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

Reviewed Condensed Consolidated Financial Statements
for the year ended 31 December 2018

COMMENTARY

GROUP

- Textainer Group Holdings Ltd ("Textainer") and Halco Holdings Inc ("Halco") entered into a Voting Limitation Deed ("VLD") on 1 January 2018, with Trencor assuming the rights and obligations of Halco under the VLD on the registration of transfer to Trencor of Halco's shareholding in Textainer in May 2018. The VLD has the effect for IFRS purposes of Trencor being regarded as neither in control of nor having significant influence over Textainer.
- Accordingly, as from 1 January 2018, the financial results of Textainer, reporting under US GAAP, are no longer required to be converted into IFRS for inclusion in the results of Trencor. Textainer is now accounted for by Trencor as an investment measured at fair value through profit or loss.
- The deconsolidation of Textainer at 1 January 2018 resulted in a basic earnings gain of R2,6 billion and a recycling of the accumulated foreign currency translation gains of R3,2 billion from other comprehensive income to profit or loss. These gains have not impacted headline earnings or cash flows.
- It follows that the results of Trencor for the year ended 31 December 2018 are not comparable with its results for the corresponding year ended 31 December 2017.
- Between 4 October and 6 December 2018 Trencor cumulatively repurchased from shareholders 3 390 178 ordinary shares for a consideration of R100 million.
- The year-end SA rand to US dollar exchange rate was R14,39 (2017: R12,37). The average SA rand to US dollar exchange rate for the year was R13,11 (2017: R13,29).
- Basic earnings for the year ended 31 December 2018 amounted to 1 610 cents per share (2017: basic loss 182 cents per share).
- Headline loss for the year ended 31 December 2018 amounted to 1 818 cents per share (2017: headline earnings 149 cents per share).
- Based on the relevant spot exchange rate and the listed share price of Textainer, the net asset value ("NAV") of Trencor at the dates below were as follows:

	26 March 2019	31 December 2018	31 December 2017
Textainer share price	US$9,72	US$9,96	US$21,50
Spot exchange rate US$1:	R14,42	R14,39	R12,37
	R million	R million	R million
Textainer	3 824	3 910	7 255
TAC (US GAAP NAV)	1 707	1 704	1 004
TAC (IFRS adjustments)	(286)	(285)	(176)
Cash (excluding in Textainer and TAC)	903	914	1 095
Other net (liabilities)/assets	(11)	(12)	449
Total NAV	6 137	6 231	9 627
	Rand per share	Rand per share	Rand per share
Textainer	22,01	22,51	40,97
TAC (US GAAP NAV)	9,83	9,81	5,67
TAC (IFRS adjustments)	(1,65)	(1,64)	(0,99)
Cash (excluding in Textainer and TAC)	5,20	5,26	6,19
Other net (liabilities)/assets	(0,06)	(0,07)	2,53
Total NAV	35,33	35,87	54,37

Notes:
(1.) The values at a reporting year-end are actual values converted at the applicable exchange rate. At 26 March 2019, other than for Textainer and the cash outside of Textainer and TAC which are recorded at actual as at 26 March 2019, 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.) On 19 February 2018, TAC issued one million ordinary shares to Halco in exchange for the settlement of all outstanding Halco loans of US$36,8 million. This is the main reason for the significant increase in the NAV of TAC at 31 December 2018 when compared to 31 December 2017. An identical reduction in Other net (liabilities)/assets has been recorded.

TEXTAINER (NYSE: TGH): 47,52% interest at 31 December 2018 (2017: beneficiary interest 47,78%)

(Note: Trencor now owns the shares in Textainer, whereas previously it had a beneficiary interest in such shares)

US GAAP RESULTS

- Net income attributable to common shareholders for the year ended 31 December 2018 was US$50,4 million (2017: US$19,4 million).
- Average fleet utilisation for the year ended 31 December 2018 was 98,1% (2017: 96,4%).
- New container investments of approximately US$830 million received into the owned and managed fleet during the year.
- Total fleet under management at 31 December 2018 was 3 354 724 (2017: 3 279 892) twenty foot equivalent units ("TEU") of which Textainer itself owned 78,9% (2017: 74,6%).
- No dividends declared (2017: nil).
- Textainer's detailed results may be viewed on its website: www.textainer.com

TAC: 100% interest at 31 December 2018 (2017: beneficiary interest 100%)

(Note: Trencor now owns the shares in TAC, whereas previously it had a beneficiary interest in such shares)

US GAAP RESULTS

- Net income attributable to Trencor for the year ended 31 December 2018 was US$0,6 million (2017: US$2,5 million).
- Net income attributable to Trencor has been derived after an impairment to the reefer container fleet of US$3,7million (2017: nil).
- Average fleet utilisation for the year ended 31 December 2018 was 98,6% (2017: 94,4%).
- Fleet size at 31 December 2018 was 177 149 TEU (2017: 173 150 TEU).
- Acquired US$30 million (2017: US$12 million) of new containers during the year ended 31 December 2018.

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.

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

	2018 US$ million	2017 US$ million
US GAAP profit attributable to Trencor	0,6	2,5
Adjustments:		
Non-cash IFRS net impairment loss	(3,8)	(3,3)
IFRS reduction in depreciation	8,2	2,1
IFRS tax effect of the above, and other	0,8	0,2
IFRS profit attributable to Trencor	5,8	1,5

DIVIDEND CONSIDERATION

At Trencor's AGM in August 2018, the Chairman envisaged the potential unbundling of Trencor's shares in Textainer to Trencor's shareholders, subject to Textainer inward listing on the JSE, in further simplification of Trencor's interests following the distributions described in note 2 to the condensed consolidated financial statements. In considering any distribution, such as the said unbundling or a dividend, the board would have to be satisfied that post distribution Trencor will retain adequate assets and liquidity to cover the maximum potential exposure under the indemnity referred to in the said note 2. The board's view is that Trencor should earmark mainly its cash resources for this purpose. This would enable the envisaged unbundling of as many as possible of its Textainer shares to Trencor's shareholders. Accordingly, the board resolved for the time being to preserve Trencor's cash resources in lieu of paying a dividend.

REVIEW REPORT

The condensed consolidated financial statements, which comprise of the statement of financial position at 31 December 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to such financial statements, have been reviewed by KPMG Inc., who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

PREPARATION OF FINANCIAL STATEMENTS

These condensed consolidated financial statements have been prepared by management under the supervision of the financial director, Ric Sieni CA(SA). The directors take full responsibility for the preparation of the financial statements.

On behalf of the board

Hennie van der Merwe
Chief Executive Officer

29 March 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2018

R million	Reviewed 2018	Audited 2017
ASSETS		
Property, plant and equipment	3 058	44 793
Intangible assets and goodwill	-	282
Investment in equity accounted investee	-	114
Investment (note 3)	3 910	-
Net investment in finance leases	-	496
Derivative financial instruments	9	100
Deferred tax assets	2	19
Restricted cash	-	1 105
Total non-current assets	6 979	46 909
Inventories	19	403
Trade and other receivables	127	1 440
Current portion of net investment in finance leases	-	427
Cash and cash equivalents	1 280	3 134
Total current assets	1 426	5 404
Total assets	8 405	52 313
EQUITY		
Share capital and premium	1	44
Reserves	6 230	7 004
Total equity attributable to equity holders of the company	6 231	7 048
Non-controlling interests	-	5 387
Total equity	6 231	12 435
LIABILITIES		
Interest-bearing borrowings (note 9)	1 622	35 008
Deferred revenue	-	25
Deferred tax liabilities	-	28
Total non-current liabilities	1 622	35 061
Trade and other payables	29	2 080
Current tax liabilities	11	123
Current portion of interest-bearing borrowings (note 9)	512	2 611
Current portion of deferred revenue	-	3
Total current liabilities	552	4 817
Total liabilities	2 174	39 878
Total equity and liabilities	8 405	52 313
Capital expenditure incurred during the year	400	5 750
Capital expenditure committed and authorised, but not yet incurred	-	3 030
Ratio to total equity:		
Total liabilities (%)	34,9	320,7
Interest-bearing borrowings (%)	34,2	302,5

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

R million	Reviewed 2018	Restated 2017
Revenue (note 4 and 10)	619	9 625
Other operating income	18	2
Gain on deconsolidation of subsidiary (note 3)	5 767	-
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	526	-
Cost of containers sold	(151)	(1 489)
Direct leasing expenses	-	(794)
Distributions to managed fleet owners (note 10)	-	(1 281)
Employee benefits expense	(23)	(369)
Depreciation	(103)	(3 048)
Impairment of property, plant and equipment (note 5)	(108)	(1 222)
Impairment of goodwill	(137)	-
Other operating expenses	(184)	(407)
Net long-term receivables fair value adjustment	-	(15)
Fair value adjustment of investment (note 3)	(3 345)	-
Operating profit before net finance expenses	2 879	1 002
Net finance expenses	(22)	(1 586)
Finance expenses: Interest expense	(88)	(1 704)
Realised and unrealised gains on derivative financial instruments	4	50
Finance income: Interest income	62	68
Share of profit of equity accounted investee (net of tax)	-	4
Profit/(Loss) before tax	2 857	(580)
Income tax expense	9	30
Profit/(Loss) for the year	2 848	(610)
Other comprehensive loss		
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation gains/(losses)	237	(1 239)
Accumulated foreign currency translation gains recycled from other comprehensive income on deconsolidation and liquidation of subsidiaries	(3 714)	-
Total comprehensive loss for the year	(629)	(1 849)
Total comprehensive loss for the year attributable to:		
Equity holders of the company	(629)	(983)
Non-controlling interests	-	(866)
	(629)	(1 849)
Profit/(Loss) for the year attributable to:		
Equity holders of the company	2 848	(321)
Non-controlling interests	-	(289)
	2 848	(610)
Basic earnings/(loss) per share (cents)	1 610,2	(181,5)
Diluted earnings/(loss) per share (cents)	1 610,2	(181,5)
Number of shares in issue (million)	173,7	177,1
Weighted average number of shares in issue (million)	176,9	177,1
Year-end rate of exchange: SA rand to US dollar	14,39	12,37
Average rate of exchange for the year: SA rand to US dollar	13,11	13,29

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Equity holders of the company								
R million	Share capital	Share premium	Foreign currency translation reserve	Share-based payment reserve	Gain/(Loss) on changes in ownership interests in subsidiaries	Retained income	Total	Non-controlling interests	Total equity
Audited									
Balance at 1 January 2017									
Total comprehensive loss for the year	1	43	4 483	408	504	2 760	8 199	6 218	14 417
Loss for the year	-	-	-	-	-	(321)	(321)	(289)	(610)
Other comprehensive loss for the year									

Foreign currency translation differences	-	-	(662)	-	-	-	(662)	(577)	(1 239)
Total other comprehensive loss for the year	-	-	(662)	-	-	-	(662)	(577)	(1 239)
Total comprehensive loss for the year	-	-	(662)	-	-	(321)	(983)	(866)	(1 849)
Transactions with owners, recorded directly in equity									
Contributions by/(Distributions to) owners									
Share-based payments	-	-	-	31	-	-	31	34	65
Share options exercised	-	-	-	-	-	-	-	13	13
Dividends paid	-	-	-	-	-	(177)	(177)	(34)	(211)
Total contributions by/(distributions to) owners	-	-	-	31	-	(177)	(146)	13	(133)
Changes in ownership interests in subsidiaries	-	-	-	-	(22)	-	(22)	22	-
Total transactions with owners	-	-	-	31	(22)	(177)	(168)	35	(133)
Balance at 31 December 2017	1	43	3 821	439	482	2 262	7 048	5 387	12 435
Reviewed									
Total comprehensive loss for the year									
Profit for the year	-	-	-	-	-	2 848	2 848	-	2 848
Other comprehensive loss/(income) 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 for the year	-	-	(3 477)	-	-	2 848	(629)	-	(629)
Transactions with owners, recorded directly in equity									
Distributions to owners									
Shares bought back by the company	-	(43)	-	-	-	(57)	(100)	-	(100)
Dividends paid	-	-	-	-	-	(88)	(88)	-	(88)
Total distributions to owners	-	(43)	-	-	-	(145)	(188)	-	(188)
Change due to deconsolidation of subsidiary (note 3)	-	-	-	-	-	-	-	(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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

R million	Reviewed 2018	Audited 2017
Cash flows from operating activities		
Cash generated from operations	351	6 920
Increase in container leasing equipment	(399)	(4 156)
Finance income received	62	68
Finance lease income received	-	94
Finance expenses paid	(79)	(1 430)
Decrease in finance leases	-	430
Payments to third parties in respect of long-term receivables	-	(36)
Dividends paid to equity holders of the company	(88)	(177)
Dividends paid to non-controlling interests	-	(34)
Income tax paid	(12)	(62)
Net cash (outflow)/inflow from operating activities	(165)	1 617
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	(14)
Proceeds on disposal of property, plant and equipment	26	-
Increase in restricted cash	-	(466)
Decrease in cash on deconsolidation of subsidiary (note 3)	(1 701)	-
Net cash outflow from investing activities	(1 675)	(480)

Cash flows from financing activities		
Interest-bearing borrowings repaid	-	(23 244)
Interest-bearing borrowings raised	-	22 988
Shares bought back by company	(100)	-
Debt issuance costs incurred	-	(393)
Proceeds on issue of shares by subsidiary	-	13
Net cash outflow from financing activities	(100)	(636)
Net (decrease)/increase in cash and cash equivalents before exchange rate fluctuations	(1 940)	501
Cash and cash equivalents at the beginning of the year	3 134	2 837
Effects of exchange rate fluctuations on cash and cash equivalents	86	(204)
Cash and cash equivalents at the end of the year	1 280	3 134

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
for the year ended 31 December 2018

1. The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the Financial Reporting Guides and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements except for the adoption of IFRS 9 Financial Instruments ("IFRS 9") and IFRS 15 Revenue from Contracts with Customers ("IFRS 15") (refer to note 12).

2. Comparability of financial years

As a consequence of the events reported below, the results in the current year are not comparable with previous financial years.

At 31 December 2017, Trencor had a 47,8% beneficiary interest in Textainer Group Holdings Limited ("Textainer") through Halco Holdings Inc ("Halco") under the Halco Trust ("Trust"). At Halco's request, Textainer and Halco entered into a Voting Limitation Deed ("VLD"), on 1 January 2018, whereby Halco agreed to limit or restrict its shareholder voting rights in Textainer, 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 as being neither in control of nor having significant influence over Textainer. All Halco's voting rights, save for the said limitation or restriction, were unaffected by the VLD.

Following the entering into of the VLD, the financial results of Textainer, reporting under US GAAP, are no longer required to be converted into IFRS for inclusion in the results of Trencor. Textainer is now accounted for by Trencor as an investment measured at fair value through profit or loss (refer to note 3). The results of Textainer were previously included in the segment Containers - owning, leasing, management and trading (refer to note 7).

On 20 February 2018, Trencor, as a nominated beneficiary of the Trust, received a vesting and distribution from the Trust of the entire issued share capital of Halco. At that date, Halco was the holder of 47,8% of the shares in Textainer and 100% of the shares in TAC Limited ("TAC"). This vesting and distribution have had no financial consequences on the consolidated financial statements of Trencor.

Before the vesting and distribution were effected, as is customary in the Trust's jurisdiction, Trencor had to provide an indemnity to, inter alia, the trustee of the Trust. The indemnity terminates on 31 December 2024. The maximum exposure under such indemnity is US$62 million.

On 11 May 2018, Halco declared to its sole shareholder, Trencor, three dividends, namely 47,8% of the shares in Textainer, 100% of the shares in TAC (these dividends constituting the entirety of Halco's shareholdings in Textainer and TAC) and a cash amount of US$8 million. As a result, Trencor then owned 47,8% of Textainer and 100% of TAC. Trencor assumed the same contractual rights and obligations vis-à-vis Textainer as Halco had under the VLD and Textainer continued to be accounted for by Trencor at fair value through profit or loss. These dividends have had no financial consequences on the consolidated financial statements of Trencor.

3. Investment

Upon entering into the VLD (refer to note 2) a gain on deconsolidation of Textainer as at 1 January 2018 was recorded. At 31 December 2018 a fair value adjustment of the investment in Textainer was recorded. These recordals are detailed as follows:

Gain on deconsolidation of subsidiary:

R million	Reviewed 2018
Property, plant and equipment	42 237
Intangible assets and goodwill	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 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 Trencor's equity holders	4 676
Investment at fair value through profit or loss	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

Fair value adjustment of investment:

Fair value at 1 January 2018	7 255
Fair value at 31 December 2018	3 910
Fair value adjustment of investment	(3 345)

R million	Reviewed 2018	Restated 2017
4. Revenue		
Goods sold	184	2 303
Distribution from fleet managers	435	-
Leasing income	-	7 265
Management fees	-	57
	619	9 625

R million	Reviewed 2018	Audited 2017
5. Impairment of property, plant and equipment		
Container leasing equipment:		
Impairment recognised at the end of the year	107	1 209
Impairment recognised in respect of containers on operating leases not recovered from defaulting customers	4	33
Reversal of impairment provided on containers on operating leases		

with defaulting customers	(3)	(109)
Impairment prior to reversal of compensation from third parties	108	1 133
Reversal of compensation from third party in respect of additional containers recovered from defaulting customers	-	89
	108	1 222

A net impairment loss has been recognised for the year ended 31 December 2018 (2017: impairment loss), decreasing the carrying value of container leasing equipment to its recoverable amount. For the purposes of calculating the impairment loss, the container fleets were grouped by cash-generating units ("CGUs"). 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. The recoverable amount of a CGU has been calculated based on its value in use. The pre-tax discount rate used to discount the future estimated cash flows of TAC was 7,44% (2017: 7,66%).

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

The recoverable amounts and impairment amounts of the CGUs which were impaired are as follows:

	Reviewed		Audited	
		2018		2017
R million	Recoverable amount	Impairment/(recovery)	Recoverable amount	Impairment/ (recovery)
Container type				
Non-refrigerated containers other than open top and flatrack containers:				
20' Dry freight	1 125	44	14 189	48
40' Dry freight	-	-	1 902	(14)
40' Hi cube	1 435	63	17 613	16
45' Hi cube	12	(2)	240	18
Refrigerated containers:				
20' Refrigerated	-	-	204	23
40' Refrigerated	169	1	8 390	1 120
Open top and flatrack containers:				
20' Flatrack	10	1	177	(2)
	2 751	107	42 715	1 209

R million	Reviewed 2018	Audited 2017
6. Headline (loss)/earnings		
Profit/(Loss) attributable to equity holders of the company	2 848	(321)
Impairment of property, plant and equipment	108	1 133
Reversal of compensation from third party in respect of impairment of property, plant and equipment	-	89
Gain on deconsolidation of subsidiary (note 3)	(5 767)	-
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	(526)	-
Impairment of goodwill	137	-
Profit on sale of property, plant and equipment	(18)	-
Total tax effects of adjustments	3	(19)
Total non-controlling interests' share of adjustments	-	(617)
Headline (loss)/earnings	(3 215)	265

Weighted average number of shares in issue (million)	176,9	177,1
Headline (loss)/earnings per share (cents)	(1 817,5)	149,4
Diluted headline (loss)/earnings per share (cents)	(1 817,5)	149,4

R million	Reviewed 2018	Restated 2017
7. Segmental reporting		
Revenue		
Reportable segments		
Containers - owning, leasing, management and trading	619	9 625
Profit/(Loss) before tax		
Reportable segments		
Containers - owning, leasing, management and trading	66	(451)
Containers - finance	-	(23)
	66	(474)
Gain on deconsolidation of subsidiary (note 3)	5 767	-
Fair value adjustment of investment	(3 345)	-
Accumulated foreign currency translation gains recycled to profit or loss on liquidation of subsidiaries	526	-
Unallocated	(157)	(106)
	2 857	(580)
Assets		
Capital expenditure incurred by the container owning, leasing, management and trading segment	400	5 750

R million	Reviewed 2018 Carrying amount	Reviewed 2018 Fair Value	Audited 2017 Carrying amount	Audited 2017 Fair Value
The carrying amounts and fair values of financial assets and financial liabilities are as follows:				
Assets				
Financial assets carried at fair value through profit or loss:				
Investments (1)	3 910	3 910	-	-
Derivative financial instruments (2)	9	9	100	100
Financial assets carried at amortised cost:				
Restricted cash	-	-	1 105	1 105
Trade and other receivables	118	118	1 282	1 282
Cash and cash equivalents	1 280	1 280	3 134	3 134
Net investment in finance leases	-	-	923	938
	5 317	5 317	6 544	6 559
Liabilities				
Liabilities at amortised cost:				
Interest-bearing borrowings (excluding debt issuance costs)	2 170	2 170	37 952	38 013
Trade and other payables	29	29	2 080	2 080
	2 199	2 199	40 032	40 093

(1) Level 1 or
(2) level 2 of the fair value hierarchy.

The value of the interest rate swaps is based on a discounted cash flow analysis utilising forecasted interest rate yield curves. Reliance is placed on the valuations prepared by the banks providing the swaps.

9. Interest-bearing borrowings

At 31 December 2018, Leased Asset Pool Company Limited ("LAPCO"), a TAC subsidiary, breached the earnings before interest and tax ("EBIT") ratio as defined in the credit agreement it entered into with the banks providing it with funding. This triggered an early amortisation event which continues until remedied or waived by a majority of the banks. Accordingly, R512 million has been disclosed as the current portion of interest-bearing borrowings. The final maturity date is the sixth anniversary of the date on which the early amortisation event occurs and the revolving loans convert into term loans.

LAPCO has requested a waiver of the EBIT ratio breach and is awaiting a response from the banks.

10. Restatement of the group's prior year condensed consolidated statement of profit or loss and other comprehensive income

Textainer has restated its financial statement presentation of the operating results from its container management business as a result of re-evaluating the accounting treatment of its fleet management agreements for managed fleet containers. These agreements convey to Textainer the right to control the use of the managed fleet containers. It was determined by Textainer that these agreements, irrespective of legal ownership, should be deemed to be leases for accounting purposes in terms of IAS 17 Leases. This has resulted in the restatement of a prior period error.

Lease management fee income, previously presented on a net basis, has been reclassified and is now presented on a gross basis. Further to this restatement by Textainer, and in terms of IAS 16 Property, Plant and Equipment, the group accordingly is also required to gross up the revenue in respect of the disposal of the managed fleet containers which was previously presented on a net basis. The result is an increase in deemed lease rental income and sales income and a corresponding increase in separately reported distribution expenses to managed fleet owners, with no effect on the group's consolidated statement of financial position, consolidated statement of cash flows, loss for the year in the consolidated statement of profit or loss and other comprehensive income, basic loss per share and headline earnings per share.

The impact of the required restatement of the financial statement presentation in the group's consolidated statement of profit or loss and other comprehensive income for the prior year ended 31 December 2017 is as follows:

R million	Amount previously reported	Change	Restated amount
Revenue	8 344	1 281	9 625
Distributions to managed fleet owners	-	(1 281)	(1 281)
Other income and expenses	(8 954)	-	(8 954)
Loss for the year	(610)	-	(610)
Total comprehensive loss for the year	(1 849)	-	(1 849)
Total comprehensive loss for the year attributable to:			
Equity holders of the company	(983)	-	(983)
Non-controlling interests	(866)	-	(866)
	(1 849)	-	(1 849)
Loss for the year attributable to:			
Equity holders of the company	(321)	-	(321)
Non-controlling interests	(289)	-	(289)
	(610)	-	(610)
Basic loss per share (cents)	(181,5)	-	(181,5)
Diluted loss per share (cents)	(181,5)	-	(181,5)
Headline earnings per share (cents)	149,4	-	149,4
Diluted headline earnings per share (cents)	149,4	-	149,4

The restatement has no impact on the 2018 financial information due to the deconsolidation of Textainer.

11. Events after reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year, which will have a material impact on the financial position as at 31 December 2018.

12. Changes in significant accounting policies

The group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018.

IFRS 15 did not have a material impact on the group as services are delivered daily or monthly (i.e. time basis) and consequently revenue has also been recognised on this basis in terms of IAS 18. This treatment is in line with IFRS 15 requirements.

The impact of IFRS 9 on the financial statements is not material as the expected credit loss model did not result in a significantly different provision when compared to the provision raised for the year ended 31 December 2017, this assessment was based on the group's historical low levels of credit losses.

13. Standards and interpretations not yet effective

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 standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard.

The group has completed an initial assessment of the potential impact of IFRS 16 on its consolidated financial statements, but has not yet completed its detailed assessment. Thus far, the most significant impact identified is that the group will recognise a new asset and liability in respect of the operating lease of Trencor's Cape Town Head Office premises. As at 31 December 2018, the group's future minimum lease payments under non-cancellable operating leases amounted to R4 million, on an undiscounted basis. In addition, the nature of expenses related to those leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use asset and interest expense on the lease liability. The group has no finance leases.

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