Chairman's Statement

Trencor's results largely reflect the performance of Textainer, the global container leasing business, in which Trencor has a 48% beneficiary interest through Halco Holdings under the Halco Trust. Textainer operates worldwide and is listed on the New York Stock Exchange, with its headquarters in Bermuda.

The container industry has had the most challenging year since 2009, compounded by the bankruptcy of Hanjin Shipping Co, then the world's 7th largest shipping line and a major customer of Textainer, in August 2016. The negative impact of these difficult trading conditions is explained in Textainer's letter to its shareholders, quoted below.

Trencor's trading profit after net financing costs decreased by 216% from R1 608 million in 2015 to a trading loss of R1 862 million. This loss reflects the weaker performance by Textainer due to the circumstances referred to above and includes additional depreciation required upon the conversion of US GAAP results of Textainer and TAC to IFRS.

IFRS further required Trencor to record an impairment of the container fleets in an amount of R2 107 million; no such impairment was required under US GAAP.

Headline loss per share (including the effect of net realised and unrealised foreign exchange translation gains) was 435,1 cents (2015: headline earnings per share 512,6 cents).

Adjusted headline loss per share (which excludes the effect of net unrealised foreign exchange translation gains) was 435,1 cents (2015: adjusted headline earnings per share 443,3 cents).

Net unrealised foreign exchange gains arising on translation of net dollar receivables and the related valuation adjustments, not included in adjusted headline (loss)/earnings, were nil (2015: R123 million or 69,3 cents per share).

These amounts are better reflected in tabular form:

	2016	2015
	Cents per share	Cents per share
Basic loss per share	**(984,4)**	(82,7)
Headline (loss)/earnings per share	**(435,1)**	512,6
Deduct:		
Net unrealised foreign exchange translation gains*	**–**	69,3
Adjusted headline (loss)/earnings per share	**(435,1)**	443,3
Year-end rate of exchange: SA rand to US dollar	**13,58**	15,53
Average rate of exchange for the year: SA rand to US dollar	**14,72**	12,75

* There were no unrealised foreign exchange translation gains in 2016 due to the receivables book being collected during the year.

Based on the spot exchange rate of US$1 = R13,58 and the price of Textainer's shares listed on the NYSE on 31 December 2016 (US$7,45), the net asset value ('NAV') of Trencor at that date was as follows:

	R million	**R per share**
Beneficiary interest in Textainer	**2 759,8**	**15,58**
Beneficiary interest in TAC (US GAAP NAV)	**1 069,0**	**6,04**
Cash	**1 488,8**	**8,40**
Other net assets (includes TAC IFRS adjustments)	**238,1**	**1,35**
	5 555,7	**31,37**

TEXTAINER

I include, as a direct quote, the annual letter sent by the Chairman of the Textainer board and the President and CEO of Textainer to the shareholders of Textainer:

"To Our Shareholders:

Since 1979 Textainer has been leasing containers to shipping lines throughout the world. Container leasing is a cyclical business and over that time we have successfully navigated both strong and weak markets. 2016 proved to be perhaps the most challenging year in our experience with historically low new and used container prices and rental rates. The August insolvency of Hanjin Shipping Co, the largest shipping line bankruptcy in history, had a material negative effect on what was already a difficult year. However, it also served as a catalyst for change and ushered in improved market conditions that we expect to continue into 2017.

2016 started off weakly with muted global trade growth and limited container demand. New container prices and lease rates reached historic lows over the course of the year. Used container prices were similarly low, resulting in impairments of containers put to sale and reducing the proceeds we ultimately received from those sales. Following the Hanjin bankruptcy, the market improved dramatically. New and used container prices, lease-out demand and new and depot container lease rates all rose significantly. These trends continue to benefit us as we recover and re-lease Hanjin containers and should help mitigate the large "held-for-sale" impairment charges we took in 2016. Notwithstanding these positive trends, we recognize that continued operational discipline is necessary for us to return to the level of financial performance that Textainer shareholders have historically enjoyed.

Year in Review

We were cautious at the start of the year given the weak projections for global economic growth and lack of a typical pre-Lunar New Year increased demand. The market remained weak during the first quarter. Utilisation declined to its low point for the year of 94.0% in March. New container prices declined to approximately $1,250 for a 20' standard container in April. This historically low price level was due to both low commodity prices, specifically iron ore and steel, and container manufacturers' willingness to sell containers at a loss to maintain their market share. Rental rates also fell to record low levels. Demand picked up significantly in May and remained strong throughout the summer. As we entered the third quarter, new container prices increased modestly to around $1,450 in the wake of increasing steel prices. Used container prices continued declining throughout the summer reaching their low point for the year in August.

The Hanjin bankruptcy and its aftermath defined the second half of the year. Hanjin filed for bankruptcy protection in South Korea on August 31, 2016. At the time of its bankruptcy, Hanjin was the world's 7th largest shipping line. Textainer had approximately 114,000 containers on lease to Hanjin, representing 6.4% of our total fleet, on both operating and finance leases. Hanjin was by far the largest shipping line ever to file for bankruptcy. The impact from its disorderly ceasing of operations reverberated throughout the shipping industry. Although Hanjin's bankruptcy imposed significant costs on many participants in the container shipping industry, including Textainer, it also had a silver lining.

Hanjin's 1 million TEU were largely unavailable as these containers were tied up in the company's slow unwinding. Other shipping lines sought to capitalize on the void left by Hanjin's cancelled sailings. As a result, demand for containers at the end of the third quarter and beginning of the fourth quarter was stronger than in previous years. New container prices increased by approximately $600, or more than 40%, from September to December. Container price increases gained momentum as steel prices increased 80% from the beginning of the year and manufacturers focused on returning to profitability. Used container prices also increased approximately 25% during the fourth quarter.

Perhaps most importantly, new container rental rates more than doubled. New container rental rates are correlated to new container prices and interest rates. In the first half of 2016, the combination of falling container prices, continued low interest rates and weak demand led to significant declines in both new and depot container rental rates. These decreases exceeded the percentage decline in new container pricing, compressing the yield earned on investments made on new containers. Following the Hanjin bankruptcy, increased demand coupled with a spike in new container prices and limited supply resulted in rental rates for new and depot containers returning to levels not experienced in several years.

We are pleased to say that as of the end of February 2017, we had recovered or were in the process of recovering 80% of the containers leased to Hanjin. We were also actively negotiating the release of another 13% of our Hanjin containers although we do not know whether all these negotiations will be successful. The remaining 7% of Hanjin containers are being recovered in small batches. We have also already leased out about one third of these recovered containers at attractive rates.

We expect ultimately to recover at least 90% of these containers. We have $80 million of insurance for customer defaults and we expect it will cover the great majority of losses from any unrecovered containers, lost revenue and recovery and repair costs.

As a result of the declines in used container prices experienced in 2015 and most of 2016, at the start of the third quarter of 2016 we changed our depreciation policy, decreasing the residual value for 20' standard, 40' standard, 40' high cube and 40' open top containers from $1,050, $1,300, $1,450 and $2,000 to $950, $1,150, $1,300 and $1,700, respectively. We also increased the useful lives for 40' standard containers from 13 to 14 years and increased the useful lives of certain specialized containers by one year. These changes resulted in a $25.1 million increase in depreciation expense for the year. We expect quarterly depreciation will increase by $10 million in 2017 due to these changes.

We also recognized significant asset impairments in 2016. Impairments arise when containers are off-hired and identified for sale. If the sales price in the location of the container is less than the book value of the container, we write down the value of the container to the local sales price. Should sales prices decline again before we sell the container, we further write down its value. We then record a gain if we sell the container above its written down value. These asset impairments totaled $66.5 million for the year. We saw reduced impairments in the fourth quarter compared to the previous quarters of 2016 as used container prices increased and a smaller quantity of containers were put to disposal. We expect asset impairments to continue to decrease in 2017.

We sold approximately 187,000 in-fleet and trading containers in 2016, the highest quantity of containers we have ever sold in one year. While the prices were well below the levels seen during the previous five years, they were in line when compared to the low new container prices that prevailed during the first half of the year. Fortunately, used prices have started increasing along with the recovery in new container prices. We invested $480 million to purchase more than 286,000 TEU of new and purchase-leaseback containers in 2016, 87% of which was for our own fleet. A large percentage of our purchases were made when prices were at or near the historical low levels seen last year. At year-end, our fleet totaled 3.21 million TEU. We own 81% of our fleet.

Utilisation remained high, decreasing 0.4 percentage points from 94.6% at the beginning of the year to 94.2% at the end of the year, after adjusting for Hanjin. Utilisation has subsequently increased and currently is 94.9%.

We continue to invest in tank containers via our joint venture with Trifleet, one of the leading tank lessors. Trifleet has proven to be an excellent partner with a similar operating and growth strategy as Textainer. We look forward to building on our excellent relationship.

Our adjusted net loss for the year was $56.1 million, or $0.99 per diluted common share, a 150.9% decrease from the prior year. If container impairments, bad debt expense and recovery costs, net of accrued insurance proceeds related to Hanjin, and the settlement of Haikou Nanqing Container's 2015 bankruptcy insurance claim, are excluded, adjusted net income would have decreased 110.0% to $11.5 million. This adjusted net loss was largely due to declines in rental rates, utilisation and gains on sales and an increase in impairments for containers identified for sale, interest rates and storage costs, partially offset by an increase in the size of our owned fleet.

We continue to maintain a strong balance sheet. Our debt-to-equity ratio at 2.6:1 remains the lowest among all our publicly listed peers.

Outlook

As discussed above, the second half of 2016 saw the emergence of many positive trends that are continuing in 2017. Higher new and used container prices, limited new container production, solid demand and higher rental rates are all helping us quickly re-activate containers recovered from Hanjin, maintain depot inventory at low levels and obtain better rental rates on new leases and lease renewals.

Total new dry container output in 2016 was approximately 1.8 million TEU, a significant decline from the approximately 2.7 million TEU produced in 2015 and 3.2 million TEU in 2014. We estimate leasing companies purchased 70% of these containers. Typically, 1.5 million TEU of old containers are disposed each year. Low container production coupled with continued container disposals kept the worldwide container fleet almost static in 2016. The factory inventory of new containers also steadily declined in 2016 and currently stands at about 400,000 TEU, less than half of normal inventory levels for this time of year. This is further evidence that our industry does not over-order containers when market conditions do not support new investment.

New container prices are currently above $2,000, or about $800 higher than the lowest level seen in 2016. All manufacturers in China are required to switch to waterborne paint in April 2017, which is expected to increase production costs $100 to $150 per TEU and result in supply disruptions. Prices for iron ore and steel remain well off the lows seen in 2016 and container manufacturers seem determined not to produce containers at a loss.

We expect the container shipping industry to perform better in 2017 than it did last year. Container trade growth of 2%-4% is projected for 2017 which is low on an historical basis, but higher than the 1%-2% growth experienced during 2016. Shipping lines continue to face problems of vessel overcapacity which, although likely to remain for at least the next two years, are not as severe as in recent years given the low vessel order book and high level of scrapping. Planned new ship deliveries are being delayed and the idle fleet remains high at around 1.4 million TEU. Vessel scrapping reached a record 650,000 TEU during 2016 and is expected to be even higher in 2017. Average freight rates increased more than 20% over the course of last year and Drewry, the maritime and research consulting firm, is projecting 2017 freight rates to increase an additional 20%-40%. Shipping line consolidation and the growth of three major alliances is expected to result in more freight rate stability. These factors should increase the profitability and creditworthiness of our customers.

If new container prices maintain their current levels, we expect used container prices to continue to improve, particularly in high demand locations. Rental rates for both new and used containers have more than doubled and are at levels we have not seen in several years. Rental rates have risen much faster than new container prices, demonstrating that margins have improved. Increased new and used container prices and rental rates, low new and depot container inventory levels, and stronger customers are all positive signs for 2017.

Whether these positive trends continue will depend on many factors including the continued growth of international trade, the avoidance of trade disputes, the on-going strength of container demand, the quantity of new containers purchased by shipping lines and lessors, and the extent to which shipping lines rely on leasing as opposed to buying. Furthermore, the impact of new container rental rates will only be felt over time as our fleet reprices and we put new containers on lease.

As noted at the beginning of this letter, our industry is and always has been cyclical. We have been in business for 37 years and have successfully managed through many ups and downs. 2016 was the most challenging year we have faced and one that made us especially appreciative of the support and dedication of our shareholders, customers, suppliers and employees. We thank you for your continued trust in Textainer."

End of Textainer letter.

REPORTING UNDER IFRS

The results of Textainer and TAC, reporting under US GAAP, are converted into IFRS for inclusion in the results of Trencor which is required to report under IFRS. In years prior to 2015, limited insignificant adjustments were necessary in so converting from US GAAP to IFRS. However, in the year to 31 December 2015 and continuing for the year ended 31 December 2016, 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, caused significant differences in the financial results reported under the respective accounting conventions. The process of conversion into IFRS has proved to be enormously time-consuming and expensive and has regrettably resulted in delays in producing our financial reports.

Good progress has been made in designing and implementing a software system for recording fixed assets under both accounting conventions which will, when brought on stream, significantly reduce the cost of preparing the information required for the IFRS financial statements, as well as reducing the time required to produce the information. In addition, we are at the same time exploring other possible ways of addressing the issues associated with this requirement to convert from US GAAP to IFRS. Shareholders will be informed when we have positive developments to report.

Adjusted to conform with IFRS, Trencor's consolidation of the results of Textainer required a non-cash impairment of the container fleet under IFRS of R2 107 million in 2016 (2015: R1 363 million) whereas no such impairment was necessary under US GAAP in either of these years. Furthermore, Trencor recorded an additional depreciation charge of R1 149 million which was required under IFRS for the year ended 31 December 2016, over and above the amount provided under US GAAP.

CASH FLOW AND DIVIDEND

The container leasing market remains in a fairly fluid state, as noted by the Chairman last year and elsewhere in this integrated annual report. This has had a severe impact on the results of Textainer and, to a lesser extent, TAC. Whilst Trencor and Halco remain very liquid, the boards of both of these companies are of the view that it is prudent and in their best interests to retain substantial cash balances. Halco remains ready to advance further funds to assist TAC in continuing to invest in new containers should it so require or to invest further in Textainer should such an opportunity arise in the future.

The board declared a final dividend of 50 cents per share, making a total of 130 cents per share for the year (2015: total 300 cents per share).

APPRECIATION

As announced earlier, at the forthcoming AGM Jimmy McQueen will retire as chief executive officer, executive director and chairman of the executive committee but has offered to stand for re-election as a director in a non-executive capacity. Hennie van der Merwe, previously managing director of Trencor from 2003 to 2011 and currently a part-time executive director, will become chief executive officer and chairman of the executive committee in his place. These changes are subject to them being re-elected as directors.

Jimmy will also retire from the boards of all local and off-shore group entities on which he serves, other than that of Textainer.

The board extends its appreciation to Jimmy for his dedication and hard work over the past 41 years with Trencor, during which he was an integral part of the senior management team that led Trencor to many successes. The board wishes him well in his deserved retirement.

Jim Hoelter will also retire at the AGM. Jim has served as a non-executive director of Trencor since 2002. He joined Textainer in 1987 and was President and CEO of Textainer until 1998, whereafter he served as a non-executive director on its board until his retirement in May 2016. The board extends its appreciation to Jim for his excellent contribution over so many years and wishes him well in his retirement.

I thank the directors of Trencor and our employees for their unstinting efforts and the contribution that they make to our affairs.

David Nurek

28 June 2017