Services Proprietary Limited of the delegation by my/our proxy of his/her authority to act on my/our behalf at the AGM by no later than 10:00 on Wednesday, 3 June 2020, being 24 hours (excluding Saturdays, Sundays and public holidays) before the AGM to be held at 10:00 on Thursday, 4 June 2020; and
- must provide to his/her delegate a copy of his/her authority to act on my/our behalf at the AGM.

Refer to the notes on page 81.

This form of proxy to be lodged with:

The Transfer Secretaries of Trencor Limited, namely
Computershare Investor Services Proprietary Limited
– at Rosebank Towers, 15 Biermann Avenue, Rosebank 2196; or
– posted to Private Bag X9000 Saxonwold 2132; or
– emailed to proxy@computershare.co.za.

as soon as possible to be received, for administrative purposes, not later than 24 hours before the AGM. Any form of proxy not so lodged beforehand may be delivered to the company at any time before the AGM commences at 10:00 on Thursday, 4 June 2020.

I/we (full names) ____________________

of (address) ____________________

Telephone: Work ________ Home ________ Mobile ________

being a shareholder(s) of the company, holding ________ shares in the company

hereby appoint (refer to note 1) ____________________

or failing him/her ____________________

or failing him/her ____________________

or failing him/her the chairperson of the AGM as my/our proxy to act for me/us on my/our behalf at the AGM and at any adjournment or postponement thereof in accordance with the following instructions:

Insert an "X" in the relevant spaces according to how you wish your votes to be cast. If you wish to cast less than all the votes in respect of the shares held by you, insert the number of votes in respect of which you desire to vote (refer to note 2). Unless otherwise instructed my/our proxy can vote as he/she deems fit.

	For	Against	Abstain
Election of directors:			
Ordinary resolution number 1.1: Election of David Nurek as director.			
Ordinary resolution number 1.2: Election of Eddy Oblowitz as director.			
Non-binding advisory vote 1: Endorsement of the remuneration policy of the company.			
Non-binding advisory vote 2: Endorsement of the remuneration implementation report of the company.			
Ordinary resolution number 2: Reappointment of KPMG Inc. as independent auditor.			
To appoint an audit committee with the following members:			
Ordinary resolution number 3.1: Election of David Nurek as audit committee member.			
Ordinary resolution number 3.2: Election of Eddy Oblowitz as audit committee member.			
Ordinary resolution number 3.3: Election of Roddy Sparks as audit committee member.			
Special resolution number 1: To approve and authorise the provision of financial assistance, as contemplated in section 45 of the Companies Act, by the company to related or inter-related companies.			
Special resolution number 2: To approve the non-executive directors' remuneration, in their capacities as directors only, from 1 July 2020.			
Special resolution number 3: To approve the granting of a general authority to the company or its subsidiaries to acquire the issued shares of the company upon such terms and conditions and in such amounts as the directors may from time to time determine.			

Signed at on this day of 2020

Signature Assisted by (where applicable) signature

Name of signatory Name of assistant

Capacity Capacity

(Authority of signatory to be attached if applicable – refer to note 6)

Summary of shareholders' rights in respect of proxy appointments as contained in section 58 of the Companies Act

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the company, to participate in and speak and vote at a shareholders meeting on your behalf and may appoint more than one proxy to exercise voting rights attached to different securities held by you;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the transfer secretaries of the company, namely Computershare Investor Services Proprietary Limited, alternatively to the company before the commencement of the meeting before your proxy exercises any of your rights as a shareholder at the AGM;
- the appointment of your proxy or proxies will be suspended at any time and to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the AGM;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy, and to the company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the company and the proxy as aforesaid;
- if this proxy form has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's Memorandum of Incorporation to be delivered by the company to you will be delivered by the company to you or your proxy or proxies, if you have directed the company to do so in writing and paid any reasonable fee charged by the company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the AGM, but only as directed by you on this proxy form; and
- the appointment of your proxy remains valid only until the end of the AGM or any adjournment or postponement thereof or for a period of six months, whichever is shorter, unless it is revoked by you before then on the basis set out above.

Refer to the notes opposite.

Notes to the Form of Proxy

1. A certificated or own name dematerialised shareholder or nominee of a CSDP or broker registered as a shareholder in the company's sub-register may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the chairperson of the annual general meeting', but any such deletion must be initialled by the shareholder. The person whose name stands first on the proxy form and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, then the chairperson shall be deemed to be appointed as the proxy.
2. A shareholder's instructions to the proxy must be indicated in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy will be deemed to be authorised to vote or to abstain from voting at the AGM as he/she deems fit in respect of all of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable by the shareholder.
3. Proxy forms should be lodged with the company's transfer secretaries, Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to Computershare Investor Services Proprietary Limited, Private Bag X9000, Saxonwold, 2132, or emailed to proxy@computershare.co.za. Forms of proxy are requested to be lodged, for administrative purposes, by no later than 24 hours (excluding Saturdays, Sundays and public holidays) before the AGM (i.e. 10:00 on Wednesday, 3 June 2020). Any form of proxy not so lodged beforehand may be delivered to the company at any time before the AGM commences at 10:00 on Thursday, 4 June 2020.
4. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.
5. Where there are joint holders of shares, the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the register of shareholders, will be accepted.
6. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the company's transfer secretaries or waived by the chairperson of the AGM. CSDPs or brokers registered as shareholders in the company's sub-register voting on instructions from owners of shares registered in the company's sub-sub-register, are requested that they identify the owner in the sub-sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the company's transfer secretaries together with this form of proxy.
7. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but the chairperson may nevertheless elect not to accept the alteration or correction.
8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.
9. Certificated shareholders, other than natural persons, may by resolution of their directors, or other properly authorised body, in terms of section 57 of the Companies Act, authorise any person to act as their representative.
10. The chairperson of the AGM may, in his/her discretion, accept or reject any form of proxy which is completed other than in accordance with these notes.
11. If required, additional forms of proxy are available from the company's transfer secretaries or the registered office of the company.
12. If you are the owner of dematerialised shares held through a CSDP or broker (or its nominee) and are not an own name dematerialised shareholder, then you are not the registered shareholder of the company, but appear as the holder of a beneficial interest on the relevant sub-register of the company held by your CSDP. Accordingly, in these circumstances, do NOT complete this proxy form. Subject to the mandate between yourself and your CSDP or broker:
    - if you wish to attend the AGM you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from them; alternatively
    - if you are unable to attend the AGM but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish them with your voting instructions in respect of the AGM and/or request them to appoint a proxy. You must then not complete the attached form of proxy. Your instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strate should, when authorised in terms of their mandate or instructed to do by the person on behalf of whom they hold the dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the AGM or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the company's transfer secretaries to be received, for administrative purposes, not less than 24 hours (excluding Saturdays, Sundays and public holidays) prior to the time appointed for the holding of the AGM. Any form of proxy not so lodged beforehand may be delivered to the company at any time before the AGM commences at 10:00 on Wednesday, 3 June 2020.

Corporate Information

Company registration
Trencor Limited
Incorporated in the Republic of South Africa
on 28 September 1955
Registration number 1955/002869/06

Year listed
1955

Registered office and postal address
13th Floor, The Towers South
Heerengracht
Cape Town 8001
Tel: 021 421 7310
Fax: 021 419 3692
International: +27 21

Secretary
Trencor Services Proprietary Limited

Website
www.trencor.net

Email
info@trencor.net

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
(Private Bag X9000 Saxonwold 2132)
Tel: 011 370 5000
Fax: 011 688 5200
Call Centre: 0861 100950 (within RSA)
or +27 11 370 5000 (outside RSA)
www.computershare.com

Auditor
KPMG Inc.
The Halyard
4 Christiaan Barnard Street
Cape Town City Centre 8000
(PO Box 4609 Cape Town 8000)

Designated auditor
GS Kolbé

Attorneys
Edward Nathan Sonnenbergs Inc

Sponsors
Rand Merchant Bank (A division of FirstRand Bank Limited)

Industry Classification Benchmark
Industry: Industrial
Supersector: Industrial goods and services
Sector: Industrial transportation
Subsector: Transportation services

Market name
Trencor

JSE share code
TRE

ISIN
ZAE000007506

LEI
549300SQJU1J0D4CRR78

www.trencor.net