



Trencor Limited

Registration number 1955/002869/06

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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Commentary

- Basic earnings and headline earnings for the year ended 31 December 2022 amounted to 1,7 cents per share (2021: 3,4 cents per share).
- The SA rand to US dollar exchange rate at 31 December 2022 was R16,93 (2021: R15,87). The average SA rand to US dollar exchange rate for the twelve months was R16,29 (2021: R14,85).
- 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 (2021: nil).
- As a result of the simplification process undertaken by Trencor, details of which were provided in previous integrated annual reports, the group is now invested solely in cash and other liquid assets.

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

	31 December 2022	31 December 2021
Spot exchange rate US\$1	R16,93	R15,87
	Rm	Rm
TAC (book NAV)	6	777
Cash (excluding in TAC)	1 275	432
Other net assets/(liabilities)	3	1
Total NAV	1 284	1 210
	R per share	R per share
TAC (book NAV)	0,03	4,48
Cash (excluding in TAC)	7,35	2,49
Other net assets/(liabilities)	0,02	–
Total NAV per share	7,40	6,97

Notes:

- In December 2022, TAC paid a dividend to Trencor Limited in the amount of US\$49,2 million. This amount was previously included in TAC US\$ book NAV.
- Cash (excluding in TAC) at 31 December 2022 is made up of Rand deposits of R149 million and the Rand equivalent of US\$66,5 million held by Trencor Limited in offshore dollar accounts of which US\$17,3 million is in escrow.

Summarised Statement of Financial Position

at 31 December 2022

	Notes	2022 Rm	2021 Rm
Assets			
Property, plant and equipment		–	1
Deferred tax assets		2	2
Restricted cash	4	293	273
Total non-current assets		295	276
Trade and other receivables		3	3
Current tax assets	6.1	2	–
Cash and cash equivalents	5	988	936
Total current assets		993	939
Total assets		1 288	1 215
Equity			
Issued capital		1	1
Reserves		1 283	1 209
Equity attributable to shareholders of the company		1 284	1 210
Liabilities			
Trade and other payables		4	3
Current tax liabilities	6.1	–	1
Current portion of lease liability		–	1
Total current liabilities		4	5
Total liabilities		4	5
Total equity and liabilities		1 288	1 215

Summarised Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

	Notes	2022 Rm	2021 Rm
Revenue		–	–
Other operating income		–	22
Employee benefits expense		(5)	(10)
Depreciation		(1)	–
Other operating expenses		(15)	(15)
Operating loss before finance income		(21)	(3)
Finance income		24	7
Profit before tax		3	4
Income tax credit	6.2	–	2
Profit for the year		3	6
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		71	63
Total comprehensive income for the year		74	69
Earnings per share			
	8.2		
Basic earnings per share (cents)		1,7	3,4
Diluted earnings per share (cents)		1,7	3,4

Summarised Statement of Changes in Equity

for the year ended 31 December 2022

	Share capital Rm	Foreign currency translation reserve Rm	Retained income Rm	Total Rm
Balance at 1 January 2021	1	380	760	1 141
Total comprehensive income for the year				
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
Balance at 31 December 2021	1	443	766	1 210
Total comprehensive income for the year				
Profit for the year	-	-	3	3
Other comprehensive income for the year				
Foreign currency translation differences	-	71	-	71
Total other comprehensive income for the year	-	71	-	71
Total comprehensive income for the year	-	71	3	74
Balance at 31 December 2022	1	514	769	1 284

Summarised Statement of Cash Flows

for the year ended 31 December 2022

	Notes	2022 Rm	2021 Rm
Cash flows from operating activities			
Cash utilised by operations		(19)	(30)
Finance income received		20	7
Income tax paid	6.1	(3)	-
Net cash outflow from operating activities		(2)	(23)
Cash flows from investing activities			
Decrease in restricted cash		-	1
Net cash inflow from investing activities		-	1
Cash flows from financing activities			
Lease liability repaid		(1)	-
Net cash outflow from financing activities		(1)	-
Net decrease in cash and cash equivalents before exchange rate fluctuations		(3)	(22)
Cash and cash equivalents at the beginning of the year		936	895
Effect of exchange rate fluctuations on cash and cash equivalents		55	63
Cash and cash equivalents at the end of the year	5	988	936

Notes to the Summarised Financial Statements

for the year ended 31 December 2022

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 2022.

The consolidated financial statements for the year ended 31 December 2022 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 2022 are available at <http://www.trencor.net/financialreports/2022-reports/> and from the registered office of the company.

The summarised consolidated financial statements comprise the summarised statement of financial position at 31 December 2022, 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 2022, and selected explanatory notes.

The summarised consolidated financial statements and the consolidated annual 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 24 March 2023. 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 2021.

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 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).

The above had no impact on the group's consolidated financial statements.

3. 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 2023, 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 2023:

- 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).

Effective for the financial year commencing 1 January 2024

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

	2022 Rm	2021 Rm
4. Restricted cash		
The escrow account in relation to the Halco Trust indemnitees will be held until the indemnity terminates or otherwise falls away prior to 31 December 2024 (refer to note 9)	283	273
5. Cash and cash equivalents		
Bank balances	3	5
Money market instruments and call and term deposits	985	931
	988	936
Refer to indemnity provided by Trencor in relation to the Halco Trust indemnitees in note 9.		
6. Income tax		
6.1. Income tax paid		
Amounts payable at the beginning of the year	(1)	(1)
Recognised in profit or loss	–	–
Amounts (receivable)/payable at the end of the year	(2)	1
Amounts paid during the year	(3)	–
6.2. Income tax credit		
South African deferred	–	2
7. Earnings per share		
7.1. Weighted average number of shares in issue (million)	173,5	173,5
7.2. Earnings per share		
Basic earnings per share (cents)	1,7	3,4
Diluted earnings per share (cents)	1,7	3,4
7.3. Headline earnings attributable to shareholders of the company (Rm)	3	6
Headline earnings per share (cents)	1,7	3,4
Diluted headline earnings per share (cents)	1,7	3,4

8. Financial instruments and risk management

Accounting classifications and fair values

The carrying amounts and fair values of each category of financial assets and liabilities are as follows:

	Financial assets at amortised cost Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm	Fair value* Rm
2022				
Financial assets				
Restricted cash	293		293	293
Cash and cash equivalents	988		988	988
	1 281		1 281	1 281
Financial liabilities				
Trade and other payables		4	4	4
		4	4	4
2021				
Financial assets				
Restricted cash	273		273	273
Cash and cash equivalents	936		936	936
	1 209		1 209	1 209
Financial liabilities				
Lease liability		1	1	1
Trade and other payables		3	3	3
		4	4	4

* The fair values of financial assets and financial liabilities are their carrying amounts as they are a reasonable approximation thereof. The fair value of the restricted cash and cash and cash equivalents have been measured according to their level in the hierarchy table.

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. 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 incurrance of liabilities by the indemnitees, and against the incurrance 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 (2021: US\$62 million), for which an amount of US\$17 million (2021: 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 4). 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 (2021: US\$17 million) (refer to note 4) and cash and cash equivalents in Trencor of US\$45 million (2021: TAC US\$45 million) (refer to note 5) have been currently earmarked against any such maximum potential exposure.

No contingent liability has been disclosed for this indemnity for the year ended 31 December 2022 as the directors believe that the possibility of an outflow of resources, other than for costs and expenses, is remote.

10. 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 consolidated financial statements on the going concern basis.

11. Events after the reporting period

The directors are not aware of any matters or circumstances arising since the end of the financial year, which will have a material impact on the financial position at 31 December 2022.