Joint Report by the Chairman and Chief Executive Officer

We are pleased to present Trencor's 2019 integrated annual report.

In this joint report of the chairman and chief executive officer, we focus on updating stakeholders on further progress to date on the simplification of Trencor's interests. In addition, we provide an envisaged road map towards distributing to Trencor's shareholders all remaining assets or, where assets are to be monetised, the net proceeds thereof. Shareholders are cautioned that steps described and statements included in this report, by their nature, involve uncertainties, are best estimates of how we envisage matters unfolding, and that actual future events or results may differ materially from such estimates.

For detailed information on Trencor's 2019 financial results and related matters, stakeholders are referred to the financial statements and other reports contained in this annual report.

With the simplification of interests having reached a stage where the company effectively is a cash company with no operational activities, it would serve little purpose and not be cost effective to include in this annual report all of the information that one would expect in relation to a listed company with ongoing operations. Thus, this annual report provides only such relevant information as we deem to be of value to stakeholders, and should be viewed in such context.

FURTHER SIMPLIFICATION OF INTERESTS

Considerable progress has been made in relation to the simplification of Trencor's interests in the period under review. Several of the major milestones achieved were made possible by events which occurred in prior periods, which are described below for the context of those events and any future simplification.

Following the distribution by the Halco Trust to Trencor in February 2018 of the Halco Trust's 100% interest in Halco Holdings Inc, Trencor held 100% of the issued shares of Halco Holdings. At that time, Halco Holdings in turn held 47,8% of the issued shares of Textainer Group Holdings Limited and 100% of the issued share capital of TAC Limited. Textainer, a company with a primary listing on the New York Stock Exchange (NYSE: TGH), owns, leases, manages and trades marine cargo containers worldwide.

Prior to this distribution in February 2018, Trencor was required to provide the Halco Trust indemnity (refer to note 28.1.1 to the financial statements) (the "Halco Trust indemnity"). The provision of this indemnity was a prerequisite to enabling the simplification process to continue, culminating in the distributions by Halco Holdings to Trencor in May 2018 (including the distributions of the shares held by Halco Holdings in Textainer and TAC), the Textainer inward secondary listing on the JSE in December 2019 and Trencor's subsequent unbundling of the vast majority of its Textainer inward listed shares, all as described more fully below. In entering into this indemnity, Trencor's board took and considered extensive in-country foreign, as well as local, professional advice and exercised its best judgment in considering the interests of Trencor and its shareholders.

The initial maximum potential exposure under the Halco Trust indemnity was for the full value of the capital so distributed (being the combined value of Halco Holdings' cash resources and its entire equity holdings in both Textainer and TAC at the time). This left the trustee of the Halco Trust (the "trustee") in the same economic position as it enjoyed under the Deed of Settlement of the Halco Trust at the time. Such maximum potential exposure under the Halco Trust indemnity was subsequently reduced from the said full value of the capital distributed to US$62 million, which was the considerably smaller compromise number reached as the outcome of a commercial negotiation between Trencor and the trustee. According to its terms, the Halco Trust indemnity terminates on 31 December 2024.

It is important to note that, had Trencor not so provided the Halco Trust indemnity, and had the Halco Trust indemnity not been so reduced, none of the major milestones in the simplification process achieved in the period under review, including the unlocking of value to Trencor's shareholders through the *in specie* distribution of Textainer shares to the value of R3 597 million, would have been possible.

In May 2018 Halco Holdings distributed its shareholding in Textainer to Trencor together with all other assets held by Halco Holdings by declaring three dividends to Trencor, namely (i) a distribution of 47,8% of the shares in Textainer, (ii) a distribution of 100% of the shares in TAC and (iii) a cash distribution in the amount of US$8 million. Following these distributions by Halco Holdings, Trencor held 47,8% of the issued share capital of Textainer and 100% of the issued share capital of TAC.

These distributions by Halco Holdings in May 2018 enabled the implementation of several further steps in relation to the simplification of Trencor's interests in the course of 2019. Significant progress was achieved on 11 December 2019 with Textainer's inward secondary listing on the JSE main board and Trencor's unbundling on 17 December 2019 of all but 3 000 158 of its inward secondary listed shares in Textainer (these retained shares comprising 5,3% of the Textainer shares in issue) to Trencor's shareholders (in accordance with unanimous shareholder approval) as a dividend *in specie* (the "unbundling"). Effective 31 December 2019, TAC unconditionally disposed of its wholly-owned subsidiary, Leased Assets Pool Company Limited ("LAPCO"), to Textainer Limited, a wholly-owned subsidiary of Textainer, for US$65,5 million (the "LAPCO disposal").

As at 31 December 2019, following the unbundling and the LAPCO disposal, Trencor was left with the 5,3% inward secondary listed shareholding in Textainer then fair valued at approximately R417 million and total cash (i.e. local and foreign) of approximately R1 904 million (refer to the tables below for details of the current amounts and currencies of the cash resources). Trencor continues to hold 100% of the issued share capital of TAC, whose only asset is cash.

Trencor considered alternative ways of vesting in its shareholders the value of the retained shares in Textainer. In Trencor's 2019 reviewed results, mention was made of a potential direct purchase by a third party of all these retained shares in a single transaction. Such a transaction was viewed by Trencor as the most expedient manner of monetising these shares and distributing the proceeds to its shareholders, provided that the transaction would not be classified by the JSE as a Category 1 transaction in terms of the Listings Requirements of the JSE. Whilst the JSE has confirmed that the potential transaction would not be a Category 1 transaction, the third party has since withdrawn its interest in this transaction. Trencor will now pursue one or more of the alternative ways of vesting in its shareholders the value of the retained shares in Textainer as expeditiously as practically possible.

The Trencor board continues to pursue the further simplification of Trencor, and further developments will be publicly reported or announced to all shareholders as and when appropriate. The broad parameters and potential timeframes envisaged in such further simplification are discussed below.

CASH FLOW AND DIVIDEND CONSIDERATIONS

Post the implementation of the unbundling and the LAPCO disposal, Trencor's assets consist mainly of cash and/or liquid assets which can be turned into cash (for example, cash proceeds from any disposal of the retained Textainer shares). At the appropriate time and as a final step in the simplification process Trencor envisages being able to distribute its remaining cash resources to its shareholders and thereafter take steps to delist from the JSE and wind up. Trencor is not currently in a position to do so and will not be in a position to do so until its cash resources become commercially available.

For additional information in relation to the indemnities and the related escrow cash accounts, reference can be had to the indemnities note 28.1 and the restricted cash note 9 to the financial statements. The commercial availability of Trencor's cash resources is affected by the Halco Trust indemnity provisions and its related escrow arrangements in terms of which Trencor is contractually required to retain sufficient cash and other liquid assets equal to the full face value of the maximum potential exposure under this indemnity, as well as by the indemnity provisions of the stock purchase agreement concluded between TAC (as seller) and Textainer Limited (as buyer) in respect of the LAPCO disposal (refer to note 28.1.3 to the financial statements) (the "LAPCO disposal indemnity") and its related escrow arrangements.

At 17 April 2020, restricted cash in an aggregate amount of approximately US$34 million is held in two independently administered escrow accounts for the respective purposes of the Halco Trust indemnity and the LAPCO disposal indemnity. Trencor has to date retained assets and liquidity sufficient to cover the maximum potential exposure under the Halco Trust indemnity and until such time as this indemnity terminates or falls away prior to its scheduled termination date, must continue to do so. In addition to the amount of US$17 million in escrow under the Halco Trust indemnity, non-restricted cash in an aggregate amount of approximately US$45 million is earmarked for this purpose. Trencor has continued to seek a solution acceptable to both Trencor and the indemnitees in terms of which Trencor's potential exposure under the Halco Trust indemnity could be substituted. The indemnitees, however, have indicated that they prefer to maintain their *status quo* position under the arrangements relating to this indemnity.

Non-restricted cash resources in the amount of approximately R33 million have been earmarked by the board for operating expenses of the company for the remainder of 2020 (refer to the "Rand deposits" table below). Further non-restricted cash resources of approximately R21 million per annum on average have been earmarked for projected ongoing annual operating expenses of the company for 2021 until and including 2024 (refer to the "Rand deposits" table below). Interest income will contribute towards the funding of such projected expenses. In addition, the balance of free cash resources of approximately R181 million (or US$10 million) has been reserved as a prudent cash buffer against unforeseeable future events and expenses, which have not otherwise been catered for in connection with the abovementioned indemnities and ongoing operating requirements.

The tables below reflect the current amounts of cash resources, the currencies in which these are denominated and the envisaged application thereof:

US$ deposits	Release date	US$m
Deposits 17 April 2020:		
TAC (including the LAPCO disposal indemnity escrow account in USA of US$16,6 million, being restricted cash)		66
Halco Trust indemnity escrow account in Liechtenstein, being restricted cash		17
Total US$ deposits		83
Earmarked US$ cash resources:		
LAPCO disposal indemnity escrow amount, being restricted cash	30 June 2021 *	(17)
Halco Trust indemnity escrow amount, being restricted cash	31 December 2024 *	(17)
Earmarked for balance of Halco Trust indemnity	31 December 2024 *	(45)
Estimated TAC ongoing operating expenses for 2020 to 2024		(2)
Estimated free US$ deposits not earmarked for the above		**2**

* It is important to note that the ultimate distributable balances on the escrow accounts and on the amount earmarked for the balance of the Halco Trust indemnity, will form part of the funds available for distribution to Trencor's shareholders once these funds become commercially available subsequent to the respective release dates above. It is the intention of the board that funds thus becoming available for distribution will be distributed to shareholders as soon as practically possible after each respective release date and with due regard to the circumstances at the time.

Rand deposits	Rm
Deposits 17 April 2020:	
Trencor and its SA subsidiaries	550
Earmarked rand cash resources:	
Dividends in April 2020	(321)
Estimate of ongoing operating expenses for years ending 31 December:	
2020 (remainder)	(33)
2021 to 2024 (average ongoing annual operating expenses of around R21 million p.a.)	(82)
Estimated interest income over 2020 to 2024 *	30
Estimated free rand deposits not earmarked for the above	**144**

Summary of estimated free cash resources not earmarked in the tables above **	Rm	US$m
US$ deposits	37	2
Rand deposits	144	8
Total	**181**	**10**

* Assuming the current deposit interest rate is decreased by one percent in 2021 and prevails for the period until the end of 2024.

** Assuming the current exchange rate of R18,68 to US$1,00 prevails for the period until the end of 2024.

The abovementioned envisaged average ongoing annual operating expenses of approximately R21 million per annum from 1 January 2021 to 31 December 2024 are based on the following material assumptions:

- remaining, for the benefit and protection of shareholders, a listed entity as a cash company (refer to the listing status on page 12) throughout this period necessitating adherence to and compliance with the Listings Requirements of the JSE;
- restructuring the board to a 'fit for purpose' board by not replacing two retiring directors, resulting in only three non-executive directors (being the minimum number required under the provisions of the Companies Act relating to audit committees) and the CEO and FD becoming part time employees as soon as practically possible;
- retaining only two full time employees from March 2021, with the remaining current full time employees either retiring or being retrenched in the months leading up to such date;
- securing 'fit for purpose' and more cost effective premises, once the current lease expires on 30 June 2020;
- re-aligning the IT functions and/or relocating the IT servers, already managed by a third party, in a cost effective manner; and
- reducing the audit fees going forward, due to the change in nature of the company's activities, as the complex consolidation process will be simplified substantially and US GAAP to IFRS conversion is no longer required due to the alignment of US GAAP and IFRS when reporting for TAC as a cash company.

In view of the above considerations, the board in March 2020 declared a gross cash dividend of 185 cents per share.

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 during any shutdown period ordered in combating COVID-19.

APPRECIATION

The unwavering dedication and energy of the Trencor team, during a time when most of their effort was directed at corporate actions that will ultimately lead to the termination of their employment with Trencor, have been and remain truly remarkable. For that, and for the successes they have achieved, we thank them.

We thank our colleagues on the board for their unwavering attention to directing and pursuing Trencor's objectives during the further simplification of Trencor's interests.

The support of our shareholders throughout the simplification and the actions outlined in this report is greatly valued.

A special word of appreciation to Jimmy McQueen and Herman Wessels, both of whom have decided to retire from the Trencor board at the upcoming annual general meeting. Jimmy spent virtually his entire working life with Trencor and served as non-executive director following his retirement as CEO in 2017. During his tenure as non-executive director, Jimmy's contributions to the deliberations of the board were as unstinting and valuable as his input during his many years in the service of the group. Herman joined the board in 2011 and we benefited greatly from his contributions as member of the board and its committees, particularly the audit committee.

David Nurek
Chairman

Hennie van der Merwe
Chief Executive Officer

30 April 2020