



Trencor Limited

Registration number 1955/002869/06

# SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2021

### Contents

	Commentary	1
	Summarised Statement of Financial Position	2
Summarised Statement of Profit or Loss and Other Comprehensive Income		2
	Summarised Statement of Changes in Equity	3
	Summarised Statement of Cash Flows	3
	Notes to the Summarised Financial Statements	4

# Commentary

- Basic earnings/(loss) and headline earnings/(loss) for the year ended 31 December 2021 amounted to 3 cents per share (2020: loss 22 cents per share).
- The SA rand to US dollar exchange rate at 31 December 2021 was R15,87 (2020: R14,58). The average SA rand to US dollar exchange rate for the twelve months was R14,85 (2020: R16,42).
- The results of TAC Limited ("TAC"), reporting under US GAAP, are converted to IFRS for inclusion in the results of Trencor, which is required to report under IFRS. The current year's results under both accounting conventions are identical given the limited activities of TAC.
- No cash dividends declared during the year (2020: 160 cents per share).

Based on the relevant spot exchange rate, the net asset value ("NAV") of Trencor at the dates below was as follows:

	<b>31 December 2021</b>	31 December 2020
Spot exchange rate US\$1	<b>R15,87</b>	R14,58
	<b>Rm</b>	Rm
TAC (book NAV)	<b>777</b>	715
Cash (excluding in TAC)	<b>432</b>	431
Other net assets/(liabilities)	<b>1</b>	(5)
<b>Total NAV</b>	<b>1 210</b>	1 141
	<b>R per share</b>	R per share
TAC (book NAV)	<b>4,48</b>	4,12
Cash (excluding in TAC)	<b>2,49</b>	2,49
Other net assets/(liabilities)	<b>-</b>	(0,03)
<b>Total NAV per share</b>	<b>6,97</b>	6,58

#### Notes:

1. The values at a reporting year-end are actual values converted at the applicable exchange rate.
2. Included in the book NAV of TAC at 31 December 2021 are cash deposits of US\$49 million (2020: US\$49 million).
3. Included in cash (excluding in TAC) at 31 December 2021 are cash deposits held in escrow of US\$17 million (2020: US\$17 million).

## SIMPLIFICATION OF INTERESTS

A great amount of detail has been provided in previous reports outlining the steps taken to simplify Trencor's interests. Major steps in this simplification process included, inter alia, the unbundling of Trencor's entire shareholding in Textainer Group Holdings Limited to Trencor shareholders by way of two in specie dividends in December 2019 and June 2020 respectively and the cash sale by Trencor's subsidiary, TAC Limited, of its container asset owning company, Leased Assets Pool Company Limited.

As a result of the simplification process, the group is now invested solely in cash and other liquid assets.

## CHANGES TO THE BOARD

At the annual general meeting held on 11 May 2021, Hennie van der Merwe retired as an executive director and as chief executive officer and from the respective board committees on which he served.

On that date, Ric Sieni (financial director) was appointed to undertake the additional role of chief executive officer and the executive committee and governance committee were discontinued. The functions of the governance committee are now undertaken by the board itself.

## 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.

# Summarised Statement of Financial Position

at 31 December 2021

	Notes	2021 Rm	2020 Rm
<b>Assets</b>			
Property, plant and equipment		1	1
Deferred tax assets		2	2
Restricted cash	3	273	252
<b>Total non-current assets</b>		<b>276</b>	<b>255</b>
Trade and other receivables		3	3
Cash and cash equivalents	4	936	895
<b>Total current assets</b>		<b>939</b>	<b>898</b>
<b>Total assets</b>		<b>1 215</b>	<b>1 153</b>
<b>Equity</b>			
Issued capital		1	1
Reserves		1 209	1 140
<b>Equity attributable to shareholders of the company</b>		<b>1 210</b>	<b>1 141</b>
<b>Liabilities</b>			
Lease liability		–	1
Deferred tax liabilities		–	2
<b>Total non-current liabilities</b>		<b>–</b>	<b>3</b>
Trade and other payables		3	8
Current tax liabilities	6.1	1	1
Current portion of lease liability		1	–
<b>Total current liabilities</b>		<b>5</b>	<b>9</b>
<b>Total liabilities</b>		<b>5</b>	<b>12</b>
<b>Total equity and liabilities</b>		<b>1 215</b>	<b>1 153</b>

# Summarised Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 Rm	2020 Rm
Other operating income		22	8
Employee benefits expense		(10)	(22)
Depreciation		–	(2)
Other operating expenses		(15)	(43)
Fair value adjustment of investment in equity shares	5	–	16
Operating loss before finance income		(3)	(43)
Finance income		7	23
Profit/(Loss) before tax		4	(20)
Income tax (credit)/expense	6.2	(2)	18
<b>Profit/(Loss) for the year</b>		<b>6</b>	<b>(38)</b>
<b>Other comprehensive income</b>			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		63	85
<b>Total comprehensive income for the year</b>		<b>69</b>	<b>47</b>
<b>Earnings/(Loss) per share</b>			
	7.2		
Basic earnings/(loss) per share (cents)		3	(22)
Diluted earnings/(loss) per share (cents)		3	(22)

# Summarised Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital Rm	Foreign currency translation reserve Rm	Retained income Rm	Total Rm
Balance at 1 January 2020	1	295	1 830	2 126
<b>Total comprehensive income/(loss) for the year</b>				
Loss for the year	-	-	(38)	(38)
Other comprehensive income for the year				
Foreign currency translation differences	-	85	-	85
Total other comprehensive income for the year	-	85	-	85
Total comprehensive income/(loss) for the year	-	85	(38)	47
<b>Transactions with owners, recorded directly in equity</b>				
Distributions to owners				
Dividends paid	-	-	(1 032)	(1 032)
Total distributions to owners	-	-	(1 032)	(1 032)
Total transactions with owners	-	-	(1 032)	(1 032)
<b>Balance at 31 December 2020</b>	<b>1</b>	<b>380</b>	<b>760</b>	<b>1 141</b>
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	6	6
Other comprehensive income for the year				
Foreign currency translation differences	-	63	-	63
Total other comprehensive income for the year	-	63	-	63
Total comprehensive income for the year	-	63	6	69
<b>Balance at 31 December 2021</b>	<b>1</b>	<b>443</b>	<b>766</b>	<b>1 210</b>

# Summarised Statement of Cash Flows

for the year ended 31 December 2021

	Notes	2021 Rm	2020 Rm
<b>Cash flows from operating activities</b>			
Cash utilised by operations		(30)	(83)
Finance income received		7	21
Dividends paid to shareholders of the company		-	(599)
Income tax paid	6.1	-	(191)
Net cash outflow from operating activities		(23)	(852)
<b>Cash flows from investing activities</b>			
Decrease in restricted cash		1	273
Net cash inflow from investing activities		1	273
<b>Cash flows from financing activities</b>			
Lease liability repaid		-	(1)
Net cash outflow from financing activities		-	(1)
<b>Net decrease in cash and cash equivalents before exchange rate fluctuations</b>		<b>(22)</b>	<b>(580)</b>
Cash and cash equivalents at the beginning of the year		895	1 428
Effect of exchange rate fluctuations on cash and cash equivalents		63	47
Cash and cash equivalents at the end of the year	4	936	895

# Notes to the Summarised Financial Statements

for the year ended 31 December 2021

## 1. Basis of preparation

The summarised consolidated financial statements have been extracted from the audited consolidated financial statements of the company and its subsidiaries, together referred to as the group, for the year ended 31 December 2021.

The consolidated financial statements for the year ended 31 December 2021 have been audited by KPMG Inc., who expressed an unmodified opinion thereon.

The audited consolidated and separate financial statements (consolidated financial statements) for the year ended 31 December 2021 are available at <http://www.trencor.net/financialreports/2021-reports/> and from the registered office of the company.

The summarised consolidated financial statements comprise the summarised statement of financial position at 31 December 2021, summarised statement of profit or loss and other comprehensive income, summarised statement of changes in equity and summarised statement of cash flows for the year ended 31 December 2021, and selected explanatory notes.

The summarised consolidated financial statements and the consolidated financial statements have been prepared under the supervision of Ric Sieni CA(SA) (Financial Director). The directors take full responsibility for the preparation of the summarised consolidated financial statements and that the financial information has been correctly extracted from the underlying consolidated annual financial statements, which were approved by the board on 30 March 2022. The summarised consolidated financial statements have not been audited.

The summarised 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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee 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 summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements for the year ended 31 December 2020.

### *Segmental reporting*

During 2019, Trencor disposed of the group's last remaining operating segment. Accordingly, there are no segments to report and a segment analysis has not been prepared.

## 2. Accounting standards and interpretations effective from 1 January 2021

Interest Rate Benchmark Reform – Phase 2 (IAS 39, IFRS 7, IFRS 9 and IFRS 16) had no impact on the group's consolidated financial statements.

	2021 Rm	2020 Rm
<b>3. Restricted cash</b>		
The escrow account in relation to the Halco Trust indemnitees will be held until the indemnity terminates or otherwise falls away prior to 31 December 2024 (refer to note 9.1.1)	273	252
<b>4. Cash and cash equivalents</b>		
Bank balances	5	5
Money market instruments and call and term deposits	931	890
	<b>936</b>	<b>895</b>
Refer to indemnity provided by Trencor in relation to the Halco Trust indemnitees in note 9.1.1.		
<b>5. Investment in equity shares</b>		
Investment in Textainer Group Holdings Limited ("Textainer") measured at fair value through profit or loss:		
The 27 278 802 Textainer shares, inward secondary listed shares on the JSE, were unbundled by way of distributions of assets in specie on 15 June 2020 and 17 December 2019. The distributions made by Trencor in 2020 amounted to R433 million and R3 597 million in 2019. These distributions incurred net dividends tax of R22 million and R169 million respectively.		
Reconciliation of investment in equity shares:		
Fair value at the beginning of the year	–	417
Distribution to shareholders	–	(433)
Fair value adjustment due to movement in share price	–	16
Fair value at the end of the year	–	–
<b>6. Income tax</b>		
<b>6.1 Income tax paid</b>		
Amounts payable at the beginning of the year	1	175
Recognised in profit or loss		
South African dividends tax	–	17
Amounts payable at the end of the year	(1)	(1)
Amounts paid during the year	–	191
<b>6.2 Income tax (credit)/expense</b>		
South African normal	–	–
Current	–	1
Adjustment for prior years	–	(1)
South African deferred		
(Reversal)/Origination of temporary differences	(2)	1
South African dividends tax	–	17
	<b>(2)</b>	<b>18</b>
<b>6.3 Dividends tax</b>		
In the previous year, dividends tax of R17 million comprised a R22 million charge in respect of the June 2020 unbundling, less refunds of R5 million claimed in respect of the dividends tax paid of R174 million on the December 2019 unbundling (refer to note 5).		
<b>7. Earnings/(Loss) per share</b>		
<b>7.1 Weighted average number of shares in issue (million)</b>	<b>173,5</b>	173,5
<b>7.2 Earnings/(Loss) per share</b>		
Basic earnings/(loss) per share (cents)	3	(22)
Diluted earnings/(loss) per share (cents)	3	(22)
<b>7.3 Headline earnings/(loss) attributable to shareholders of the company (Rm)</b>	<b>6</b>	<b>(38)</b>
Headline earnings/(loss) per share (cents)	3	(22)
Diluted headline earnings/(loss) per share (cents)	3	(22)

## 8. Financial instruments and risk management

### 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 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.

	Financial assets at amortised cost Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm	Fair value* Rm
<b>2021</b>				
<b>Financial assets</b>				
Restricted cash	273		273	273
Cash and cash equivalents	936		936	936
	<b>1 209</b>		<b>1 209</b>	<b>1 209</b>
<b>Financial liabilities</b>				
Lease liability		1	1	1
Trade and other payables		3	3	3
		<b>4</b>	<b>4</b>	<b>4</b>
<b>2020</b>				
<b>Financial assets</b>				
Restricted cash	252		252	252
Cash and cash equivalents	895		895	895
	<b>1 147</b>		<b>1 147</b>	<b>1 147</b>
<b>Financial liabilities</b>				
Lease liability		1	1	1
Trade and other payables		8	8	8
		<b>9</b>	<b>9</b>	<b>9</b>

\* The fair values of the financial assets and financial liabilities are their carrying amounts as they are a reasonable approximation thereof.

The group has assessed the potential impairment on restricted cash and cash and cash equivalents. The group considers that these restricted cash and cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties, therefore the expected credit loss allowance for these financial assets is nil.

## 9. Indemnities and warranties

In respect of the indemnities and warranties disclosed below, no contingent liability has been disclosed in the financial statements for the year ended 31 December 2021 as the directors believe that the possibility of an outflow of resources in relation to the indemnities and warranties, other than for costs and expenses, is remote.

### 9.1 Indemnities

#### 9.1.1 Indemnity provided by Trencor in relation to the Halco Trust indemnitees

On 20 February 2018, Trencor, as a nominated beneficiary of the Halco Trust, received a vesting and distribution from the Halco Trust of the entire issued share capital of Halco Holdings Inc ("Halco"), which in turn held the shares in Textainer and TAC. Before the vesting and distribution were effected, Trencor was required to provide an indemnity in a negotiated amount of US\$62 million, inter alia, to the trustee of the Halco Trust, in lieu of the indemnity the trustee enjoyed under the Deed of Settlement of the Halco Trust at the time.

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

The indemnity terminates on 31 December 2024 and Trencor's maximum potential exposure under such indemnity is US\$62 million (2020: US\$62 million), for which an amount of US\$17 million (2020: US\$17 million) is currently held in accordance with the terms of an escrow agreement by an independent escrow agent in an interest-bearing escrow account in Liechtenstein (refer to note 3). The escrow balance will be so held until the indemnity terminates or otherwise falls away prior to 31 December 2024. Trencor is contractually required in terms of the escrow arrangement linked to the indemnity to retain sufficient cash and other liquid assets equal to the full face value of the maximum potential exposure under the indemnity of US\$62 million, in effecting any distribution or corporate reorganisation. Restricted cash of US\$17 million (2020: US\$17 million) (refer to note 3) and cash and cash equivalents in TAC of US\$45 million (2020: US\$45 million) (refer to note 4) have been currently earmarked against any such maximum potential exposure.

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

In respect of the 11 May 2018 indemnity in relation to Halco's mislaid Textainer share certificates of 5 503 556 common shares, provided to, inter alia, Computershare Trust Company, N.A. and Computershare Inc (collectively "Computershare") by Trencor, jointly with Textainer and Halco, and with Trencor counter-indemnified by Textainer against any liability under such joint indemnity, shareholders were advised on 28 September 2020 that the relevant mislaid share certificates had been located in the Isle of Man. The mislaid share certificates were delivered to Computershare during the year, resulting in the termination of, and release from, all relevant joint indemnification agreements. The release from the indemnity agreements has not made any additional cash available for distribution by Trencor.

### 9.2 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.



## 10. Accounting estimates and judgements

Judgements and estimates are consistent with those in the consolidated annual financial statements as at and for the year ended 31 December 2020.

## 11. Going concern

Trencor is currently invested only in cash and other liquid assets, and the board is of the view that, based on its knowledge of the group, the group has adequate resources at its disposal to settle obligations as they fall due and the group will continue as a going concern for the foreseeable future and have thus prepared the group financial statements on the going concern basis.

## 12. Events after the reporting period

On 23 February 2022, it was announced that the South African corporate tax rate would change from 28% to 27% for the years of assessment ending on or after 31 March 2023. This change is not expected to have a material impact on the group earnings when it is applied for the first time in the financial year ending 31 December 2023 or to the adjustment to the deferred tax balance at 31 December 2022.

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 at 31 December 2021.

## 13. 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 2022, 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 2022:*

- Annual Improvements to IFRS Standards (2018 – 2020);
- Reference to the Conceptual Framework (IFRS 3);
- Property, Plant and Equipment: Proceeds before Intended Use (IAS 16); and
- Onerous Contracts: Cost of Fulfilling a Contract (IAS 37).

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

- Classification of liabilities as current or non-current (IAS 1);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).