



Unaudited Interim Results

for the six months ended 30 June 2021

Trencor Limited
(Incorporated in the Republic of South Africa)

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

COMMENTARY

GROUP

- Basic loss and headline loss for the six months ended 30 June 2021 amounted to 9 cents per share (2020: basic earnings and headline earnings 12 cents per share).
- The SA rand to US dollar exchange rate at 30 June 2021 was R14,28 (2020: R17,25). The average SA rand to US dollar exchange rate for the six months was R14,60 (2020: R16,57).
- No cash dividend declared (2020: nil).
- Based on the relevant spot exchange rates listed below, the net asset value ("NAV") of Trencor at the dates below was as follows:

	31 July 2021	30 June 2021	31 December 2020
Spot exchange rate US\$1	14,57 R million	14,28 R million	14,58 R million
TAC (book NAV)	711	700	715
Cash (excluding in TAC)	415	411	431
Other net liabilities	(2)	–	(5)
Total NAV	1 124	1 111	1 141
	R per share	R per share	R per share
TAC (book NAV)	4,10	4,03	4,12
Cash (excluding in TAC)	2,39	2,37	2,49
Other net liabilities	(0,01)	–	(0,03)
Total NAV per share	6,48	6,40	6,58

Notes:

- The values at a reporting period-end are actual values converted at the applicable exchange rate. At 31 July 2021, other than for the cash outside of TAC which is recorded at actual, all other components of the NAV are at the actual values prevailing at the end of the previous reporting date adjusted for the current exchange rate where applicable.
- Included in the book NAV of TAC at 30 June 2021 are cash and cash equivalents of US\$49,0 million (31 December 2020: US\$49,1 million).

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. The results under both accounting conventions are identical given the limited activities of TAC.

COVID-19

As Trencor is currently invested only in cash and other liquid assets, the impact of COVID-19 has not and is not expected to have any material effect on the going concern status of Trencor. Appropriate measures are in place to ensure a safe working environment and that Trencor remains operational during any lockdown period imposed in combating COVID-19. The situation continues to be monitored and responded to, as necessary.

DIVIDEND

For the reasons outlined in the Joint Report by the Chairman and Chief Executive Officer in Trencor's 2020 integrated annual report, no dividend has been declared.

SIMPLIFICATION OF INTERESTS AND COST CONTAINMENT

The board continues to pursue the further simplification of Trencor's interests as outlined in the Joint Report by the Chairman and Chief Executive Officer included in the 2020 integrated annual report. We continue to seek and implement cost saving measures. Trencor has, from 1 July 2021, reduced to three employees compared to the six at 31 December 2020.

PREPARATION OF FINANCIAL STATEMENTS

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

CHANGES TO THE BOARD AND COMMITTEES

- 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) took on the additional role of Chief Executive Officer; and
- The executive committee and the governance committee were discontinued and the functions of the governance committee are being undertaken by the board itself.

On behalf of the board

Ric Sieni
Chief Executive Officer and Financial Director
17 August 2021

Directors:
Independent non-executive: David Nurek (Chairman), Eddy Oblowitz, Roddy Sparks
Executive: Ric Sieni (Chief Executive Officer and Financial Director)
Secretaries: Trencor Services Proprietary Limited
Registered office: 13th Floor, The Towers South, Heerengracht, Cape Town 8001
Transfer Secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (Private Bag X9000 Saxonwold 2132)
Sponsor: Investec Bank Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021

	Unaudited 30 June 2021 Rm	Unaudited 30 June 2020 Rm	Audited 31 December 2020 Rm
ASSETS			
Property, plant and equipment	1	–	1
Deferred tax assets	2	–	2
Restricted cash (note 7)	246	584	252
Total non-current assets	249	584	255
Trade and other receivables	2	2	3
Cash and cash equivalents (note 5)	865	1 069	895
Total current assets	867	1 071	898
Total assets	1 116	1 655	1 153
EQUITY			
Share capital	1	1	1
Reserves	1 110	1 613	1 140
Total equity attributable to shareholders of the company	1 111	1 614	1 141
LIABILITIES			
Lease liability	1	–	1
Deferred tax liabilities	1	11	2
Total non-current liabilities	2	11	3
Trade and other payables	3	12	8
Current tax liabilities	–	18	1
Total current liabilities	3	30	9
Total liabilities	5	41	12
Total equity and liabilities	1 116	1 655	1 153

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021 Rm	Unaudited 30 June 2020 Rm	Audited Year ended 31 December 2020 Rm
Cash flows from operating activities			
Cash utilised by operations	(20)	(50)	(83)
Finance income received	4	16	21
Dividends paid	–	(321)	(599)
Income tax paid			
Normal tax	(1)	–	–
Dividends tax	–	(174)	(191)
Net cash outflow from operating activities	(17)	(529)	(852)
Cash flows from investing activities			
Decrease in restricted cash	1	–	273
Net cash inflow from investing activities	1	–	273
Cash flows from financing activities			
Lease liability repaid	–	(1)	(1)
Net cash outflow from financing activities	–	(1)	(1)
Net decrease in cash and cash equivalents before exchange rate fluctuations	(16)	(530)	(580)
Cash and cash equivalents at the beginning of the period	895	1 428	1 428
Effects of exchange rate fluctuations on cash and cash equivalents	(14)	171	47
Cash and cash equivalents at the end of the period (note 5)	865	1 069	895

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021

	Six months ended 30 June 2021 Rm	30 June 2020 Rm	Year ended 31 December 2020 Rm
Other operating income	–	54	8
Employee benefits expense	(7)	(11)	(22)
Depreciation	–	(2)	(2)
Other operating expenses	(14)	(26)	(43)
Fair value adjustment of investment in equity shares (note 3)	–	16	16
Operating (loss)/profit before finance income	(21)	31	(43)
Finance income	4	18	23
(Loss)/Profit before tax	(17)	49	(20)
Income tax credit/(expense) (note 2)	1	(29)	(18)
(Loss)/Profit for the period	(16)	20	(38)
Other comprehensive (loss)/income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation (losses)/gains	(14)	222	85
Total comprehensive (loss)/income for the period	(30)	242	47
(Loss)/Earnings per share			
Basic (loss)/earnings per share (cents)	(9)	12	(22)
Diluted (loss)/earnings per share (cents)	(9)	12	(22)
Number of shares in issue (million)	173,5	173,5	173,5
Weighted average number of shares in issue (million)	173,5	173,5	173,5
Period-end rate of exchange:			
SA rand to US dollar	14,28	17,25	14,58
Average rate of exchange for the period:			
SA rand to US dollar	14,60	16,57	16,42

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021

	Share capital Rm	Foreign currency translation reserve Rm	Retained income Rm	Total Rm
Unaudited				
Six months ended 30 June 2021				
Balance at 1 January 2021	1	380	760	1 141
Total comprehensive loss for the period				
Loss for the period	–	–	(16)	(16)
Other comprehensive loss for the period				
Foreign currency translation differences	–	(14)	–	(14)
Total comprehensive loss for the period	–	(14)	(16)	(30)
Balance at 30 June 2021	1	366	744	1 111
Six months ended 30 June 2020				
Balance at 1 January 2020	1	295	1 830	2 126
Total comprehensive income for the period				
Profit for the period	–	–	20	20
Other comprehensive income for the period				
Foreign currency translation differences	–	222	–	222
Total comprehensive income for the period	–	222	20	242
Transactions with shareholders, recorded directly in equity				
Distributions to shareholders				
Dividends paid	–	–	(754)	(754)
Total distributions to shareholders	–	–	(754)	(754)
Balance at 30 June 2020	1	517	1 096	1 614

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2021

1. The interim condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the Financial Reporting Guides and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the consolidated annual financial statements for the year ended 31 December 2020.

	Unaudited Six months ended 30 June 2021 Rm	Unaudited 30 June 2020 Rm	Audited Year ended 31 December 2020 Rm
2. Income tax (credit)/expense			
Deferred tax	(1)	12	1
Dividends tax	–	17	17
	(1)	29	18
3. Headline (loss)/earnings			
(Loss)/Profit attributable to shareholders	(16)	20	(38)
Headline (loss)/earnings	(16)	20	(38)
Weighted average number of shares in issue (million)	173,5	173,5	173,5
Headline (loss)/earnings per share (cents)	(9)	12	(22)
Diluted headline (loss)/earnings per share (cents)	(9)	12	(22)
	Unaudited 30 June 2021 Rm	Unaudited 30 June 2020 Rm	Audited 31 December 2020 Rm
4. Investment in equity shares			
Fair value at the beginning of the period	–	417	417
Distribution to shareholders	–	(433)	(433)
Fair value adjustment	–	16	16
Fair value at the end of the period	–	–	–
5. Cash and cash equivalents			
Bank balances	5	8	5
Money market instruments and call and term deposits	860	1 061	890
	865	1 069	895

On 15 June 2020, Tencor unbundled to its shareholders, by way of a distribution of assets *in specie*, 3 000 158 shares it held in Textainer Group Holdings Limited ("Textainer"). Textainer has a primary listing on the New York Stock Exchange and an inward secondary listing on the JSE. The distribution amounted to R433 million on which an amount of R17 million was paid in respect of dividends tax, net of refunds.

Refer to indemnity provided by Tencor in relation to the Halco Trust indemnitees in note 8.1.1.

	Unaudited 30 June 2021 Carrying amount Rm	Unaudited 30 June 2021 Fair value Rm	Unaudited 30 June 2020 Carrying amount Rm	Unaudited 30 June 2020 Fair value Rm	Audited 31 December 2020 Carrying amount Rm	Audited 31 December 2020 Fair value Rm
6. Financial instruments						
The carrying amounts and fair values of financial assets and financial liabilities are as follows:						
Assets:						
Financial assets carried at amortised cost:						
Restricted cash	246	246	584	584	252	252
Cash and cash equivalents	865	865	1 069	1 069	895	895
	1 111	1 111	1 653	1 653	1 147	1 147
Liabilities:						
Financial liabilities at amortised cost:						
Lease liability	1	1	–	–	1	1
Trade and other payables	3	3	12	12	8	8
	4	4	12	12	9	9

The group has assessed the potential impairment on restricted cash and cash and cash equivalents due to the negative impact of COVID-19 on financial institutions. The deposits are short-term in nature comprising mainly of current accounts, money market instruments and call and term deposits. The group considers that its restricted cash and cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The expected credit loss allowance for these financial assets is therefore considered to be nil.

	Unaudited 30 June 2021 Rm	Unaudited 30 June 2020 Rm	Audited 31 December 2020 Rm
7. Restricted cash			
The escrow account in relation to the Halco Trust will be held until the indemnity terminates on 31 December 2024 or otherwise falls away prior to this date	246	297	252
The escrow account in relation to the disposal of LAPCO was held until the indemnity terminated in September 2020	–	287	–
	246	584	252

8. Indemnities and warranties

In respect of the indemnities and warranties disclosed below, no contingent liability has been disclosed in the financial statements for the six months ended 30 June 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.

8.1 Indemnities

8.1.1 Indemnity provided by Tencor in relation to the Halco Trust indemnitees

On 20 February 2018, Tencor, 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, Tencor 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, Tencor 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 Tencor'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 7). The escrow balance will be so held until the indemnity terminates or otherwise falls away prior to 31 December 2024. Tencor 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 7) and cash and cash equivalents in TAC of US\$45 million (2020: US\$45 million) (refer to note 5) have been currently earmarked against any such maximum potential exposure.

8.1.2 Indemnity provided by Tencor 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 Tencor, jointly with Textainer and Halco, and with Tencor 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 have been delivered to Computershare 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 Tencor.

8.2 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.

9. Use of estimates and judgements

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

10. Financial risk management

The group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial statements as at and for the year ended 31 December 2020.

11. COVID-19

As Tencor is currently invested only in cash and other liquid assets, the impact of COVID-19 has not and is not expected to have any material effect on the going concern status of Tencor. Appropriate measures are in place to ensure a safe working environment and that Tencor remains operational during any lockdown period imposed in combating COVID-19. The situation continues to be monitored and responded to, as necessary.